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Consolidated Half-Yearly Financial Report

as at 31 August 2020

REPORT ON OPERATIONS

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 and subsequently merged into Unieuro S.p.A. with statutory effect beginning from 1 September 2020.

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.

In execution of the resolutions passed on 18 March 2020, on 5 August 2020, the Board of Directors of Unieuro and the Extraordinary Shareholders' Meeting of Carini Retail Unieuro and Carini Retail S.r.l. with sole shareholder (hereinafter also referred to as "Carini" or "Carini Retail") each signed the deed for the merger by incorporation of the subsidiary Carini Retail into the parent company Unieuro (the "Merger"). The statutory effects of the Merger will take effect from 1 September 2020, while the accounting and tax effects will begin from the first day of the financial year during which the Merger was completed pursuant to Article 2504-bis, paragraph 2, of the Italian Civil Code. (1 March 2020). The Merger did not involve any increase in the share capital of the merging company Unieuro, as the latter holds the entire share capital of the merged company Carini Retail.

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

Since April 2017, Unieuro shares have been listed on the STAR segment of the Milan stock exchange and the Company is in all respects a public company. Based on the information available to date, 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 contains information relating to consolidated revenues, consolidated profitability, cash flows and the statement of financial position of the Unieuro Group as at 31 August 2020 compared with the figures as at 31 August 2019 for the economic results and the cash flows and with the figures of the latest financial statements approved as at 29 February 2020 for the statement of financial position.

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

It should be noted that, one year after the first adoption of IFRS 16, the transitory phase has ended during which the financial communication of Unieuro was based on adjusted data and in continuity with the previous accounting standard IAS 17 and the related interpretations. From 1 March 2020, in line with practices that have gradually been adopted by retailers listed on international markets, the Company will therefore comment on the post-application economic quantities of the aforementioned accounting standard, focusing on Adjusted EBIT and Adjusted Net Result. The reported "(Net financial debt) / Net cash - pursuant to IAS 17" and the "Consolidated Adjusted Free Cash Flow" will instead continue to not incorporate the component related to the application of IFRS 16. Please refer to section "9. Impact of IFRS 16" for a summary of the effects of applying IFRS 16 at 31 August 2020.

On 28 May 2020, the IASB issued amendments to IFRS 16 "*Leases Covid-19-Related Rent Concessions*" introducing a practical expedient in the chapter "Changes to Leases" which allows lessees not to consider any concessions related to the effects of Covid-19 as concessions on lease payments received from 1 January 2020 that amend the original contract. On the basis of these changes, these concessions can be accounted for as positive variable rents without requiring a contractual change. The adoption process in the European Union was concluded on 12 October 2020 and was published in the Official Journal of the European Union. For further details, please refer to section "2.6.1 Changes to accounting standards" of the Condensed Consolidated Half-Yearly Financial Statements.

3. Accounting policies

This Directors' Report as at 31 August 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 in compliance with Article 2.2.3 of the Stock Exchange Regulations and in the application of IAS 34. It does not include all the information required by the IFRS for the preparation of the annual financial statements and must therefore be read in conjunction with the Unieuro Financial Statements as at 29 February 2020. The Directors' Report was prepared in compliance with International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and to the related interpretations (SIC/ IFRIC) adopted by the European Union.

The accounting criteria and the consolidation principles adopted are consistent with those used in the Group's consolidated financial statements as at 29 February 2020, to which reference is made, except for the adoption of IFRS 16 (Leases). For further details, please refer to section "2.6.1 Changes to accounting standards" of the Condensed Consolidated Half-Yearly Financial Statements.

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-Yearly 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 in continuity and homogeneity of definition and representation for all the financial periods for which information is included in the Condensed Half-Yearly Consolidated Financial Statements.

The APIs reported (*consolidated adjusted EBITDA, consolidated adjusted EBIT, consolidated adjusted EBIT margin, adjusted consolidated profit (loss) for the period, net working capital, consolidated adjusted levered free cash flow and (Net financial debt)/ Net cash - Pursuant to IAS 17*) 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 Condensed Consolidated Half-Yearly 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 the Group. The Adjusted indicators shown consist of: *Consolidated Adjusted EBITDA, Consolidated Adjusted EBIT*, *Consolidated Adjusted EBIT Margin*, Consolidated *Adjusted* and *Consolidated Adjusted Free Cash Flow* for the period and (Net financial debt) / Net cash – pursuant to IAS 17. 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 EBIT*"), and thus, they make it possible to analyse the Group's performance in a more standardised manner in the periods reported in the Report on Operations.

Main financial and operating indicators[2]-[3]

(in millions of Euro)	Period ended	
	31 August 2020	31 August 2019
Operating indicators		
Consolidated revenues	1,079.0	1,059.5
Consolidated Adjusted EBIT[4]	22.5	6.3
Consolidated Adjusted EBIT margin[5]	2.1%	0.6%
Adjusted Consolidated Profit/(Loss) for the Period[6]	14.5	(1.0)
Consolidated Profit/(Loss) for the Period	7.5	(9.1)
Cash flows		
Consolidated Adjusted Free Cash Flow[7]	28.5	(22.7)
Investments for the period	(21.2)	(24.9)

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.

3 One year after the first adoption of IFRS 16, the transitory phase has ended during which the financial communication of Unieuro was based on adjusted data and in continuity with the previous accounting standard IAS 17 and the related interpretations. From 1 March 2020, Unieuro will therefore comment only on the economic figures after application of the above-referenced accounting standard, restating the comparative figures and focusing on Adjusted EBIT and Adjusted Net Profit. The reported "(Net financial debt) / Net cash – pursuant to IAS 17" and the "Consolidated Adjusted Free Cash Flow" will instead continue to not incorporate the component related to the application of IFRS 16.

4 Consolidated Adjusted EBIT is Consolidated EBIT adjusted for (i) non-recurring expenses/(income), (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, and (iii) non-recurring amortisation/depreciation. See paragraph 7.2 for additional details.

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

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

7 Consolidated Adjusted Free Cash Flow is the consolidated cash flow generated/absorbed by operating and investing activities, including financial expenses, prior to the adoption of IFRS 16. The Consolidated Adjusted Free Cash Flow is adjusted for non-recurring operating and investment cash flows, and includes adjustments for non-recurring charges (income), their non-monetary component and the related tax effects. See paragraph 7.5 for additional details.

(in millions of Euro)	Period ended	
	31 August 2020	29 February 2020
Indicators from statement of financial position		
Net working capital	(265.4)	(258.7)
(Net financial debt) / Net cash – Pursuant to IAS 17[8]	56.1	29.6
(Net financial debt) / Net cash	(400.5)	(448.0)

(in millions of Euro)	Period ended	
	31 August 2020	29 February 2020
Operating indicators for the year		
Like-for-like growth[9]	3.9%	6.5%
Direct sales outlets (number)	254	249
of which *Pick Up Points*[10]	242	236
Affiliated sales outlets (number)	255	261
of which Pick Up Points	152	174
Total area of direct sales outlets (in square metres)	about 373,000	about 369,000
Sales density[11] (Euro per square metre)	4,740	5,031
Full-time-equivalent employees[12] (number)	4,317	4,414
Net Promoter Score[13]	47.2	46.3

8 The (Net financial debt) / Net cash – Pursuant to IAS 17, indicates the consolidated (Net financial debt) / Net cash without incorporating the effects related to the application of IFRS 16. See section 6 for additional details.

9 Like-for-like revenue growth: the methods for comparing sales for the six-month period ended 31 August 2020 with those for the six-month period ended 31 August 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.

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

11 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.

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

13 The Net Promoter Score (NPS) measures customer experience and predicts business growth. It can range from -100 (if each customer is a Detractor) to 100 (if each customer is a Promoter).

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4. Market performance[14]

In the first half of the year, market trends were strongly influenced by the abrupt change in the lifestyles and consumption of the Italian population following the sudden spread of the Covid-19 epidemic.

The main effect of this transformation can be seen in the performance of the sales channels whose mix has been modified significantly. The phenomenon is particularly linked to the confinement of the population in the months of March and April for health reasons (the *lockdown*) and only marginally to the expansion of the online user base, with the share of the Italian population with access to the internet increasing from 70% to 72%[15]. The lockdown led 1.4 million individuals to choose the online channel as a new transaction medium, with online shoppers increasing significantly from around 23 million in 2019 to almost 27 million in 2020. The new consumption styles are expressed with the increase of those who buy online on a regular basis (online shoppers with monthly frequency of purchase +18%[16]) as well as those who have approached the world of e-commerce for the first time.

The penetration of the online channel of services and products is growing particularly in sectors such as consumer electronics and publishing, i.e., those sectors that respond to new needs (home working and distance learning) and that are linked to comfort and entertainment within the home (small appliances and gaming).

In particular, the consumer electronics market[17] closed the first half of the year with a slight decline (-0.4%): a result linked to the combination of the different growth rates recorded by the two channels (Online +60.8%; Offline -12.2%) which led to a significant jump in the online penetration rate to around 26% (+10 percentage points compared to the same period last year).

Market operators reacted differently to the crisis. Although negatively affected by store closures in the first quarter, the gap narrowed for the Electrical Retail segment - small electronics chains in which Unieuro is present through the Indirect Channel - which turned profitable again thanks to a marked level of proximity. The Technical Super Stores are larger in size and managed to partially recover the gap created in the first quarter (-18%), settling at -0.9% for the half year. This was possible due the dynamics of the second quarter (+14.1%) and the strengthening of online channels. The Specialist segment is the most affected by the market crisis, as it lost significant market share, especially in the Telecom sector, which in turn affected the performance of the entire offline sector. Sales in this category moved to the online segment and are intercepted by the e-commerce channels originating from the Brick and Mortar stores. The mass merchandiser segment, which is the point of reference for online pure players, was rewarded in the first quarter by exponential growth rates, but lost momentum in the second quarter as the Offline channels recovered ground.

[14] The data relating to the market were prepared by the Group management based on the data available as of 31 August 2020.

[15] Source: audiweb data January - August 2020.

[16] Source: Politecnico di Milano: osservatorio E-commerce BTC ("E-commerce BTC la chiave per ripartire" 13-10-2020).

[17] The data relating to the Consumer market only excludes B2B activities, services (extended warranties, loans, etc.), Entertainment and products that do not come under the scope of Consumer Electronics (e.g., household items).

The changes in the structure of supply and demand have resulted, as a return effect, in differing contributions from the different product sectors:

- Grey goods performed very well (+2.0%) led by IT (+37.1%), which saw an increase in value thanks to the sale of tools needed for home working and distance learning.
- The Brown category closed in negative territory (-10.3%) specifically as a result of the performance of Consumer Electronics (-9%) driven by the performance of TVs, in spite of the double-digit growth of the Online sector (+53.3%).
- Despite an improvement over the trend seen in the first few months of the year, White goods recorded a 0.8% decrease, with the Small Domestic Appliance segment being the only positive contributor (+ 12.8%) driven by the performance of home care products.

The Unieuro Group reacted promptly to the difficult environment and relative uncertainty, consolidating its leadership position in the retail market thanks to the managerial actions it took to contain the transitory effects of the epidemic and the focus on the strategic long-term development pillars pursued in recent years.

In this latter area, it is to be noted that the following initiatives contributed to the Group's performance during the first half of the year:

- Proximity was pursued through:
    - expansion of the sales network through new distribution models, particularly in the large-scale retail sector thanks to the agreement with CIA-Conad, and the opening of new direct stores, including Milano Portello;
    - the strengthening of the Online Channel, also thanks to the renewed focus on marketing activities (both mainstream and digital) during the lockdown.
- Experience has benefited from transformational projects with a high strategic impact, including the launch of the new aTUperTU, Ciao FILA and AUTOritiro omnichannel services, as well as the introduction of in-store Stewards.

5. Group operating and financial results[18]

5.1 Consolidated revenues

In the period ended 31 August 2020, the Unieuro Group recorded Revenues totalling € 1,079.0 million, up 1.8% compared with € 1,059.5 million achieved as at 31 August 2019, showing an increase of €19.5 million.

Thanks to an extremely positive second quarter, in the first six months of the 2020/21 financial year Unieuro reached a new revenue milestone. This performance is even more significant when considered in light of the impact on the first quarter of Covid-19[19], which had led to a significant decrease in turnover.

In particular, the double-digit performance of the Retail channel was achieved in the June-August quarter, which is the most important in terms of revenues and margins, thus recovering more than one third of the channel's revenue shortfall in the first quarter. Online growth was again very strong, but decelerating compared to the first quarter in the wake of business normalisation. Finally, the Indirect channel posted a positive six-month balance compared to the corresponding 2019/20 period, due to the successful competitive and geographical positioning of the affiliate network, which benefited from the peculiar market conditions.

The development of like-for-like revenues[20]- or the comparison of sales with those of the previous year based on a standard scope of operations - was positive standing at +3.9%. Excluding the pre-existing outlets adjacent to the new stores from the scope of analysis, like-for-like sales would have recorded an even stronger growth of 6.5%.

[18] One year after the first adoption of IFRS 16, the transitory phase has ended during which the financial communication of Unieuro was based on adjusted data and in continuity with the previous accounting standard IAS 17 and the related interpretations. From 1 March 2020, Unieuro will therefore comment only on the economic figures after application of the above-referenced accounting standard, restating the comparative figures and focusing on Adjusted EBIT and Adjusted Net Profit. The reported "(Net financial debt) / Net cash – pursuant to IAS 17" and the "Consolidated Adjusted Free Cash Flow" will instead continue to not incorporate the component related to the application of IFRS 16.

[19] See Interim Report on Operations at 31 May 2020.

[20] Like-for-like revenue growth: the methods for comparing sales for the six-month period ended 31 August 2020 with those for the six-month period ended 31 August 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.

5.1.1 Consolidated revenues by channel

(in millions of Euro and as a percentage of revenues)	Period ended				Changes	
	31 August 2020	%	31 August 2019	%	Δ	%
Retail	675.8	62.6%	755.9	71.3%	(80.0)	(10.6%)
Online	215.4	20.0%	112.2	10.6%	103.2	91.9%
Indirect	128.1	11.9%	119.1	11.2%	9.0	7.6%
B2B	50.7	4.7%	53.9	5.1%	(3.2)	(5.9%)
Travel	9.0	0.8%	18.6	1.8%	(9.5)	(51.3%)
Total consolidated revenues by channel	1,079.0	100.0%	1,059.5	100.0%	19.5	1.8%

The *Retail* channel (62.6% of total revenues) - consisting at 31 August 2020 of 243 direct points of sale located in areas deemed commercially strategic and characterised by different dimensions in terms of area - recorded a drop of 10.6%, and sales equal to € 675.8 million, compared to € 755.9 million recorded at 31 August 2019. In the period from May to August 2020, sales grew significantly compared to the same period in 2019 thanks to the easing of restrictions and the actions taken by Unieuro to support customer experience in an omnichannel perspective. These phenomena partially offset the strong drop recorded during the lockdown, due to the voluntary closure of the network from 14 to 29 March, and the drastic drop in traffic due to restrictions on the movement of people and social-distancing regulations, which particularly affected shops located outside urban centres, large shopping centres and business parks.

The *Online* channel (20.0% of total revenues) posted growth of 91.9%, which pushed revenues to Euro 215.4 million, compared to Euro 112.2 million in the corresponding period of the previous year. The performance, in all respects exceptional, is the result of the emergency situation that has arisen, which has led customers to favour e-commerce at the expense of physical stores, as well as the immediate reaction of Unieuro, which faced the lockdown by tactically refocusing marketing activities, both mainstream and digital, on the Online channel. The double presence on the web, guaranteed by two well-known and distinct brands such as Unieuro and Monclick, has further contributed to the success recorded. Online sales in the second quarter was very strong, though less so than the first quarter as business returned to normal.

The *Indirect* channel (11.9% 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 255 sales outlets - recorded revenues of €128.1 million, an increase of 7.6% compared with €119.1 million of the corresponding period of the previous year. Although in fact the restrictive measures imposed by the authorities have also negatively influenced the turnover and traffic of the affiliated stores, the distinctive characteristics of these shops - medium-small in size and focused on the proximity service - have allowed a significant resilience of the business, which normalised with the start of Phase 2, allowing the total recovery of lost revenues of the first quarter.

The *B2B* channel (4.7% 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 (the B2B2C segment) - recorded sales of €50.7 million, down 5.9% from €53.9 million of the corresponding period of the previous year, slightly worse than the first quarter dynamics. The uncertain nature of revenues in this channel is confirmed, featuring an opportunistic approach influenced by multiple exogenous factors. By its very nature, the channel was only marginally affected by the effects of the pandemic.

Lastly, the *Travel* channel (0.8% of total revenues) - composed of 11 direct sales outlets located at some of the main public transport hubs such as airports, railway and underground stations - recorded a decrease of 51.3% and sales equal to €9.0 million. The performance was inevitably affected by the collapse of air traffic generated by the pandemic and the total or partial closure of some airports.

5.1.2 Consolidated revenues by category

(in millions of Euro and as a percentage of revenues)	Period ended				Changes	
	31 August 2020	%	31 August 2019	%	Δ	%
Grey	532.9	49.4%	502.4	47.4%	30.5	6.1%
White	307.3	28.5%	306.3	28.9%	1.1	0.4%
Brown	141.9	13.1%	158.4	14.9%	(16.5)	(10.4%)
Other products	49.7	4.6%	44.2	4.2%	5.4	12.2%
Services	47.3	4.4%	48.2	4.6%	(1.0)	(2.0%)
Total consolidated revenues by category	1,079.0	100.0%	1,059.5	100.0%	19.5	1.8%

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

The *Grey* category (49.4% of total revenues) - i.e., telephony, tablets, information technology, telephone accessories, cameras, as well as all wearable technological products - generated a turnover of € 532.9 million, an increase of 6.1% compared to € 502.4 million in the same period of the previous financial year, thanks to the ongoing purchasing trends related to smart working, e-learning and communication, which were particularly emphasised during this period.

The *White* category (28.5% of total revenues) - which is composed of large appliances (MDA) such as washing machines, tumble dryers, refrigerators or freezers and cooktops, small appliances (SDA), such as vacuum cleaners, kitchen robots, coffee machines as well as the climate control segment - recorded sales of €307.3 million, up by 0.4% compared with €306.3 million of the corresponding period of the previous year. The category experienced double-digit growth in the second quarter thanks to the positive results of home care products.

The *Brown* category (13.1% of revenues) - including televisions and accessories, audio devices, devices for smart TVs, car accessories ad memory systems - recorded total revenues of Euro 141.9 million, -10.4% compared with the figure of Euro 158.4 million of the corresponding period of the previous year. Although performance in the second quarter improved, it did not fully offset the weakness recorded in the first part of the year, also in light of the cancellation of sporting events imposed by Covid-19.

The *Other* products category (4.6% 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 49.7 million (+12.2%). The entertainment segment, including consoles and video games, drove sales in a phase characterised by the search for maximum home comfort. The turnover generated by electric mobility products was also strong, due to the incentives and social-distancing rules imposed.

The *Services* category (4.4% of total revenues) decreased by 2.0% to € 47.3 million, as the positive performance in the second quarter did not fully offset the circumstances that characterised the first three months of the year.

5.2 Consolidated operating profit[21]

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

[21] One year after the first adoption of IFRS 16, the transitory phase has ended during which the financial communication of Unieuro was based on adjusted data and in continuity with the previous accounting standard IAS 17 and the related interpretations. From 1 March 2020, Unieuro will therefore comment only on the economic figures after application of the above-referenced accounting standard, restating the comparative figures and focusing on Adjusted EBIT and Adjusted Net Profit. The reported "(Net financial debt) / Net cash – pursuant to IAS 17" and the "Consolidated Adjusted Free Cash Flow" will instead continue to not incorporate the component related to the application of IFRS 16.

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(in millions and as a percentage of revenues)	Period ended						Changes	
	31 August 2020			31 August 2019				
	Adjusted amounts	%	*Adjustments*	Adjusted amounts	%	*Adjustments*	Δ	%
Revenue	1,079.0			1,059.5			19.5	1.8%
Sales revenues	**1,079.0**			**1,059.5**			**19.5**	**1.8%**
Purchase of goods and Change in inventories	(848.5)	(78.6%)	0.0	(826.2)	(78.0%)	0.0	(22.3)	2.7%
Marketing costs	(19.1)	(1.8%)	0.2	(25.8)	(2.4%)	1.3	6.7	(25.9%)
Logistics costs	(37.7)	(3.5%)	0.1	(30.7)	(2.9%)	0.9	(7.0)	22.9%
Other costs	(28.1)	(2.6%)	5.5	(36.9)	(3.5%)	1.7	8.8	(23.8%)
Personnel costs	(75.3)	(7.0%)	0.2	(90.4)	(8.5%)	0.7	15.0	(16.6%)
Other operating income and costs	(3.5)	(0.3%)	0.0	(2.8)	(0.3%)	(0.1)	(0.7)	24.3%
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	1.7	0.2%	1.7	3.9	0.4%	3.9	(2.3)	(57.5%)
Consolidated Adjusted EBITDA[22]	**68.5**	**6.3%**	**7.7**	**50.7**	**4.8%**	**8.6**	**17.7**	**34.9%**
Amortisation, depreciation and write-downs of fixed assets	(46.0)	(4.3%)	-	(44.4)	(4.2%)	0.3	(1.6)	3.5%
Consolidated Adjusted EBIT	**22.5**	**2.1%**	**7.7**	**6.3**	**0.6%**	**8.9**	**16.2**	**256.0%**

Consolidated Adjusted EBIT for the period increased by € 16.2 million, settling at €22.5 million (€6.3 million in the corresponding period of the previous year). The Adjusted EBIT margin was 2.1%.

The actions taken by management[23], together with the growth in sales volumes, led to a strong recovery in margins in the second quarter, which more than offset the negative effects caused by Covid-19 in the first quarter.

Adjusted EBIT has improved significantly, in part due to one-off changes in costs that followed the trend in revenues in the first quarter. It should also be stressed that profitability in the first half of the year is not particularly significant due to the seasonal nature of the sector, with sales and profits concentrated in the second half of the year.

During the period, costs for the purchase of goods and changes in inventories increased by €22.3 million. As a percentage of consolidated revenues, the gross margin was 78.6% (78.0% in the same

[22] Consolidated Adjusted EBITDA is Consolidated EBITDA adjusted for (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, as a result of the change in the business model for directly managed assistance services.

[23] See Interim Report on Operations at 31 May 2020.

period of the previous year). This was affected by the different channel and category mix caused by the emergency situation, which led to a different purchasing behaviour compared to the same period of the previous year.

Marketing costs decreased by 25.9% compared with 31 August 2019. The decrease is mainly attributable to the company's choice to focus more on digital consumption, making a progressive cut of paper and the distribution of flyers and partially reinvesting the savings gained to strengthen the visibility of the digital flyer. The impact on consolidated revenues decreased and was 1.8% as at 31 August 2020 (2.4% in the period in the previous year).

Logistics costs increased by around Euro 7.0 million. The performance is mainly attributable to the boom in sales on the online channel compared to the physical network and the ongoing increase in home deliveries for online orders due to the surge 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 increased and was 3.5% as at 31 August 2020 (2.9% in the period in the previous year).

Other costs decreased by €8.8 million compared to the corresponding period of the previous year; the incidence on consolidated revenues also decreased, equal to 2.6% as at 31 August 2020 (3.5% as at 31 August 2019). The performance is mainly attributable to the application of the amendment to the accounting standard IFRS 16 issued by the IASB on 28 May 2020 and published in the Official Journal of the European Union on 12 October 2020. The practical expedient provided by "*Covid-19-Related Rent Concessions*" allows lessees not to consider as an amendment to the original contract any rent concessions provided from 1 January 2020 extended to offset the effects of Covid-19. The aforesaid concessions signed by the reference date of the Half-Yearly Financial Report, totalling € 8.6 million, have been recorded as positive variable lease payments with an impact on the income statement. Operating costs also fell during the period. These essentially covered utilities and maintenance fees that were lower due to the reduced operations of the stores in the first quarter of the year, though they were offset by the increase in the cost of collections using electronic payment instruments (cards, PayPal, etc.) due to the growth in sales from the online channel.

Personnel costs decreased by €15.0 million due to the effect of the actions taken by management to mitigate the impacts of the epidemic and related mainly to the use of the exceptional redundancy payments, the completion of holidays and leave, the non-renewal of expired term contracts and the spontaneous reduction in management remuneration. The impact on consolidated revenues decreased and was 7.0% as at 31 August 2020 (8.5% in the corresponding period of the previous year).

Other operating income and costs increased by Euro 0.7 million. The impact on consolidated revenues stands at 0.3% as at 31 August 2020, as in the corresponding period of the previous year. The item mainly includes costs for expenses related to running a business, such as waste disposal tax, etc.; the increase is attributable to the recognition of costs relating to receivables deemed to be irrecoverable and to the lack of some one-off contributions received from suppliers in the first half of the previous year.

Amortisation, depreciation and write-downs of non-current assets amounted to €46.0 million (€44.4 million in the period ended 31 August 2019). The increase is mainly due to the write-down of certain tangible assets in Forlì following the decision to transfer the headquarters. The

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adjustments relating to the previous year of €0.3 million refer to the amortisation of the right-of-use assets relating to the leases of the new openings and acquisitions.

The reconciliation between the Consolidated Adjusted EBIT and the consolidated Net Operating Profit reported in the Condensed Half-Yearly Consolidated Financial Statements is given below.

(in millions of Euro and as a percentage of revenues)	Period ended				Changes	
	31 August 2020	%	31 August 2019	%	Δ	%
Consolidated Adjusted EBIT[24]	22.5	2.1%	6.3	0.6%	16.2	256.0%
Non-recurring expenses /(income)	(6.0)	(0.6%)	(4.6)	(0.4%)	1.4	(29.2%)
Revenues from extended warranty services net of related estimated future costs to provide the assistance service - change in the business model for directly managed assistance services[25]	(1.7)	(0.2%)	(3.9)	(0.4%)	2.3	(57.5%)
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	14.8	1.4%	(2.6)	(0.2%)	17.4	(677.6%)

[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, from the year ended 28 February 2015 for all extended warranty services sold by Unieuro S.r.l. (hereinafter the "Former Unieuro") (excluding telephone systems and peripherals), from the year of acquisition for all extended warranty services sold by the sales outlets 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. (excluding telephone systems and peripherals), Unieuro modified the business model for the management of extended warranty services by in-sourcing the management of services sold by the Former Unieuro and by Unieuro that were previously outsourced and by extending this model to the sales outlets acquired by the business units the former Andreoli S.p.A., the former Cerioni S.p.A., the former DPS S.r.l., the former Galimberti S.p.A. and the former Pistone S.p.A. (the "Change in Business Model"). As a result of the Change in Business Model, at the time of sale of extended warranty services, Unieuro suspends the revenue in order to recognise the revenue over the life of the contractual obligation, which starts on the expiration of the two-year legally required warranty. Thus, Unieuro begins to gradually record revenues from sales of extended warranty services two years (term of the legally required product warranty) after the execution of the related agreements and after the collection of compensation, which is generally concurrent. Thus, the revenue is recorded on a pro rata basis over the life of the contractual obligation (historically, depending on the product concerned, for a period of one to four years). As a result of this Change in Business Model, the income statements do not fully reflect the revenues and profit of the business described in this note. In fact, the income statements for the periods ended 31 August 2020 and 31 August 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, i.e., for each product category, when the period has lapsed that starts on the first day of the legally required two-year warranty and ends on the last expiry date of warranty extensions.

Non-recurring expense/(income) of the Consolidated Adjusted EBITDA increased by €1.4 million compared with the previous period ended 31 August 2019 and are explained, in detail, in the subsequent section 5.3.

The adjustment related to the change in business model for directly managed assistance services decreased by €2.3 million compared with the previous period ended 31 August 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.

5.3 Non-recurring income and expenses

The non-recurring charges/(income) of the Consolidated Adjusted EBITDA are shown below:

(in millions of Euro)	Period ended		Changes	
	31 August 2020	31 August 2019	Δ	%
Mergers & Acquisitions	0.1	2.8	(2.7)	(98.0%)
Costs for pre-opening, relocating and closing sales outlets[26]	0.6	1.4	(0.8)	(55.8%)
Other non-recurring expenses	5.3	0.5	4.9	976.9%
Total	6.0	4.6	(1.4)	(29.2%)

Non-recurring income and charges increased by € 1.4 million compared to the corresponding period ended 31 August 2019.

The item relating to Mergers&Acquisition costs totalled € 0.1 million (€ 2.8 million in the corresponding period ended 31 August 2019). These costs mainly reflect payments to notaries and consultants and are related to the merger between Carini and Unieuro with statutory effects starting from 1 September 2020; last year the item mainly included the costs of acquiring the former Pistone S.p.A. stores.

Costs for the pre-opening, repositioning and closure of points of sale stand at €0.6 million (€1.4 million in the corresponding period ended on 31 August 2019). This item includes: 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. It was influenced by the infrequent network development activity following the lockdown.

Other non-recurring income and charges were €5.3 million (€0.5 million in the corresponding period ended 31 August 2019). These costs relate mainly to provisions for suppliers and sub-

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

suppliers of services for which requests in the area of labour law have been received from third parties who hold Unieuro jointly and severally liable.

5.4 Net result[27]

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

(in millions and as a percentage of revenues)	Period ended						Changes	
	31 August 2020			31 August 2019				
	Adjusted amounts	%	*Adjustments*	Adjusted amounts	%	*Adjustments*	Δ	%
Consolidated Adjusted EBIT	22.5	2.1%	7.7	6.3	0.6%	8.9	16.2	256.0%
Financial income and expenses	(6.8)	(0.6%)	0.0	(6.6)	(0.6%)	0.0	(0.2)	3.6%
Income taxes[28]	(1.2)	(0.1%)	(0.7)	(0.7)	(0.1%)	(0.8)	(0.4)	58.2%
Adjusted Consolidated Profit/Loss for the Period	14.5	1.3%	7.0	(1.0)	(0.1%)	8.1	15.5	(1585.4%)

Net financial expenses in the period ended 31 August 2020 amounted to €6.8 million (€6.6 million in the previous period ended 31 August 2019). This item mainly includes the financial expenses related to the IFRS 16 adjustment. The change during the period is mainly due to discounting the costs of payables for the purchase of business units and payables to directors and employees relating to the Long Term Incentive Plan.

Income taxes excluding the theoretical tax impact from taxes on non-recurring expenses/(income) and the change of business model in the period ended 31 August 2020, were negative by €1.2 million (negative by €0.7 million in the corresponding period of the previous year ended on 31 August 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 €353.6 million in relation to Unieuro and €6.3 million in relation to Monclick. These tax losses guarantee a substantial benefit in the payment of taxes in future years.

The Consolidated Adjusted Profit for the Period amounted to €14.5 million (it was negative for €1.0 million in the corresponding period of the previous year ended 31 August 2019): the positive

[27] One year after the first adoption of IFRS 16, the transitory phase has ended during which the financial communication of Unieuro was based on adjusted data and in continuity with the previous accounting standard IAS 17 and the related interpretations. From 1 March 2020, Unieuro will therefore comment only on the economic figures after application of the above-referenced accounting standard, restating the comparative figures and focusing on Adjusted EBIT and Adjusted Net Profit. The reported "(Net financial debt) / Net cash – pursuant to IAS 17" and the "Consolidated Adjusted Free Cash Flow" will instead continue to not incorporate the component related to the application of IFRS 16.

[28] The tax impacts of the adjustments were calculated using the theoretical rate deemed appropriate of 8.7% both for 31 August 2020 as well as 31 August 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 3.9%.

performance is attributable to the increase in Adjusted EBIT, which was only partially offset by the increase in net financial expenses and income taxes.

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

(in millions of Euro and as a percentage of revenues)	Period ended				Changes	
	31 August 2020	%	31 August 2019	%	Δ	%
Adjusted Consolidated Profit/Loss for the Period	14.5	1.3%	(1.0)	(0.1%)	15.5	(1585.4%)
Non-recurring expenses/income	(6.0)	(0.6%)	(4.6)	(0.4%)	1.4	(29.2%)
Revenues from extended warranty services net of related estimated future costs to provide the assistance service - change in the business model for directly managed assistance services	(1.7)	(0.2%)	(3.9)	(0.4%)	2.3	(57.5%)
Non-recurring depreciation, amortisation and write-downs of fixed assets	-	0.0%	(0.3)	0.0%	0.3	100.0%
Non-recurring financial expenses/(income)	-	0.0%	(0.0)	0.0%	0.0	(100.0%)
Theoretical tax impact from taxes on non-recurring expenses/(income), non-recurring financial expenses/(income), non-recurring depreciation, amortisation and write-downs of fixed assets and the change in business model.	0.7	0.1%	0.8	0.1%	(0.1)	(13.8%)
Consolidated Profit/Loss for the Period	7.5	0.7%	(9.1)	(0.9%)	16.6	(182.5%)

5.5 Cash flows

5.5.1 Consolidated Adjusted Free Cash Flow [29]-[30]

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

(in millions of Euro)	Period ended		Changes	
	31 August 2020	31 August 2019	Δ	%
Consolidated EBITDA	60.8	42.2	18.6	44.2%
Cash flow generated/(absorbed) by operating activities[31]	13.7	(23.1)	36.9	(159.3%)
Taxes paid	(0.9)	0.0	(0.9)	(100.0%)
Interest	(6.1)	(6.3)	0.2	(2.8%)
Other changes	0.2	0.3	(0.1)	(31.7%)
Consolidated net cash flow generated/(absorbed) by operating activities[32]	67.7	13.0	54.7	420.0%
Investments[33]	(12.9)	(13.9)	0.9	(6.8%)
Investments for business combinations and business units	(8.3)	(11.0)	2.7	(24.7%)
Adjustment for non-recurring investments	8.3	14.5	(6.1)	(42.4%)
Non-recurring expenses /(income)	6.0	5.0	(1.1)	(21.4%)
Adjustment for non-monetary components of non-recurring (expenses)/income	(5.7)	(0.4)	(5.2)	1.269.0%
Other non-recurring cash flows	1.1	(1.5)	2.6	(170.6%)
Theoretical tax impact of the above entries[34]	(0.0)	(0.4)	0.4	(92.3%)
IFRS 16 Leases[35]	(27.7)	(27.9)	0.2	(0.6%)
Consolidated Adjusted free cash flow	28.5	(22.7)	51.1	(225.5%)

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

[30] One year after the first adoption of IFRS 16, the transitory phase has ended during which the financial communication of Unieuro was based on adjusted data and in continuity with the previous accounting standard IAS 17 and the related interpretations. From 1 March 2020, Unieuro will therefore comment only on the economic figures after application of the above-referenced accounting standard, restating the comparative figures and focusing on Adjusted EBIT and Adjusted Net Profit. The reported "(Net financial debt) / Net cash – pursuant to IAS 17" and the "Consolidated Adjusted Free Cash Flow" will instead continue to not incorporate the component related to the application of IFRS 16.

[31] The item "Cash flow generated/(absorbed) by operating activities" refers to cash generated/(absorbed) by 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/(absorbed) 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/(absorbed) by operating activities".

[33] For better representation, the item includes the portion of net investments paid during the period.

[34] The theoretical rate deemed appropriate by management is 8.7% both at 31 August 2020 and 31 August 2019, and incorporates IRES at 4.8% (obtained by reducing taxable IRES income by 80% due to the ability to use past tax losses) and an IRAP rate at 3.9%.

[35] The item includes the cash flows relating to leases paid as well as leases expired during the period.

Although due to the seasonal nature of the sector liquidity is usually absorbed in the first half of the year, the consolidated net cash flow generated/(absorbed) by operating activities was positive for € 67.7 million (positive for € 13.0 million at 31 August 2019). Cash generation is linked to the good performance of the Group's operating profitability and the careful management of working capital, this also being due to the one-off actions taken by management to tackle the epidemic.

Investments totalled €12.9 million (€13.9 million as at 31 August 2019). They were mainly made for: (i) interventions for the development of the network of direct stores and the refurbishment of the existing store network and (ii) costs incurred for the purchase of new hardware, software, licenses and developments on the applications with a view to improving the infrastructure, digitisation of the stores and launch of advanced functions for the online platform, with the aim of making each customer's omnichannel experience increasingly functional and enjoyable.

Investments for business combinations and business units of €8.3 million in the period ended 31 August 2020 (€11 million in the corresponding period of the previous year) refer to the portion paid of the purchase price in the context of the acquisition former Pistone S.p.A., former Cerioni and Monclick. These investments are classified as non-recurring and therefore adjusted by determining the Consolidated Adjusted Free Cash Flow indicator. The adjustment for non-recurring investments also includes any investments that took place during the period for the fitting-out of the sales outlets.

Non-recurring income and charges amounted to €6.0 million in the period ended 31 August 2020 (€5.0 million in the same period of the previous year), of which €5.7 million had not yet had a financial impact at the end of the half-year.

Other non-recurring operating cash flows of €1.1 million refer to adjustments for non-recurring items made in the previous year ended 29 February 2020 that produced financial effects in the period. As at 31 August 2019, the item included the insurance reimbursement for direct damages obtained in connection with the fire in the Oderzo shop, which occurred in February 2017.

Below are listed the main changes recorded in the Group's net financial indebtedness during the period ended 31 August 2020 and in the period ended 31 August 2019:

(in millions of Euro)	Period ended		Changes	
	31 August 2020	31 August 2019	Δ	%
Operating profit	60.8	42.2	18.6	44.2%
Cash flow generated/(absorbed) by operating activities	13.7	(23.1)	36.9	(159.3%)
Taxes paid	(0.9)	0.0	(0.9)	(100.0%)
Interest paid	(6.1)	(6.3)	0.2	(2.8%)
Other changes	0.2	0.3	(0.1)	(31.7%)
Net cash flow generated/(absorbed) by operating activities	67.7	13.0	54.7	420.0%
Investments	(12.9)	(13.9)	0.9	(6.8%)
Investments for business combinations and business units	(8.3)	(11.0)	2.7	(24.7%)
Distribution of dividends	-	(21.4)	21.4	(100.0)%
Payables from the acquisition of business units	8.3	(8.2)	16.5	(201.4%)
IFRS 16 Leases[36]	(27.7)	(27.9)	0.2	(0.6%)
Other changes	(0.5)	(0.6)	0.1	(9.8%)
Change in net financial debt	26.5	(69.9)	96.5	(137.9%)

[36] The item includes the cash flows relating to leases paid as well as leases expired during the period.

6. Statement of financial position[37]

Below is a detailed breakdown of the Group's net working capital and net invested capital as at 31 August 2020 and as at 29 February 2020:

(in millions of Euro)	Period ended	
	31 August 2020	29 February 2020
Trade receivables	77.6	51.3
Inventories	332.2	369.8
Trade payables	(466.8)	(479.6)
Net operating working capital	(57.0)	(58.5)
Other working capital items	(208.4)	(200.2)
Net working capital	(265.4)	(258.7)
Right-of-use assets	457.3	478.3
Non-current assets and (liabilities)	312.7	324.6
Net invested capital	504.6	544.2
(Net financial debt) / Net cash - Pursuant to IAS 17	56.1	29.6
IFRS 16 Leases	(456.6)	(477.6)
(Net financial debt) / Net cash	(400.5)	(448.0)
Shareholders' equity	(104.2)	(96.2)
Total shareholders' equity and financial liabilities	(504.6)	(544.2)

The Group's Net Working Capital as at 31 August 2020 was negative by Euro 57.0 million (negative by Euro 58.5 million as at 28 February 2019). The performance during the period was influenced by the actions taken in response to the Covid-19 emergency, which saw a prudent management of inventories and a gradual normalisation of supplier debt levels once normal purchasing levels resumed. The change in trade receivables is mainly due to an increase in receivables from the public administration due to the increase in volumes and receivables from consumer credit companies and receivables relating to web transactions as a result of calendar effects.

The Net Invested Capital of the Group stood at € 504.6 million as at 31 August 2020, down by € 39.6 million compared with 29 February 2020. The change is mainly due to: (i) the decrease in the Group's Net Working Capital by €6.6 million and (ii) the decrease in net non-current assets by €33.0 million. Investments as at 31 August 2020 stood at €6.5 million (€13.1 million as at 31 August 2019) and are attributable to capitalised costs incurred for network development interventions of direct shops and costs incurred for the purchase of new hardware, software, licenses and developments on applications with a view to improving the technological infrastructure.

[37] One year after the first adoption of IFRS 16, the transitory phase has ended during which the financial communication of Unieuro was based on adjusted data and in continuity with the previous accounting standard IAS 17 and the related interpretations. From 1 March 2020, Unieuro will therefore comment only on the economic figures after application of the above-referenced accounting standard, restating the comparative figures and focusing on Adjusted EBIT and Adjusted Net Profit. The reported "(Net financial debt) / Net cash - pursuant to IAS 17" and the "Consolidated Adjusted Free Cash Flow" will instead continue to not incorporate the component related to the application of IFRS 16.

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Shareholders' equity stood at € 104.2 million as at 31 August 2020 (€ 96.2 million as at 29 February 2020), with an increase mainly caused by the recording of the positive result for the period and in small part due to the recognition of the reserve for share-based payments relating to the Long-Term Incentive Plan[38] reserved for some managers and employees. For more details, please see Note 12. Stock option plans

Below is a detailed breakdown of the Group's net financial debt as at 31 August 2020 and 29 February 2020 in accordance with Consob Communication 6064293 of 28 July 2006 and in compliance with ESMA Recommendations 2013/319:

(in millions of Euro)	Period ended		Changes	
	31 August 2020	29 February 2020	Δ	%
(A) Cash	140.2	96.7	43.5	45.0%
(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)	140.2	96.7	43.5	45.0%
- 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	(10.1)	(0.0)	(10.2)	196,150.0%
(G) Current part of non-current debt	(9.5)	(9.5)	(0.0)	0.2%
(H) Other current financial payables	(68.4)	(68.0)	(0.4)	0.7%
(I) Current financial debt (F)+(G)+(H)	(88.1)	(77.5)	(10.6)	13.6%
- of which is secured	0.0	0.0	0.0	0.0%
- of which is unsecured	(88.1)	(77.5)	(10.6)	13.6%
(J) Net current financial position (I)+(E)+(D)	52.1	19.3	32.8	170.1%
(K) Non-current bank payables	(43.9)	(31.6)	(12.2)	38.6%
(L) Bonds issued	0.0	0.0	0.0	
(M) Other non-current financial payables	(408.7)	(435.6)	26.9	(6.2%)
(N) Non-current financial debt (K)+(L)+(M)	(452.6)	(467.2)	14.7	(3.1%)
- of which is secured	0.0	0.0	0.0	0.0%
- of which is unsecured	(452.6)	(467.2)	14.7	(3.1%)
(O) (Net financial debt) / Net cash(J)+(N)	(400.5)	(448.0)	47.6	(10.6%)

[38] On 6 February 2017, the Extraordinary Shareholders Meeting of Unieuro approved the adoption of a stock option plan ("Long Term Incentive Plan", "LTIP") reserved for Executive Directors, associates and employees, executives and others (the "Recipients"). The Long Term Incentive Plan calls for assigning ordinary shares derived from a capital increase with no option rights pursuant to Article 2441, paragraphs 5 and 8 of the Italian Civil Code approved by the Shareholders' Meeting on the same date. On 29 June 2017, the Board of Directors approved the plan regulations ("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.

A breakdown of the composition of the net financial debt pursuant to IAS 17 as at 31 August 2020 and as at 29 February 2020 is shown below.

(in millions of Euro)	Period ended		Changes	
	31 August 2020	31 August 2019	Δ	%
(Net financial debt) / Net cash	(400.5)	(448.0)	47.6	(10.6%)
Current financial receivables	(1.4)	(1.4)	(0.0)	0.8%
Non-current financial receivables - IFRS 16	(8.2)	(8.9)	0.7	(8.2%)
Other current financial payables - IFRS 16	55.9	57.1	(1.2)	(2.1%)
Other non-current financial payables - IFRS 16	410.3	430.9	(20.6)	(4.8%)
(Net financial debt) / Net cash – Pursuant to IAS 17	56.1	29.6	26.5	89.6%

Net cash - IAS 17 increased by €26.5 million compared with 29 February 2020, creating a positive cash position of € 56.1 million as at 31 August 2020.

The cash flow dynamics are essentially driven by the combined effect of: (i) cash generation from operating activities including flows from IFRS 16 Leases of € 40.7 million and (ii) investments of € 12.9 million, mainly due to costs incurred for the development of the direct store network and the refurbishment of the existing store network and costs incurred for the purchase of new hardware, software, licences and application developments with a view to improving the technological infrastructure.

The financial debt as at 31 August 2020 reflects the measures implemented regarding Covid-19 to preserve and strengthen the Group's soundness, including negotiations with major trading partners to optimise cash flows from the Group's operating working capital and the non-payment of the dividend in derogation of the dividend policy currently in place.

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7. IFRS 16 Impacts

The impact of IFRS 16 on the Group's main economic and financial indicators at 31 August 2020 is shown below[39]:

		31 August 2020 (Ex - IAS 17)		31 August 2020 (IFRS 16)
EBITDA ADJ	• reduction in operating costs (rents paid on shops, offices, warehouses and cars), net of income from subleases of shops	35.1	+33.4	68.5
EBIT ADJ	• increase in depreciation on right-of-use assets	19.6	+2.9	22.5
PROFIT BEFORE TAXES ADJ	• increase in financial expenses for interest related to rights-of-use liabilities	17.6	(1.9)	15.7
NET FINANCIAL INDEBTEDNESS	• recognition of rights-of-use liabilities (other current and non-current financial payables), net of non-current financial receivables relating to subleases	56.1	(456.6)	(400.5)

[39] In millions of Euro.

8. Coronavirus epidemic

The first epicentre of the Coronavirus (or "Covid-19") epidemic was in Wuhan, China. It was initially 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 many national governments implemented measures following this announcement.

In the second half of February 2020, the first sporadic cases of Covid-19 in Italy started a second phase of the epidemic, with a rapid escalation of the spread of the disease throughout Europe.

On 11 March 2020, the WHO declared that the Coronavirus-related health emergency had become a pandemic with the increasing spread of the virus in Europe, the rapid rise in the United States and the first outbreaks in Latin America and Africa.

To contain the effects of the contagion, the Italian authorities have adopted increasingly stringent containment measures, first locally and then nationally. For the Group, the succession of regional ordinances and national decrees has resulted in the need to adapt to the measures gradually prescribed since the beginning of the emergency.

As of the end of February 2020, the Company has provided head office personnel with IT tools suitable for remote work and subsequently recommended that all head office personnel adopt this work method.

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

Starting from 30 March 2020, the Company began reopening a significant number of direct stores in order to guarantee customers the most urgent or necessity purchases as required by I Decree of the Prime Minister of 11 March 2020 and subsequent amendments.

Unieuro has adopted a series of measures to protect its customers and employees as well as the company's soundness and profitability, mostly in the following areas:

Revenue

The interventions mainly concerned the strengthening of the Online channel pending the return to full operation of the physical channels. In-store traffic has indeed dropped drastically due to restrictions on the movement of people and social-distancing regulations, which have mainly affected shops located outside city centres, in large shopping centres and business parks.

Unieuro's strategy has always been oriented towards customer proximity rather than on specific store formats, which has enabled it to limit the impact of these macrotrends and has contributed to the slow but steady improvement in revenues in the Retail Channel. On the other hand, e-commerce has benefited greatly from the situation, allowing operators who had positioned themselves early within the digital channel to at least partially offset the drop in turnover in physical stores.

Cost structure

Personnel costs: action was immediately taken to use previous holidays and leaves. After the measures were implement by the Government, the Exceptional Redundancy Payments Fund (Cassa Integrazione Guadagni in Deroga) was launched. The entire corporate Management has also waived a part of its remuneration as a gesture of solidarity towards the corporate population.

Lease payments: thanks to the fruitful dialogue with the store owners, the economic and financial impact of the leases has been cushioned to compensate for the lower revenues achieved during the lockdown period.

Operating costs: purchases of goods and services that are not considered strictly necessary have been reduced to a minimum, both at the point of sale and corporate level.

Investments and acquisitions

Deferrable investment activities, with particular reference to those relating to the network of stores, have been temporarily suspended and rescheduled.

Financial situation

Measures have been implemented to preserve and strengthen the company's soundness, including negotiations with major trading partners to optimise cash flows from the Group's operating working capital and the non-payment of the dividend in derogation of the dividend policy currently in place.

Starting from May, with the end of the lockdown and the consolidation of favourable consumption trends for the product categories managed by Unieuro, the Group experienced an unexpected recovery in revenues and profitability. Month after month, traffic in direct stores (excluding the Travel channel) increased until it returned to the levels of the same period in 2019, while the growth trend of the Online channel - although declining - continued to be influenced by the boom of the previous months.

Against this backdrop, Unieuro fully recovered the lower revenues recorded during the most difficult months of the epidemic at the closure of the first half of the year. Margins and cash generation were strong, also as a result of the managerial actions taken in the meantime and certain non-recurring effects.

Since October, after a summer of relative tranquillity, the epidemiological situation in Italy has rapidly worsened. The sudden increase in infections has mainly involved certain regions, including Lombardy and Piedmont, pushed to adopt restrictive measures including the closure of shopping centres at weekends. The further deterioration of the situation prompted the government, on 4

November, to issue a decree that imposed new restrictions on commercial activities and the free movement of persons, effective from 6 November to 3 December 2020.

In relation to the retail distribution of consumer electronics and home appliances, considered an essential activity, the decree provides for the closure of all points of sale within shopping centres throughout the national territory, but limited to public holidays and pre-holidays.

As at the date of this Report, the situation regarding sales channels is therefore as follows:

- Retail Channel: on weekdays, direct stores are fully operational and performing well. On weekends and public holidays and pre-holidays, about 50% of them will remain closed until December 3, in compliance with the government decree;

- Online Channel: the digital platform unieuro.it and the website monclick.it continue to experience high growth in the volume of orders, although lower compared to the exceptional peaks reached during the lockdown.

- Indirect Channel: thanks to the favourable location in the city centres, the affiliated outlets are not particularly affected by the current restrictions and the vast majority of them continue to operate regularly, outperforming the market.

- B2B channel: the activity continues regularly, not being particularly affected by the current health dynamics.

- Travel Channel: the shops located at the airports were the most affected by the emergency, suffering from the collapse of air traffic that started with the spread of the virus and is still ongoing.

Even with the worsening of the emergency and the introduction by the Authorities of new containment measures, the Group's operational management is ensured especially through: (i) the implementation of measures to protect the health and safety of employees in logistics offices and shops, and in particular, the temperature of each employee is measured at the beginning of the work shift and they are provided with the personal protective equipment needed to perform their duties safely, in particular masks, disposable gloves and sanitising gel. Furthermore, Unieuro has signed a health policy that protects all 5,000 employees in the event of an infection with Covid-19 and has also secured for them reimbursement of the flu vaccine, as a Covid prevention measure; (ii) the adoption of appropriate procedures to prevent and/or mitigate the effects of contagion for customers, in particular the entry into the stores are counted very strictly and the number of customers in the shop cannot exceed the number of employees, while strict sanitary measures have also been adopted, including thorough and daily cleaning of the areas and respect for safety distances between people and (iii) the introduction of the smart working mode for office employees which, thanks to investments in digitalisation, allows working remotely for the same level of efficiency and effectiveness.

Unieuro management is following a very cautious approach with the start of the peak season, represented first by Black Friday and then by the Christmas holidays, in light of the potential negative impact of new lockdowns in the most commercially significant period of the year. This impact is believed, at least in part, to be potentially offset (i) by the continuous interest on the part of consumers for the products sold by the Group, that enable remote work and study, communication between people, as well as home well-being; (ii) by the multiplicity of sales channels through which the Group operates, which works to compensate for the impact of the lockdown on some of them, and (iii) by the omnichannel services launched by Unieuro in the course of the summer, with the aim of making the in-store purchasing process is safer and faster during this complex historical moment.

The Board of Directors on the basis of the forecasts for the year 2020/2021 in light of forecasts on future trends, improved with respect to the assumptions made to verify the recoverability of the Group's assets, including goodwill, made when preparing the Unieuro Group's consolidated financial statements at 29 February 2020, do not identify indicators of possible impairment losses and therefore do not make it necessary to update the impairment test carried out at 29 February 2020.

Although it cannot estimate the impact of the ever-changing situation on the rest of the year, Unieuro nevertheless reaffirms the validity of its strategy, which will allow it to continue to increase its customer base, promote and incentivise complementary services, and gain market share from its competitors.

On the basis of the current information available, in a constantly evolving scenario, constant monitoring of macroeconomic and business variables is ongoing to ensure that the best estimate of potential impacts on the Group is available in real time, enabling mitigation thereof with reaction/contingency plans.

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

The tables below summarise the Group's credit and debt relations with related parties as at 31 August 2020 and 29 February 2020:

(In thousands of Euro)	Credit and debt relations with related parties (as at 31 August 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
At 31 August 2020							
Other current liabilities	-	(47)	(216)	(2,149)	(2,412)	222,798	(1.1%)
Total	-	(47)	(216)	(2,149)	(2,412)		

(In thousands of Euro)	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
At 29 February 2020							
Other current liabilities	-	(65)	(139)	(2,145)	(2,349)	221,428	(1.1%)
Total	-	(65)	(139)	(2,145)	(2,349)		

The following table summarises the economic relations of the Group with related parties as at 31 August 2020 and as at 31 August 2019:

(In thousands of Euro)	Economic relations with related parties (as at 31 August 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
At 31 August 2020							
Purchases of materials and external services	(81)	(47)	(271)	-	(399)	(901,569)	0.0%
Personnel costs	-	-	-	(2,791)	(2,791)	(75,509)	3.7%
Total	(81)	(47)	(271)	(2,791)	(3,190)		

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(In thousands of Euro)	Economic relations with related parties (as at 31 August 2019)						
Type	Pallacanestro Forlì 2,015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
At 31 August 2019							
Purchases of materials and external services	(193)	(49)	(283)	-	(525)	(954,899)	0.1%
Personnel costs	-	-	-	(2,499)	(2,499)	(91,079)	2.7%
Total	(193)	(49)	(283)	(2,499)	(3,024)		

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

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

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

Main managers	
Year ended 31 August 2020	Year ended 31 August 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
Chief Commercial Officer- Gabriele Gennai	

The gross pay of the main managers includes all remuneration components (benefits, bonuses and gross remuneration). It is noted that the change in compensation and flows is affected by a different timing of payment and the combined effect of: (i) the appointment, from 1 March 2020, of the new Chief Commercial Officer and (ii) the waiver of a portion of their salary in response to the Covid-19 emergency as a gesture of solidarity towards the population of the company.

The table below summarises the Group's cash flows with related parties as at 31 August 2020 and at 31 August 2019:

(In thousands of Euro)	Related parties							
Type	Pallacanestro Forlì 2,015 s.a r.l.	Italian Electronics Holdings	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
Period from 1 March 2020 to 31 August 2020								
Net cash flow generated/(absorbed) by operating activities	(145)	-	(65)	(194)	(2,787)	(3,127)	67,682	(4.6%)
Total	(145)	-	(65)	(194)	(2,787)			
Period from 1 March 2019 to 31 August 2019								
Net cash flow generated/(absorbed) by operating activities	(193)		(102)	(401)	(885)	(1,581)	13,016	(12.1%)
Cash flow generated/(absorbed) by financing activities		(7,233)				(7,233)	(561)	1,289.3%
Total	(193)	(7,233)	(102)	(401)	(85)			

10. 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 (managers and others) of Unieuro. The Plan calls for assigning ordinary shares derived from a capital increase with no option rights pursuant to Art. 2441, paragraphs 5 and 8 of the Italian Civil Code approved by Unieuro's Shareholders' Meeting on the same date.

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

The implementation and definition of the specific characteristics of the Plan were delegated by the Shareholders' Meeting itself to the Unieuro Board of Directors for its specific definition. 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 signed the Plan in October 2017. The parties expressly agreed that the effects of granting rights should be retroactive to 29 June 2017, the date the regulations were approved by the Board of Directors.

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

- *Condition:* the Plan and the grant of the options associated with it will be subject to the conclusion of the listing of Unieuro by 31 July 2017 (the "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 Long Term Incentive Plan, the strategies of Unieuro and the Group and the objectives to be achieved, took into account, among other things, the strategic importance of the role and impact of the role on the pursuit of the objective;

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

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

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

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

    - 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 €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 vesting period of the rights provided for in the Plan ended at the close of the last financial period (29 February 2020); on 18 June 2020, the Board of Directors verified that 101.11% of the quantitative and therefore objectively verifiable objectives had been achieved and approved the allocation of a total of 849,455 options, in compliance with the Plan Regulations. From 31 July 2020 to 31 July 2025, each beneficiary will be entitled to exercise their subscription rights in whole or in part, including in several tranches; at the end of each financial year in which the beneficiary will have exercised all or part of its subscription rights, as provided for by the Plan, that beneficiary will be entitled to receive an extraordinary cash bonus, already recognised in the financial statements, equal to the dividends that would have been forthcoming from the date of approval of the Plan until the end of the vesting period, pursuant to the exercise of the corporate rights attached to the shares obtained in the relevant year.

The cost for the Long-Term Incentive Plan included in the Condensed Half-Yearly Consolidated Financial Statements as at 31 August 2020 was €0.3 million.

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The number of outstanding options as at 31 August 2020 is as follows:

	Number of options 31 August 2020
No. of options in circulation assigned	849,455
No. of options granted during the period	8,605
No. of options not granted	10,760
No. of options exercised	-
No. of options expired	-

<u>Performance shares 2020-2025</u>

On 27 October 2020, after receiving the favourable opinion of the Nominations and Remuneration Committee, the Board of Directors of Unieuro S.p.A. approved the Information Document relating to the Performance Shares 2020-2025 Plan (the "Performance Shares" or "PS") drawn up pursuant to Article 114-bis of the Consolidated Finance Act (TUF), which will be submitted to the Shareholders' Meeting in December for approval.

Description of the Plan's recipients

The Plan is intended for executive directors and/or executives with strategic responsibilities and/or employees of the Company or of Group companies.

In particular, this involves up to 45 persons for the first cycle, who are not yet identified by name but are personnel who have a working relationship with the Company and/or the Group and fall into one of the following categories: (i) executive/senior level at the Company and/or Group companies; (ii) middle management (or higher) level employees at the Company and/or Group companies.

The Board of Directors will identify the beneficiaries, with the abstention of any Directors included among the beneficiaries, subject to the opinion of the Remuneration and Appointments Committee, considering the importance of their respective positions within the Company and/or the Group and their functions in respect of the value creation process. The names of the beneficiaries and the other information required by section 1 of Schedule 7 of Annex 3A to the Issuers' Regulations will be provided in accordance with the procedures and within the terms indicated in Article 84-bis, paragraph 5 of the Issuers' Regulations.

Essential elements relating to the characteristics of the financial instruments on which it is based

The Plan provides for the free granting of rights to receive ordinary shares of Unieuro (the "Shares") to each of the beneficiaries. This granting will be based, inter alia, on the achievement of certain performance objectives and specific vesting conditions, which reflect the most important variables related to the creation of value for the Group.

The free allocations of these Shares will be made in 2023 (1st cycle), 2024 (2nd cycle) and 2025 (3rd cycle).

As resulting from the relevant resolution of the Board of Directors, the actual allocation of the Shares, for each of the three cycles indicated, will be made on the basis of the degree to which the performance objectives were achieved and, in general, the continuation of the vesting conditions.

It is also provided that the aforesaid rights confer to each beneficiary the right to receive a cash bonus based on any cash dividends distributed and paid by the Company up to the allocation date. This bonus shall be payable jointly with, and subject to, the delivery of the shares relating to each cycle of the Plan, provided that the specific vesting conditions are met.

Plan rationale

The Plan is one of the instruments used by the Company and the Group to supplement the remuneration package of key personnel through variable components linked to the achievement of certain performance objectives, in accordance with best market practices.

In particular, the Company believes that a share-based incentive plan, with a five-year duration and specific performance targets, is the most effective incentive instrument and best suited to the interests of the Company and the Group. Therefore, the Plan has the following objectives: (i) to focus the attention of the beneficiaries on factors of strategic interest to the Company and to direct key resources towards strategies aimed at pursuing medium/long-term results; (ii) to build the loyalty of the beneficiaries and encourage them to remain with the Company by developing retention policies aimed at increasing the loyalty of key resources; (iii) to align the interests of the beneficiaries with those of the shareholders, with a view to developing confidence in the growth of the Company's value; and (iv) to ensure that the overall remuneration of the recipients of the Plan remains competitive while concurrently developing policies that will attract talented managerial and professional staff.

11. Unieuro treasury shares

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

12. 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.

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

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

14. 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.

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15. Significant events during and after the period-end

Significant events during the period

Temporary closure of the sales network

On 14 March, following the worsening of the health situation and the extension of the restrictive measures to the entire national territory, Unieuro closed the entire network of direct stores to the public in order to protect the health of customers and collaborators, although not there were regulatory obligations in this regard.

On 30 March, as part of a new package of measures to contain the effects of the health emergency, the Company started reopening a variable but significant number of direct sales points, in order to guarantee customers the most urgent or necessity purchases.

Insurance coverage

On 20 March, Unieuro took out insurance coverage in the event of contagion from Coronavirus for all 5,000 employees of the group, which provided for an indemnity in case of hospitalisation caused by Covid-19 infection, a convalescence indemnity and a package for post-hospitalisation assistance to manage health recovery.

The use of social safety nets

On 30 March, in light of the limited company operations and in order to contain the economic and financial impact of the crisis, Unieuro announced the application of the exceptional redundancy payments (CIGD), in the terms indicated by the Cura Italia Decree, to almost all employees, for a maximum of nine weeks, even if not consecutive. As a gesture of solidarity with the corporate population, the CEO has announced the full and voluntary renunciation of his salary for April and May. Similarly, the entire company management has decided to cut its salary, by 20% for Chiefs and 10% for the other executives and function directors.

The donation of smartphones to hospitals and nursing homes

On 2 April, Unieuro announced its intention to donate over 2,000 smartphones for the benefit of the patients and people affected by the Covid-19 epidemic, unable to maintain contact with their loved ones. The first 1,000 smartphones were donated to hospitals in Emilia Romagna, while the rest were intended for hospitals and nursing homes for the elderly in Lombardy. The initiative testified to the concrete commitment of Unieuro to supporting the community in a time of serious national emergency.

The Shareholders' Meeting

On 12 June, the Shareholders' Meeting of Unieuro, which met in ordinary and extraordinary session, in single call: approved the financial statements as at 29 February 2020; resolved to allocate the profit for the year to the extraordinary reserve, and therefore, not to distribute dividends for the 2019/20 financial year; approved the first section of the Remuneration Report and cast a favourable vote on the second; confirmed the three directors previously co-opted by the Board of Directors, including the Chairman Stefano Meloni; amended the Articles of Association in order to implement the new gender balance legislation in the composition of the administration and control bodies.

Relaunch of the network expansion

On 11 June, the inauguration of the new store in Milan Portello symbolically marked the restart of the expansion plan of the Unieuro network, after having passed the acute phase of the Covid emergency. As well as the direct three shop-in-shops in the Spazio Conad hypermarkets in Curno (Bergamo), Padua and Merate (Lecco), opened in the previous months, the new Milanese store underlines the intention of Unieuro to focus on the large-scale retail distribution segment: the location, adjacent to Iper, La grande i in Piazza Portello, is in fact part of the partnership signed at the beginning of 2019 with Finiper.

The new omnichannel services

In response to the new customer safety requirements dictated by the post-Covid context, on 19 June, Unieuro launched a vast and innovative omnichannel project aimed at rethinking the customer experience, with the aim of supporting drive-to-store exploiting the engagement opportunities generated by the e-commerce channel. The first phase of the project involved the release of two service formulas, "aTUperTU" and "CIAOfila", designed to rationalise customer flows in stores. The project was subsequently enhanced through the launch of "AUTOritiro", a new service designed to allow customers to pick up their online purchases at the point of sale, without getting out of their vehicle.

The incorporation of Carini Retail

On 5 August, the deed pursuant to which the subsidiary Carini Retail S.r.l. was merged into the parent company Unieuro S.p.A. was signed. The statutory effects of the merger take effect on 1 September 2020, while the accounting and tax effects take effect on the first day of the financial year.

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Significant events following the closure of the period

The partnership with UniCredit

On 16 September, Unieuro and UniCredit announced the launch of a partnership aimed at strengthening the bank's corporate welfare programme, to the benefit of its more than 38,000 Italian employees who can take advantage of large discounts on the technological products marketed by Unieuro, with a specific focus on smart working, home technology adaptation and sustainable mobility. Unieuro is thus able to access a valuable clientele, generating traffic in stores and strengthening the important B2B2C channel, managed through Monclick.

The refund of the flu vaccine

On 21 September, Unieuro announced the decision to reimburse the cost of the flu vaccine to all employees who voluntarily decide to use it, this being a further concrete expression of the company's concern for the health of its employees while the Covid-19 pandemic is ongoing.

The internalisation of all "Unieuro by Iper" stores

On 2 October, Unieuro announced the changeover to direct management of 16 "Unieuro by Iper" shop-in-shops located in "Iper, La grande i" hypermarkets, previously managed by the Finiper Group under the affiliate regime. The transaction - which followed the internalisation of 4 other previously affiliated shop-in-shops and the opening of the Milan Portello direct store - resulted in all 21 Unieuro by Iper points of sale becoming an integral part of Unieuro 's direct network, which has now exceeded 270 points of sale. Through this transaction, Unieuro further strengthened its presence in the large-scale retail segment.

The new headquarters

On 14 October, Unieuro signed a multi-year lease agreement for Palazzo Hercolani, an old building located in the historic centre of Forlì, where the Group will move its headquarters during 2021. Upon completion of the adaptation and modernisation works, also in light of the major projects currently in the pipeline to place Unieuro at the forefront of smart working, the building will offer over 250 employees and guests a rewarding, innovative and comfortable work experience that will facilitate collaboration and the circulation of ideas and solutions to the benefit of the company and its people.

The Unieuro brand lands in the city of Naples

On 19 October, Unieuro and the Partenope Group signed a multi-year partnership whereby the five Partenope Group stores, previously operating under the banner of a competing purchasing group, joined Unieuro's indirect network, adopting its brand and format in view of the start of the 2020 peak season. The agreement allowed the Unieuro brand to land with force in the city of Naples, where it was largely under-represented.

The resurgence of the Covid-19 epidemic

Since October, after a summer of relative tranquillity, the epidemiological situation in Italy has rapidly worsened. The sudden increase in infections has mainly involved certain regions, including Lombardy and Piedmont, pushed to adopt restrictive measures including the closure of shopping centres at weekends. The further deterioration of the situation prompted the government, on 4 November, to issue a decree that imposed new restrictions on commercial activities and the free movement of persons. For Unieuro, the new rules will lead to the closure of about two thirds of direct stores on public holidays and pre-holidays until 3 December 2020.

The proposed Performance Share Plan 2020-2025

The Unieuro Board of Directors, meeting on 27 October, examined and approved the guidelines and essential terms of the new incentive plan called "Performance Share Plan 2020-2025" to be submitted to the approval of the Shareholders' Meeting called for 17 December 2020. At the same meeting, the proposal for the power to increase the share capital to service the Plan and the proposal for authorisation to purchase and dispose of treasury shares, also at the service of the same Plan, will also be submitted.

The expiry of the Liquidity Provider contract

On 28 October, Unieuro announced the expiry and the decision not to renew the Liquidity Provider contract conferred on Intermonte SIM on 29 October 2019 in relation to its ordinary shares. The decision was taken in the light of the expansion of the free float, which transformed Unieuro into a real public company, and the consequent sharp increase in trading volumes on the stock.

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16. Foreseeable operating evolution

Information relating to the foreseeable operating evolution is presented in note 8 “Coronavirus Epidemic” to which reference should be made.

CONDENSED HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 AUGUST 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of Euro)		Period ended	
	Notes	31 August 2020	29 February 2020
Plant, machinery, equipment and other assets	5.1	76,761	84,696
Goodwill	5.2	195,238	195,238
Intangible assets with definite useful life	5.3	26,804	27,247
Right-of-use assets	5.4	457,289	478,286
Deferred tax assets	5.5	40,820	38,617
Other non-current assets	5.6	11,108	11,931
Total non-current assets		808,022	836,015
Inventories	5.7	332,154	369,788
Trade receivables	5.8	77,623	51,288
Current tax assets	5.9	-	-
Other current assets	5.6	18,916	25,355
Cash and cash equivalents	5.10	140,212	96,712
Total current assets		568,905	543,143
Total assets		1,376,927	1,379,158
Share capital	5.11	4,000	4,000
Reserves	5.11	74,667	38,316
Profit/(loss) carried forward	5.11	25,485	53,842
Profit/(Loss) of third parties	5.11	-	-
Total shareholders' equity		104,152	96,158
Financial liabilities	5.12	43,858	31,643
Employee benefits	5.13	11,770	11,988
Other financial liabilities	5.14	416,933	444,532
Provisions	5.15	14,382	8,679
Deferred tax liabilities	5.5	3,664	3,463
Other non-current liabilities	5.16	26	26
Total non-current liabilities		490,633	500,331
Financial liabilities	5.12	19,639	9,520
Other financial liabilities	5.14	69,879	69,419
Trade payables	5.17	466,771	479,608
Current tax liabilities	5.9	1,733	1,449
Provisions	5.15	1,322	1,245
Other current liabilities	5.16	222,798	221,428
Total current liabilities		782,142	782,669
Total liabilities and shareholders' equity		1,376,927	1,379,158

The Notes are an integral part of these Condensed Half-Yearly Consolidated Financial Statements.

CONSOLIDATED INCOME STATEMENT

(In thousands of Euro)		Period ended	
	Notes	31 August 2020	31 August 2019
Revenue	5.18	1,079,018	1,059,536
Other income	5.19	381	840
TOTAL REVENUE AND INCOME		1,079,399	1,060,376
Purchases of materials and external services	5.20	(901,569)	(954,899)
Personnel costs	5.21	(75,509)	(91,079)
Changes in inventory	5.7	(37,635)	31,362
Other operating costs and expenses	5.22	(3,889)	(3,601)
GROSS OPERATING RESULT		60,797	42,159
Amortisation, depreciation and write-downs	5.23	(45,979)	(44,724)
NET OPERATING RESULT		14,818	(2,565)
Financial income	5.24	37	53
Financial expenses	5.24	(6,826)	(6,635)
PROFIT BEFORE TAX		8,029	(9,147)
Income taxes	5.25	(507)	32
PROFIT/(LOSS) FOR THE PERIOD		7,522	(9,115)
Profit/(loss) for the period of the Group	5.11	7,522	(9,115)
Profit/(loss) for the period of third parties	5.11	-	-
Basic earnings per share (in Euro)	5.26	0.38	(0.46)
Diluted earnings per share (in Euro)	5.26	0.38	(0.46)

The Notes are an integral part of these Condensed Half-Yearly Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of Euro)		Period ended	
	Notes	31 August 2020	31 August 2019
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD		7,522	(9,115)
Other items of comprehensive income that will or may be reclassified to profit/(loss) for the consolidated period:			
Gain/(losses) on cash flow hedges	5.14	144	(316)
Income taxes		(34)	76
Total other components of comprehensive income that will or may be reclassified to profit/(loss) for the consolidated period	5.11	110	(240)
Other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the consolidated period:			
Actuarial gains (losses) on defined benefit plans	5.13	226	(868)
Income taxes		(60)	243
Total other components of comprehensive income that will not be reclassified to profit/(loss) for the consolidated period	5.11	166	(625)
Total comprehensive income for the consolidated period		7,798	(9,980)

The Notes are an integral part of these Condensed Half-Yearly Consolidated Financial Statements.

CONSOLIDATED CASH FLOW STATEMENT[40]

(In thousands of Euro)	Notes	Period ended 31 August 2020	31 August 2019
Cash flow from operations			
CONSOLIDATED PROFIT/(LOSS) FOR THE CONSOLIDATED PERIOD	5.11	7.522	(9,115)
Adjustments for:			
Income taxes	5.25	507	(32)
Net financial expenses (income)	5.24	6,789	6,582
Depreciation, amortisation and write-downs of fixed assets	5.23	45,979	44,724
Other changes		196	287
		60,993	42,446
Changes in:			
- Inventories	5.7	37,634	(31,362)
- Trade receivables	5.8	(26,335)	(10,917)
- Trade payables	5.17	(6,378)	9,097
- Other changes in operating assets and liabilities	5.6-5.15-5.16	8,817	10,033
Cash flow generated/(absorbed) by operating activities		13,738	(23,149)
Taxes paid	5.25	(945)	-
Interest paid	5.24	(6,104)	(6,280)
Net cash flow generated/(absorbed) by operating activities	5.27	67,682	13,017
Cash flow from investment activities			
Purchases of plant, equipment and other assets	5.1	(6,405)	(8,027)
Purchases of intangible assets	5.3	(6,522)	(5,839)
Investments for business combinations and business units	5.14	(8,318)	(11,040)
Net cash inflow from acquisition	5.10	-	10
Cash flow generated (absorbed) by investment activities	5.27	(21,245)	(24,896)
Cash flow from investment activities			
Increase/(Decrease) in financial liabilities	5.12	21,788	21,311
Increase/(Decrease) in other financial liabilities	5.14	2,969	(472)
Increase/(Decrease) in other financial liabilities - IFRS 16 Leases	5.14	(27,694)	(27,873)
Distribution of dividends	5.11	-	(21,400)
Cash flow generated/(absorbed) by financing activities	5.27	(2,937)	(28,434)
Net increase/(decrease) in cash and cash equivalents		43,500	(40,313)
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		96,712	84,488
Net increase/(decrease) in cash and cash equivalents		43,500	(40,313)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		140,212	44,175

The Notes are an integral part of these Condensed Half-Yearly Consolidated Financial Statements.

[40] For the purpose of better representation, the cash flows relating to IFRS 16 Leases were reclassified from the item "Cash flow generated/(absorbed) by investment activities" to the item "Cash flow generated/(absorbed) by financing activities".

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STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(In thousands of Euro)	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	Minority interests	Total shareholders' equity
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
Profit/(loss) for the consolidated period		-	-	-	-	-	-	-	7.522	7.522	-	7.522
Other components of comprehensive income		-	-	-	110	166	-			276	-	276
Total comprehensive income for the consolidated period		-	-	-	110	166	-	-	7.522	7,798	-	7,798
Allocation of prior year result		-	-	35,750	-	-	-	-	(35,750)	-	-	-
Distribution of dividends		-	-	-	-	-	-	-	-	-	-	-
Share-based payment settled with equity instruments		-	-	-	-	-	325	-	(129)	196	-	196
Total transactions with shareholders		-	-	35,750	-	-	325	-	(35,879)	196	-	196
Balance as at 31 August 2020	5.11	4,000	800	42,519	(243)	(1,405)	6,052	26,944	25.485	104,152	0	104,152

(In thousands of Euro)	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	Minority 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 changes in accounting standard IFRS 16		-	-	-	-	-	-	-	-	-	-	-
Adjusted balance as 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		-	-	-	-	-	-	-	(9,115)	(9,115)	-	(9,115)
Other components of comprehensive income		-	-	-	(240)	(625)	-			(865)	-	(865)
Total comprehensive income for the consolidated year		-	-	-	(240)	(625)	-	-	(9,115)	(9,980)	-	(9,980)
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		-	-	-	-	-	1,322	-	(927)	395	-	395
Total transactions with shareholders		-	-	6,769	-	-	1,322	-	(29,096)	(21,005)	-	(21,005)
Balance as at 31 August 2019	5.11	4,000	800	6,769	(555)	(1,872)	4,698	26,944	19,108	59,982	0	59,892

The Notes are an integral part of these Condensed Half-Yearly Consolidated Financial Statements.

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NOTES

1. INTRODUCTION

The Unieuro Group (hereinafter also the "Group" or "Unieuro Group") came into existence following the acquisition by Unieuro S.p.A. of the entire share capital of Monclick S.r.l., consolidated from 1 June 2017 and the share capital of Carini Retail S.r.l., consolidated from 1 March 2019 and subsequently merged into Unieuro S.p.A. with statutory effect beginning from 1 September 2020.

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.

In execution of the resolutions passed on 18 March 2020, on 5 August 2020 the Board of Directors of Unieuro and the Extraordinary Shareholders' Meeting of Carini Retail Unieuro and Carini Retail S.r.l. with sole shareholder (hereinafter also referred to as "Carini" or "Carini Retail") each signed the deed for the merger by incorporation of the subsidiary Carini Retail into the parent company Unieuro (the "Merger"). The statutory effects of the Merger will take effect from 1 September 2020, while the accounting and tax effects will begin from the first day of the financial year during which the Merger was completed pursuant to Article 2504-bis, paragraph 2, of the Italian Civil Code. (1 March 2020). The Merger did not involve any increase in the share capital of the merging company Unieuro, as the latter holds the entire share capital of the merged company Carini Retail.

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

Since April 2017, Unieuro shares have been listed on the STAR segment of the Milan stock exchange and the Company is in all respects a public company. Based on the information available to date, 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%[41].

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

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

Below are the preparation criteria, the main accounting standards and valuation criteria adopted for the drafting of the Condensed Half-Yearly Consolidated Financial Statements. These standards and criteria were applied consistently to all the periods presented within this document.

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

The Condensed Half-Yearly Consolidated Financial Statements were prepared in compliance with the provisions of Article 154-ter of Legislative Decree No. 58 of 24 February 1998 (Consolidated Finance Act - TUF) and subsequent amendments and supplements and in the application of IAS 34. It does not include all the information required by the IFRS for the preparation of the annual financial statements and should therefore be read in conjunction with the Unieuro consolidated financial statements dated 29 February 2020. The Condensed Half-Year Consolidated Financial Statements were prepared in compliance with the International Accounting standards (IAS/IFRS) which are issued by the International Accounting Standards Board (IASB) and their relative interpretations (SIC/IFRIC), adopted by the European Union.

The Condensed Half-Yearly Consolidated Financial Statements is composed of the consolidated statement of financial position, the consolidated income statement, the statement of comprehensive income, the consolidated statement of cash flows, and the statement of changes in consolidated shareholders' equity relating to the interim period of six months ended 31 August 2020 and its explanatory notes. The presentation of these statements provides the comparative data envisaged by IAS 34 (29 February 2020 for the statement of financial position and the statement of changes in shareholders' equity and 31 August 2019, for the income statement, statement of comprehensive income and statement of cash flows).

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

The Condensed Half-Yearly 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 further details on the impact of the Coronavirus epidemic please see section 8 Coronavirus Epidemic in the Report on Operations.

The Condensed Half-Yearly 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 close of the period.

As at 31 August 2020, the Group is composed as follows:

(In thousands of Euro)	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.

It is hereby noted that, on 5 August 2020, Unieuro and Carini signed the merger deed relating to the merger by incorporation of the subsidiary Carini Retail into the parent company Unieuro. The statutory effects of the Merger will take effect from 1 September 2020, while the accounting and tax effects will begin from the first day of the financial year during which the Merger was completed pursuant to Article 2504-bis, paragraph 2, of the Italian Civil Code. (1 March 2020).

The major shareholders of Unieuro as at 31 August 2020 are listed in the Introduction.

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

The Condensed Half-Yearly Consolidated Financial Statements were approved by the Company's Board of Directors on 12 November 2020 and they were submitted to a limited audit.

2.3 Consolidated Financial Statement Schedules

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

A) Consolidated statement of 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.

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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 shareholders' equity for transactions other than those with shareholders.

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

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

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

2.4 Consolidation policies and scope of consolidation

As at 31 August 2020, the Group is composed as follows:

(In thousands of Euro)	Share Capital	% of ownership	Parent company
Unieuro S.p.A.	4,000.00		
Monclick S.r.l.	100.00	100.00%	Unieuro S.p.A.
Carini Retail S.r.l.	10.00	100.00%	Unieuro S.p.A.

The group company statements used for full consolidated have been duly amended and reclassified, in order to align them with the aforementioned international accounting standards.

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

Preparation of the Condensed Half-Yearly Consolidated Financial Statements under the IFRS requires management to make estimates and assumptions that affect the values of assets and liabilities in the Condensed Half-Yearly Consolidated Financial Statements and the disclosures about contingent assets and liabilities at the reporting date. These estimates and assumptions are based on information available at the preparation date of the Condensed Half-Year Consolidated Financial Statements, management's experience and other relevant information. The actual figures may differ from the estimates. Management uses estimates to make provisions for credit risks, warehouse obsolescence, assets for which costs are capitalised in order to secure a contract, contract liability on the sale of warranty extension services, liabilities for leasing and right-of-use assets, measuring amortisation and depreciation, performing asset valuations, testing goodwill for impairment, determining employee benefits and the share-based payments plan on an actuarial basis, as well as estimating the fair value of derivatives and calculating the recoverability of deferred tax assets.

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

In the context of the preparation of the Condensed Half-Yearly Consolidated Financial Statements, the relevant subjective assessments by management in its application of accounting standards and the key sources of estimation uncertainty were the same as those applied in preparing the Consolidated Financial Statements for the year ended 29 February 2020 of the Unieuro Group to which reference is made.

2.6 Significant accounting policies

The accounting criteria and standards adopted for the preparation of these Condensed Half-Year Consolidated Financial Statements were the same as those applied in preparing the Unieuro consolidated financial statements for the year ended 29 February 2020 apart from the new standards and/or supplements adopted described in Note 2.6.1. Changes to the accounting standards listed below.

2.6.1 Changes to the accounting standards

On 28 May 2020, the IASB issued amendments to IFRS 16 "*Leases Covid-19-Related Rent Concessions*" introducing a practical expedient in the chapter "Changes to Leases" which allows lessees not to consider any concessions related to the effects of Covid-19 as concessions on lease payments received from 1 January 2020 that amend the original contract. On the basis of these changes, these concessions can be accounted for as positive variable rents without requiring a contractual change.

All the following conditions must be fulfilled in order for this exemption to be applied:

- the concession involving the payments is a direct consequence of the Covid-19 pandemic and the reduction in payments refers only to those originally due by June 2021;

- the change in payments has either left the same amount to be paid or reduced the amount of payment compared to the original terms and conditions;

- there are no material changes to other lease terms or conditions.

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The amendments to IFRS 16 are effective from 1 June 2020 and early adoption is allowed. The approval process was concluded on 12 October 2020 and was published in the Official Journal of the European Union.

The concessions signed by the reference date of the Half-Yearly Financial Report and recorded as positive variable lease payments in the income statement amount to € 8,622 thousand.

2.7 New accounting standards

The accounting standards, amendments, IFRSs and IFRICs endorsed by the European Union

- On 22 October 2018, the IASB published amendments to *IFRS 3 - Business Combinations*. The purpose of the amendment is to help determine whether a transaction is an acquisition of a business or group of assets that does not meet the definition of a business in IFRS 3. The amendments will apply to acquisitions after 1 January 2020.

- On 28 May 2020, the IASB published amendments to *IFRS 16 Leases Covid-19-Related Rent Concessions.* These amendments introduce a practical expedient on the basis of which renegotiations of lease contracts, made as a result of the Covid-19 pandemic and relating to the reduction in rents due for periods up to 30 June 2021, are not considered contractual amendments and their effects are accounted for as variable rents with a positive impact on the income statement. For more details, please refer to Note 2.6.1 Changes to the accounting standards.

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

- On 18 May 2017, the IASB issued *IFRS 17 Insurance Contracts*. The standard aims to improve understanding by investors, but not only them, of the risk exposure, the profitability and the financial position of the insurers. IFRS 17 replaces IFRS 4 issued in 2004 as interim Standard. The amendments go into effect on 1 January 2023.

- On 23 January 2020, the IASB published amendments to *IAS 1 - Business Combinations IAS 1 Presentation of Financial Statements.* The purpose of the amendment is to clarify how to classify payables and other liabilities as short or long term. The amendments will apply to acquisitions after 1 January 2023.

- On 14 May 2020, the IASB published amendments to: (i) IFRS 3 Business Combinations; (ii) IAS 16 Property, Plant and Equipment; (iii) IAS 37 Provisions, Contingent Liabilities and Contingent Assets; (iv) Annual Improvements 2018-2020. The amendments will apply to acquisitions after 1 January 2022.

- On 25 June 2020, the IASB published amendments to IFRS 4 *Extension of the Temporary Exemption from Applying IFRS 9.* The amendments will apply to acquisitions after 1 January 2021.

- On 27 August 2020, the IASB published, in the light of the interbank interest rate reform such as IBOR, the Interest Rate Benchmark Reform-Phase 2 which contains amendments to the following standards: (i) IFRS 9 Financial Instruments; (ii) IAS 39 Financial Instruments: Recognition and Measurement; (iii) IFRS 7 Financial Instruments: Disclosures; (iv) IFRS 4 Insurance Contracts; and (v) IFRS 16 Leases. The amendments will apply to acquisitions after 1 January 2021.

On the basis of the facts and cases to which the new documents are applied and taking into account the current accounting standards adopted by the Group, it is believed that there will be no significant impact from the first-time application of these documents.

2.8 Seasonality

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

3. INFORMATION ON FINANCIAL RISKS

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

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

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

The main financing instruments used are:

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

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

For information regarding the risks from Covid-19, see section 8 Coronavirus Epidemic in the Report on Operations.

3.1 Credit risk

Credit risk is the possibility that an unexpected change in the credit rating of a counterparty will expose the Group to the risk of default, subjecting it to potential lawsuits. By way of introduction, we note that the credit risk which the Group is subject to is minimal since its sales are mainly to the end consumers who pay the consideration upon purchasing the product. Sales to affiliates (Indirect channel[42]) and wholesale customers (B2B channel), which represent a total of approximately 16.6% of the Group's revenues as at 31 August 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 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

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

concentrations of risk. The other receivables are mainly receivables from the tax authorities and public administrations, lease instalments paid early and advances paid for services which therefore carry a limited credit risk.

The financial assets are recognised net of write-downs calculated based on counterparty default risk. This is determined according to procedures that can involve both write-downs of individual positions, if they are individually significant, and for which there is an objective condition of total or partial non-collectability, or on collective write-downs based on historical and statistical data. Furthermore, the book value of its financial assets represents the Group's maximum exposure to credit risk.

3.2 Liquidity risk

Liquidity risk is the risk of failure to fulfil contractual obligations. The contractual obligations consist of discharging financial liabilities within the deadlines that have been set. Liquidity risk management is the management of incoming funds, guaranteeing a balance between cash inflows and outflows and thereby minimizing the cost of financial management. This translates into procuring financial resources sufficient to maintain the company's financial structure streamlined, reducing that cost to the minimum level (in terms of financial expenses). Liquidity risk is limited by:

- cash flows from operations: optimal management of incoming cash flows from normal operations as compared to cash outflows;
- usage of short-term loans (*hot money*);
- usage of committed credit lines: these are credit lines that pools of banks commit to having available for the Group until maturity;
- usage of non-committed financial assets only for funding purposes;
- usage of medium/long-term loans able to maintain the Company's ordinary and other operations; the usage of this type of resource requires constant monitoring of expirations of financial debts as well as contingent market terms and conditions.

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

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The financial structure in its entirety is constantly monitored by the Group to ensure coverage of its liquidity needs. The Group's financial structure broken down by maturity is shown below:

(In thousands of Euro)	Balance as at 31 August 2020	Within 12M	Between 12M and 60M	Over 60M	Total
Financial liabilities	63,497	19,639	43,858	-	63,497
Other financial liabilities	486,812	69,879	232,625	184,308	486,812
Total	550,309	89,518	276,483	184,308	550,309

(In thousands of Euro)	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	513,951
Total	555,114	78,939	273,600	202,575	555,114

The trend in the period is influenced by the seasonal nature of the business, for further details see Notes 5.12 Financial liabilities and 5.14 Other financial liabilities.

3.3 Market risk

3.3.1 Interest rate risk

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

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

The interest rate swaps in existence as at 31 August 2020 were stipulated following the conclusion of a loan contract with a pool of banks, led by Banca IMI S.p.A. On 12 February 2018, following the closing which took place on 9 January 2018, the date on which the loan agreement known as the *Senior Facilities Agreement* (the "Loan Agreement") was entered into, new interest rate swaps associated with the term loan currently provided by the syndicate were signed.

(In thousands of Euro)			Nominal value as at		*Fair value as at*	
Derivative contracts	Stipulated on	Expires on	31/08/2020	29/02/2020	31/08/2020	29/02/2020
Interest Rate Swaps (IRS)	12/02/2018	09/01/2023	27,500	32,500	(318)	(462)

Interest Rate Swaps, which meet the requirements of IFRS 9 for cash flow hedge transactions, are accounted for using the hedge accounting method. The amount recognised in shareholders' equity in the cash flow hedge reserve, as an effective component of the hedging relationship, was €318 thousand (negative) before tax at 31 August 2020, compared with €462 thousand (negative) before tax at 29 February 2020.

3.3.2 Currency risk

The Group is exposed to exchange rate risk, i.e., the risk of fluctuations in future supplies denominated in foreign currencies due to the volatility of certain exchange rates, mainly as a result of commodity import transactions.

In view of the nature of the business and on a going concern basis, this risk is not considered relevant for the Group due to the reduced volume of transactions for the purchase of goods in currencies other than the Euro, and therefore the risk is not managed on a recurring basis from an operational point of view. If the need arises to manage the exchange rate risk, generated by changes in exchange rates with respect to the main short-term import transactions involving payments to suppliers in US Dollars, the Group manages its exposure to risk with forward purchase contracts (i.e., FX Forward) in US Dollars. This strategy aims to 'fix' the amount of currency in US Dollars for future purchases at a pre-defined exchange rate level, thereby rendering it immune to changes in market rates.

As at 31 August 2020 there were no forward currency sales contracts in place. If, at the reporting date, currency contracts are in place, the effects of these derivative financial instruments will be recognised in the statement of financial position with a direct contra entry in the income statement in accordance with the standard accounting treatment provided by IFRS 9. If the substantive and formal requirements were met, the Group would also reserve the right to assess whether to apply the cash flow hedge accounting treatment to these operating events.

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 31 August 2020 and 29 February 2020:

(In thousands of Euro)	Period ended 31 August 2020			
	Loans and receivables	Fair value of hedging instruments	Other liabilities	Total
Financial assets not designated at fair value				
Cash and cash equivalents	140,212	-	-	140,212
Trade receivables	77,623	-	-	77,623
Other assets	30,024	-	-	30,024
Financial assets designated at fair value				
Other assets		-		-
Financial liabilities not designated at fair value				
Financial liabilities	-	-	63,497	63,497
Trade payables	-	-	466,771	466,771
Other liabilities	-	-	222,824	222,824
Other financial liabilities	-	-	486,494	486,494
Financial liabilities designated at fair value				
Other financial liabilities	-	318	-	318

(In thousands of Euro)	Year ended 29 February 2020			
	Loans and receivables	Fair value of hedging instruments	Other liabilities	Total
Financial assets not designated 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 designated at fair value				
Other assets		0		0
Financial liabilities not designated 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 designated at fair value				
Other financial liabilities	-	463	-	463

4. INFORMATION ON OPERATING SEGMENTS

The Group has identified just one operating segment, which is the entire company and covers all the services and products provided to customers. The Group's view of itself as a single omnichannel business means that the company has identified a single Strategic Business Unit ("SBU"). Management has also identified three Cash Generating Units (CGUs) inside the SBU to which goodwill has been allocated. This approach is supported by the control model of the management's operations that considers the entire business, regardless of the product lines or geographical location, which management does not consider significant in decision-making. The operating segment's results are measured by analysing trends of revenue and gross operating profit or loss.

The operating segment's results are measured by analysing trends of revenue and gross operating profit or loss.

(In thousands of Euro and as a percentage of revenues)	Period ended	
	31 August 2020	31 August 2019
Revenue	1,079,018	1,059,536
GROSS OPERATING RESULT	60,797	42,159
% of revenues	5.6%	4.0%
Depreciation, amortisation and write-downs of fixed assets	(45,979)	(44,724)
NET OPERATING RESULT	14,818	(2,565)
Financial income	37	53
Financial expenses	(6,826)	(6,635)
PROFIT BEFORE TAX	8,029	(9,147)
Income taxes	(507)	32
PROFIT/(LOSS) FOR THE YEAR	7,522	(9,115)

EBITDA as a percentage of revenues increased to 5.6% compared with the first half of last period.

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

(In thousands of Euro and as a percentage of revenues)	Period ended				Changes	
	31 August 2020	%	31 August 2019[43]	%	Δ	%
Grey	532,897	49.4%	502,440	47.4%	30,457	6.1%
White	307,341	28.5%	306,256	28.9%	1,085	0.4%
Brown	141,854	13.1%	158,359	14.9%	(16,505)	(10.4%)
Other products	49,642	4.6%	44,241	4.2%	5,401	12.2%
Services	47,284	4.4%	48,240	4.6%	(956)	(2.0%)
Total revenues by category	1,079,018	100.0%	1,059,536	100.0%	19,482	1.8%

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

(In thousands of Euro)	Period ended	
	31 August 2020	31 August 2019
Abroad	5,125	2,237
Italy	1,073,893	1,058,299
Total	1,079,018	1,059,536

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.

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

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5. NOTES TO THE INDIVIDUAL ITEMS OF THE CONDENSED HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS

5.1 Plant, machinery, equipment and other assets

Below is the balance of the item "Plant, machinery, equipment and other assets" by category as at 31 August 2020 and 29 February 2020:

(In thousands of Euro)	Amounts as at 31 August 2020			Amounts as at 29 February 2020		
	Historical cost	Accumulated Amortisation and Depreciation	Net book value	Historical cost	Accumulated Amortisation and Depreciation	Net book value
Plant and machinery	143,951	(111,035)	32,916	142,898	(106,091)	36,807
Equipment	24,480	(16,752)	7,728	24,335	(16,175)	8,160
Other assets	187,857	(155,581)	32,276	184,440	(149,680)	34,760
Tangible assets under construction	3,841	-	3,841	4,969	-	4,969
Total plant, machinery, equipment and other assets	360,129	(283,368)	76,761	356,642	(271,946)	84,696

The change in the item "Plant, machinery, equipment and other assets" for the period from 29 February 2020 to 31 August 2020 is shown below:

(In thousands of Euro)	Plant and machinery	Equipment	Other assets	Tangible assets under construction and payments on account	Total
Balance as at 29 February 2020	36,807	8,160	34,760	4,969	84,696
Increases	1,053	145	3,417	1,580	6,195
Decreases	-	-	-	(2,708)	(2,708)
Amortisation, depreciation and write downs/(write backs)	(4,944)	(577)	(5,901)	-	(11,422)
Decreases in Amortisation, Depreciation Provision	-	-	-	-	-
Balance as at 31 August 2020	32,916	7,728	32,276	3,841	76,761

The change in the item "Plant, machinery, equipment and other assets" for the period from 28 February 2019 to 31 August 2019 is shown below:

(In thousands of Euro)	Plant and machinery	Equipment	Other assets	Tangible assets under construction and payments on account	Total
Balance as at 28 February 2019	39,543	7,380	36,168	1,851	84,942
Increases	3,126	1,386	3,978	2,069	10,559
First consolidation Carini Retail	940	26	1,013	-	1,979
Decreases	(75)	(21)	(7)	(849)	(952)
Amortisation, depreciation and write downs/(write backs)	(4,700)	(503)	(5,432)	-	(10,635)
Decreases in Amortisation, Depreciation Provision	45	21	7	-	73
Balance as at 31 August 2019	38,879	8,289	35,727	3,071	85,966

In the year ended 31 August 2020, the Company made net investments totalling €3,487 thousand.

In particular, the net investments refer mainly to: (i) interventions related to the reduction of the surface area and investments involving the relocation of existing points of sale in areas considered more strategic in the amount of € 1,902 thousand; (ii) investments related to the opening of new points of sale inside hypermarkets or in areas not sufficiently covered by the current portfolio of shops of €2,430 thousand; (iii) minor extraordinary maintenance interventions in various points of sale of €199 thousand; (iv) investments related to the creation of electrified display tables dedicated to the display of specific supplier brands inside the points of sale and TV podiums totalling € 74 thousand; and (v) additional investments related to the logistics hub based in Piacenza of €10 thousand.

Net non-current assets under construction of €3,841 thousand refer mainly to (i) the opening of new sales outlets in the amount of €320 thousand; (ii) investments in restructuring/relocation of €150 thousand; (iii) minor extraordinary maintenance work in various sales outlets totalling €371 thousand; (iv) investments related to the creation of electrified display tables dedicated to the display of specific supplier brands inside the sales outlets of €225 thousand; and (v) additional investments related to the logistics hub based in Piacenza of €514 thousand.

The item "Amortisation, depreciation and write-downs/(write backs)", equal to € 11,422 thousand, includes €10,431 thousand of depreciation and € 991 thousand of write-downs related primarily to the depreciation of certain assets at Forlì, following the decision to transfer the registered office.

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 six-month period ended 31 August 2019, the Group made investments net of the "Assets under construction" category and including the assets acquired in the first consolidation of Carini Retail S.r.l. totalling €10,437 thousand.

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In particular, the net investments refer mainly to: (i) investments relating to the opening of new points of sale in new areas deemed to be strategic (Gela, Portogruaro, Mistebianco, Savignano, Verona) or in areas not sufficiently covered by the current portfolio of shops and the refurbishment of the points of sale acquired from the Ex Pistone S.p.A. branches totalling €5,868 thousand; (ii) additional investments connected to the logistics hub based in Piacenza of €976 thousand; (iii) interventions relating to the restructuring of selected points of sale through the restyling of the layout and the reduction or extension of the sales area and investments in the relocation of existing points of sale in catchment areas deemed more strategic totalling €823 thousand; (iv) minor extraordinary maintenance interventions and renewal of the burglar alarm and electrical systems in various points of sale totalling €445 thousand; (v) investments relating to the creation of electrified display tables dedicated to the display of specific supplier brands inside the points of sales totalling € 346 thousand.

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

For the fair value measurement, the Company relied on the information from the expert's sworn appraisal drawn up pursuant to Article 2465 et seq. of the Italian Civil Code, which estimated the value of the assets acquired at € 1,979 thousand. The amortisation and depreciation was calculated based on the depreciation rates adopted for the respective category.

The values and useful life have been reflected in the financial statements from the date Unieuro acquired control.

Net assets under development of €3,071 thousand net within the movement from 28 February 2019 to 31 August 2019, refer mainly to (i) investments in restructuring/relocation totalling €1,037 thousand; (ii) minor extraordinary maintenance work at various points of sale totalling €483 thousand and (iii) the opening of new points of sale and projects totalling €489 thousand. Investments in question as at 31 August 2019 are not completed and therefore the item is not subject to depreciation.

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

The item "Plant, machinery, equipment and other assets" includes assets held under financial leases consisting mainly of furnishings, energy saving lighting installations, air conditioning installations, servers, computers and printers. These assets are guaranteed by the lessor until the residual amount due is fully paid. For further details on the amount of the debts to the leasing company, see note 5.14 "Other financial liabilities."

5.2 Goodwill

The breakdown of the item "Goodwill" as at 31 August 2020 and as at 29 February 2020 is shown below:

(In thousands of Euro)	Period ended	
	31 August 2020	29 February 2020
Goodwill	195,238	195,238
Total Goodwill	195,238	195,238

The change in the "Goodwill" item for the period from 28 February 2019 to 29 February 2020 is shown below:

(In thousands of Euro)	Goodwill
Balance as at 28 February 2019	177,965
Acquisitions	17,273
Increases	-
Write-downs	-
Balance as at 29 February 2020	195,238
Acquisitions	-
Increases	-
Write-downs	-
Balance as at 31 August 2020	195,238

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Goodwill can be broken down as follows:

(In thousands of Euro)	Goodwill at 31 August 2020	Goodwill at 29 February 2020
Resulting from mergers:		
Marco Polo Holding S.r.l.	94,993	94,993
Formerly Unieuro	32,599	32,599
Rialto 1 S.r.l. and Rialto 2 S.r.l.	9,925	9,925
Marco Polo Retail S.r.l.	8,603	8,603
Other minor mergers	5,082	5,082
Resulting from acquisitions of equity investments:		
Monclick S.r.l.	7,199	7,199
Carini Retail S.r.l.	17,273	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	195,238

5.2.1 Impairment testing

The WHO declaration of the global health emergency on 30 January 2020 required the Group to consider the estimated effects of Covid-19 in terms of the assessments for the preparation of the financial statements at 29 February 2020. In this context, in order to measure any effects of the epidemic in terms of the recoverability of its assets, including goodwill, when preparing the financial statements, management tested for impairment the Cash Generating Units ("CGUs") to which goodwill was allocated, based on the cash flows deriving from the updated business plan as a result of the new 2020/2021 forecasts linked to the spread of Covid-19, and conducted a sensitivity analysis on the EBIT of the individual CGUs (Retail, Indirect and B2B), assuming a 20% reduction in EBIT for all the years of the business plan, without identifying indicators of impairment and therefore of the recoverability of goodwill. The impairment test was approved by the Board of Directors on 06 May 2020[44].

In the light of the requirements issued by the ESMA on 20 May 2020, and, to respond to the call of attention of Consob No. 8/20 of 16 July 2020, the corporate Management performed specific analyses - from which no indicators of possible impairment were identified, and, therefore, it was not necessary to update the impairment test performed as at 29 February 2020 and approved by the Unieuro Board of Directors on 6 May 2020. In particular, the corporate Management have considered the following aspects (i) the business dynamics recorded during the period and the updates of the forecasts on the future trends reflected in the Budget for the 2020/2021 financial year, which show an improvement compared to the assumptions made to verify of the

[44] See ANNUAL FINANCIAL REPORT AS AT 29 FEBRUARY 2020

recoverability of its assets, including goodwill, made when preparing the Unieuro Group's consolidated financial statements at 29 February 2020, and (ii) the market capitalisation of Unieuro as at 31 August 2020, which was greater than the Group's shareholders' equity.

On the basis of the current information available, in a constantly evolving scenario, constant monitoring of macroeconomic and business variables is ongoing to ensure that the best estimate of potential impacts on the Group is available in real time, enabling mitigation thereof with reaction/contingency plans.

5.3 Intangible assets with a finite useful life

The balance of the item "Intangible assets with a finite useful life" is given below, broken down by category as at 31 August 2020 and as at 31 August 2019:

(In thousands of Euro)	Amounts as at 31 August 2020			Amounts as at 29 February 2020		
	Historical cost	Accumulated Amortisation and Depreciation	Net book value	Historical cost	Accumulated Amortisation and Depreciation	Net book value
Software	63,110	(49,072)	14,038	61,692	(46,119)	15,573
Concessions, licences and brands	13,361	(9,092)	4,269	13,361	(8,621)	4,740
Intangible fixed assets under construction	8,498	-	8,498	6,934	-	6,934
Total intangible assets with a finite useful life	84,968	(58,164)	26,804	81,987	(54,740)	27,247

The change in the item "Intangible assets with a finite useful life" for the period from 29 February 2020 to 31 August 2020 is given below:

(In thousands of Euro)	Software	Concessions, licences and brands	Intangible fixed assets under construction	Total
Balance as at 29 February 2020	15,573	4,740	6,934	27,247
Increases	1,418	-	2,224	3,642
Decreases	-	-	(661)	(661)
Amortisation, depreciation and write downs/(write backs)	(2,953)	(471)	-	(3,424)
Decreases in Amortisation, Depreciation Provision	-	-	-	-
Balance as at 31 August 2020	14,038	4,269	8,497	26,804

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The change in the item "Intangible assets with a finite useful life" for the period from 28 February 2019 to 31 August 2019 is given below:

(In thousands of Euro)	Software	Concessions, licences and brands	Key Money	Intangible fixed assets under construction	Total
Balance as at 28 February 2019	12,819	5,735	6,558	3,200	28,312
Increases	3,578	-	-	2,327	5,905
Adjustment - application of IFRS 16	-	-	(6,558)		(6,558)
Decreases				(2,559)	(2,559)
Amortisation, depreciation and write downs/(write backs)	(2,745)	(480)	-	-	(3,225)
Decreases in Amortisation, Depreciation Provision	-	-	-	-	-
Balance as at 31 August 2019	13,652	5,255	-	2,968	21,875

With regard to the financial year ended 31 August 2020, the increases net of decreases in the "Assets under construction" category totalled € 2,981 thousand and are mainly attributable to the "Software" category in the amount of € 1,418 thousand.

In accordance with the IFRS 16 accounting standard, the Group has already reclassified Key Money in the previous year as a right-of-use asset because it represents the lessee's initial direct costs inherent in the lease contract.

The increases in the "Software" category of €1,418 thousand, are mainly due to: (i) new software and licenses, (ii) costs incurred in developing and updating the website www.unieuro.it e (iii) costs incurred for extraordinary operations on pre-existing management software.

The increases in assets under construction of €2,224 thousand are due to implementations of new software (ERP) and existing software.

For the six-month period ended 31 August 2019, the increases amount to €5,905 thousand and are mainly due to the "Software" category for €3,578 thousand.

The increases relating to the "Software" category of €3,578 thousand, are mainly due to: (i) new software and licenses, (ii) costs incurred for the development and updating of the website www.unieuro.it and (iii) costs incurred for extraordinary work on existing management software.

The increases in assets under construction of €2,327 thousand are due to the implementation of new software (ERP) and existing software.

5.4 Right-of-use assets

The balance of the item "Right-of-use assets" is given below, broken down by category as at 31 August 2020 and as at 29 February 2020:

(In thousands of Euro)	Amounts as at 31 August 2020			Amounts as at 29 February 2020		
	Historical cost	Accumulated Amortisation and Depreciation	Net book value	Historical cost	Accumulated Amortisation and Depreciation	Net book value
Buildings	547,080	(91,092)	455,988	537,197	(60,308)	476,889
Automobiles	2,449	(1,148)	1,301	2,196	(799)	1,397
Total Right-of-use assets	549,529	(92,240)	457,289	539,393	(61,107)	478,286

The change in the item "Right-of-use assets" for the period from 29 February 2020 to 31 August 2020 is broken down below:

(In thousands of Euro)	Buildings	Automobiles	Total
Balance as at 29 February 2020	476,889	1,397	478,286
Increases / (Decreases)	9,883	253	10,136
Amortisation, depreciation and write-downs/(write backs)	(30,784)	(349)	(31,133)
Balance as at 31 August 2020	455,988	1,301	457,289

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

(In thousands of Euro)	Buildings	Automobiles	Total
Balance as at 28 February 2019	-	-	-
Adjustment - application of IFRS 16	446,130	1,588	447,718
First consolidation Carini Retail	33,952	-	33,952
Increases / (Decreases)	7,422	369	7,791
Amortisation, depreciation and write-downs/(write backs)	(30,430)	(434)	(30,864)
Balance as at 31 August 2019	457,074	1,523	458,597

The increases recorded in the first half of the year mainly refer to new leases relating to the opening or relocation of retail stores and the renewal of existing operating lease contracts.

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 29 February 2020 to 31 August 2020 and the period 28 February 2019 to 31 August 2019 is shown below.

Deferred tax assets

(In thousands of Euro)	Bad debt provision - amount due from suppliers	Obsolescence Provision	Fixed assets and rights for 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 29 February 2020	733	3,606	2,120	4,281	415	1,813	1,295	14,263	24,354	38,617
Provision/Releases to the Income Statement	222	(200)	269	(104)	-	1,607	(45)	1,749	548	2,297
Provision/Releases to the Comprehensive Income Statement	-	-	-	-	(94)	-	-	(94)	-	(94)
Balance as at 31 August 2020	955	3,406	2,389	4,177	321	3,420	1,250	15,918	24,902	40,820

(In thousands of Euro)	Bad debt provision - amount due from suppliers	Obsolescence Provision	Tangible assets	Intangible assets	Capital Reserves	Provision for risks and charges	Other current liabilities	Net deferred tax assets	Deferred tax assets relating to tax losses	Total net deferred tax assets
Balance as at 28 February 2019	678	2,337	907	4,281	272	1,456	2,280	12,211	22,968	35,179
Provision/Releases to the Income Statement	(26)	181	-	(171)	-	7	(697)	(706)	854	148
First consolidation Carini Retail Carini Retail - Comprehensive Income Statement	-	-	-	-	38	-	-	38	-	38
Provision/Releases to the Comprehensive Income Statement	-	-	-	-	281	-	-	281	-	281
Balance as at 31 August 2019	652	2,518	907	4,110	591	1,463	1,583	11,824	23,822	35,646

The balance as at 31 August 2020 was € 40,820 thousand and was mainly composed of: (i) temporary differences mainly attributable to goodwill and the inventory write-down reserve totalling €7,583 thousand and (ii) deferred tax assets recognised on tax losses of €24,902 thousand.

The balance as at 29 February 2020 was € 38,617 thousand and was mainly composed of: (i) temporary differences mainly attributable to goodwill and the inventory write-down reserve totalling €7,887 thousand and (ii) deferred tax assets recognized on tax losses of €24,354 thousand.

Tax losses, which were still available at 29 February 2020, totalled € 353,584 thousand in relation to Unieuro and € 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

(In thousands of Euro)	Intangible assets	Other current assets	Total net deferred taxes
Balance as at 29 February 2020	2,725	738	3,463
Provision/Releases to the Income Statement	68	133	201
Provision/Releases to the Comprehensive Income Statement	-	-	-
Balance as at 31 August 2020	2,793	871	3,664

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

Deferred tax liabilities relating to Intangible Assets result mainly from goodwill with a different statutory value from the value for tax purposes.

It is estimated that the debt refers to differences which will be reabsorbed in the medium-/long-term.

5.6 Other current assets and other non-current assets

Below is a breakdown of the items "Other current assets" and "Other non-current assets" as at 31 August 2020 and 29 February 2020:

(In thousands of Euro)	Period ended	
	31 August 2020	29 February 2020
Contract assets	7,413	6,771
Prepaid expenses and accrued income	6,574	13,324
Tax credits	2,517	2,896
Financial receivables from leases - current portion	1,441	1,430
Other current assets	952	910
Advances to suppliers	19	24
Other current assets	**18,916**	**25,355**
Financial receivables from leases - non-current portion	8,203	8,932
Deposit assets	2,378	2,373
Deposits to suppliers	521	531
Other non-current assets	6	95
Other non-current assets	**11,108**	**11,931**
Total Other current assets and Other non-current assets	**30,024**	**37,286**

The item "Financial receivables from leases" equal to €9,644 thousand (of which the current portion is equal to €1,441 thousand) includes the current and non-current portion relating to sub-leases in which the group acts as lessor.

The item "Contract assets" amounting to €7,413 thousand, includes the costs for obtaining the contract which qualify as contract costs, represented by the premiums paid to employees for each additional sale of extended warranty services.

The items "Prepaid expenses" and "Accrued income" equal to €6,574 thousand, mainly include prepaid expenses referring to insurance, condominium expenses and rental of road signs that took place prior to 31 August 2020 and accruals coinciding with the calendar year. The decrease in this item is mainly due to insurance.

Tax credits as at 31 August 2020 and 29 February 2020 mainly include €1,610 thousand to the IRES credit for IRAP not deducted.

The item "Other non-current assets" includes financial receivables from leases, equity investments, deposit assets and deposits to suppliers.

5.7 Inventories

Warehouse inventories break down as follows:

(In thousands of Euro)	Period ended	
	31 August 2020	29 February 2020
Merchandise	345,557	384,246
Consumables	810	640
Gross stock	346,367	384,886
Warehouse obsolescence provision	(14,213)	(15,098)
Total Inventories	332,154	369,788

The value of gross inventories went from €384,886 thousand as at 29 February 2020 to €346,367 thousand as at 31 August 2020, a decrease of 10.0% in total gross inventories. The decrease is attributable to the new strategy focused on increasing stock rotation.

The value of inventories reflects the loss of value of the goods in cases where their cost exceeds their presumed realisable value, allowing the value of the warehouse to be restored to its current market value, and is adjusted by the warehouse obsolescence provision which includes the prudential write-down of the value of the goods with possible obsolescence indicators.

The changes in the warehouse obsolescence provision for the period from 29 February 2020 to 31 August 2020 and from 28 February 2019 to 31 August 2019 are shown below:

(In thousands of Euro)	Warehouse obsolescence provision
Balance as at 29 February 2020	(15,098)
Direct write-down	-
Provisions	-
Reclassifications	-
Releases to the Income Statement	885
Utilisation	-
Balance as at 31 August 2020	(14,213)

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(In thousands of Euro)	Warehouse obsolescence provision
Balance as at 28 February 2019	(9,779)
Direct write-down	-
Provisions	(2,698)
Reclassifications	-
Releases to the Income Statement	-
Utilisation	-
Balance as at 31 August 2019	(12,477)

The decrease of the warehouse obsolescence provision, equal to € 885 thousand, is attributable to the adjustment of warehouse obsolescence provision that includes the prudential write-down of the value of the goods at 31 August 2020.

5.8 Trade receivables

A breakdown of the item "Trade receivables" as at 31 August 2020 and as at 29 February 2020 is shown below:

(In thousands of Euro)	Period ended	
	31 August 2020	29 February 2020
Trade receivables from third-parties	81,064	54,426
Trade receivables from related-parties	-	-
Gross trade receivables	81,064	54,426
Bad debt provision	(3,441)	(3,138)
Total Trade receivables	77,623	51,288

The value of receivables, referring mainly to the Indirect and B2B channels, has increased by €26,335 thousand compared to the same period of the previous year. The change in trade receivables is mainly due to an increase in receivables from the public administration due to the increase in volumes and receivables from consumer credit companies and receivables relating to web transactions as a result of calendar effects.

The change in the bad debt provision for the period from 29 February 2020 to 31 August 2020 and from 28 February 2019 to 31 August 2019 is shown below:

(In thousands of Euro)	Bad debt provision
Balance as at 29 February 2020	(3,138)
Provisions	(361)
Releases to the Income Statement	-
Utilisation	58
Balance as at 31 August 2020	(3,441)

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

Bad debts refer mainly to disputed claims or customers subject to insolvency proceedings. Assessments of the exposure to the risk of potential losses deriving from the non-fulfilment of obligations assumed by counterparties, also in view of the current Coronavirus Epidemic, led to an increase in the write-down of receivables considered to be of doubtful collectability. 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 receivables 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.

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5.9 Current tax assets and liabilities

Below is a breakdown of the item "Current tax assets" and "Current tax liabilities" as at 31 August 2020 and 29 February 2020:

The item "*Current tax assets*" had a balance of zero at 31 August 2020 and 29 February 2020.

Current tax liabilities

(In thousands of Euro)	Period ended	
	31 August 2020	29 February 2020
Payables for IRAP (income tax)	437	154
Payables for IRES (income tax)	255	255
Taxes payable	1,041	1,040
Total Current tax liabilities	1,733	1,449

As at 31 August 2020, the liabilities recorded under "IRAP payables" and "IRES payables" totalled €437 thousand and €255 respectively, and there were payables of €154 thousand and €255 thousand respectively as at 29 February 2020; these payables relate to the combined effect of the payment of the balance of the advances made during the period and the balance deriving from the estimated taxes. It should be noted that the income tax charge for the six-month period ended 31 August 2020 is recorded on the basis of Management's best estimate of the weighted average annual tax rate projected for the entire year, which is applied to the pre-tax result of the individual entities for the period. ""Payables for tax liabilities" of € 1,041 thousand refer to potential tax liabilities relating to direct taxes.

5.10 Cash and cash equivalents

A breakdown of the item "Cash and cash equivalents" as at 31 August 2020 and as at 29 February 2020 is shown below:

(In thousands of Euro)	Period ended	
	31 August 2020	29 February 2020
Bank accounts	125,129	85,690
Petty cash	15,083	11,022
Total cash and cash equivalents	140,212	96,712

Cash and cash equivalents stood at €140,212 thousand as at 31 August 2020 and €96,712 thousand as at 29 February 2020.

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. See Note 5.27 for further details.

5.11 Shareholders' equity

Details of the item "Shareholders' equity" and the breakdown of the reserves in the reference periods are given below:

(In thousands of Euro)	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	Minority interests	Total shareholders' equity
Balance as at 29 February 2020	5.11	4,000	800	6,769	(353)	(1,571)	5,727	26,944	53,842	96,158	-	96,158
Profit/(loss) for the period		-	-	-	-	-	-	-	7,522	7.522	-	7.522
Other components of comprehensive income		-	-	-	110	166	-			276	-	276
Total comprehensive income for the period		-	-	-	110	166	-	-	7,522	7,798	-	7,798
Allocation of prior year result		-	-	35,750	-	-	-	-	(35,750)	-	-	-
Covering retained losses and negative reserves		-	-	-	-	-	-		-	-	-	-
Distribution of dividends		-	-	-	-	-	-	-	-	-	-	-
Share-based payment settled with equity instruments		-	-	-	-	-	325	-	(129)	196	-	196
Total transactions with shareholders		-	-	35,750	-	-	325	-	(35,879)	196	-	196
Balance as at 31 August 2020	5.11	4,000	800	42,519	(243)	(1,405)	6,052	26,944	25,485	104,152	-	104,152

Shareholders' Equity totalled €104,152 thousand at 31 August 2020 (€ 96,158 thousand at 29 February 2020). It increased during the year due to the combined effect of: (i) recognition of consolidated profit for the period of € 7,522 thousand and other negative components of the comprehensive income statement of €276 thousand and (ii) recognition of €196 thousand in the reserve for share-based payments under the Long-term Incentive Plan established for certain managers and employees.

The Share capital as at 31 August 2020 stood at €4,000 thousand, broken down into 20,000,000 shares.

The Reserves are illustrated below:

- the legal reserve of € 800 thousand as at 31 August 2020 (€ 800 thousand as at 29 February 2020), includes the financial provisions at a rate of 5% for each financial year; there were no increases during the period in this reserve which reached the limit pursuant to Article 2430 of the Italian Civil Code;

- the extraordinary reserve of €42,519 thousand as at 31 August 2020 (€6,769 thousand as at 29 February 2020); this reserve increased during the period as a result of the allocation of the profit by the Shareholders' Meeting at 12 June 2020;

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- the cash flow hedge reserve was negative by €243 thousand as at 31 August 2020 (€-353 thousand as at 29 February 2020); 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 €1,405 thousand as at 31 August 2020 (€ 1,571 thousand as at 29 February 2020); it changed by €166 thousand following the actuarial valuation relating to severance pay;

- the reserve for share-based payments totalled € 6,052 thousand at 31 August 2020 (€ 5,727 thousand at 29 February 2020); changes were due to the recognition of € 325 thousand as a contra-entry to the recognition of the cost of personnel for the share-based payment plan. For more details, please see Note 5.28.

During the six-month period ended 31 August 2020 there were no assets allocated to a specific business.

(In thousands of Euro)	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	Minority 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 changes in accounting standard IFRS 16		-	-	-	-	-	-	-	-	-	-	-
Adjusted balance as at 1 March 2019		4,000	800	-	(315)	(1,247)	3,376	26,944	57,319	90,877	-	90,877
Profit/(loss) for the period		-	-	-	-	-	-	-	(9,115)	(9,115)	-	(9,115)
Other components of comprehensive income		-	-	-	(240)	(625)	-		-	(865)	-	(865)
Total comprehensive income for the period		-	-	-	(240)	(625)	-	-	(9,115)	(9,980)	-	(9,980)
Allocation of prior year result		-	-	6,769	-	-	-	-	(6,769)	-	-	-
Covering retained losses and negative reserves		-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends		-	-	-	-	-	-	-	(21,400)	(21,400)	-	(21,400)
Share-based payment settled with equity instruments		-	-	-	-	-	1,322	-	(927)	395	-	395
Total transactions with shareholders		-	-	6,769	-	-	1,322	-	(29,096)	(21,005)	-	(21,005)
Balance as at 31 August 2019	5.11	4,000	800	6,769	(555)	(1,872)	4,698	26,944	19,108	59,892	0	59,892

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

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

The Reserves are illustrated below:

- the legal reserve of € 800 thousand as at 31 August 2019(€ 800 thousand as at 28 February 2019), includes the financial provisions at a rate of 5% for each year; there were no increases during the period in this reserve which reached the limit pursuant to Article 2430 of the Italian Civil Code and has maintained it as at 31 August 2019;

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

- the cash flow hedge reserve was negative by € 555 thousand as at 31 August 2019 (negative by € 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 signed during the year.

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

- the reserve for share-based payments equal to €4,698 thousand at 31 August 2019 (€ 3,376 thousand at 28 February 2019); there were changes because of the recognition of € 1,322 thousand as a contra-entry to the recognition of the cost of personnel for the share-based payment plan.

The reconciliation between the shareholders' equity of the parent company and the consolidated shareholders' equity as at 31 August 2020 is illustrated below:

(Amounts in millions of Euro)	Shareholders' equity as at 31 August 2020	Net profit (loss) as at 31 August 2020
Balances for the period from the Parent Company's Annual Financial Statements	110.4	6.7
Difference between the carrying amount of equity investments and the profit/(loss) for the period	(16.7)	1.1
Allocation of goodwill, brand, software and customer list, net of the tax effect	10.5	(0.3)
Shareholders' equity and profit/(loss) for the period from the Consolidated Financial Statements	104.2	7.5

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5.12 Financial liabilities

A breakdown of the item current and non-current "Financial liabilities" as at 31 August 2020 and as at 29 February 2020 is shown below:

(In thousands of Euro)	Period ended	
	31 August 2020	29 February 2020
Current financial liabilities	19,639	9,520
Non-current financial liabilities	43,858	31,643
Total financial liabilities	63,497	41,163

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

The transaction consisted of taking out three different lines of credit aimed, among other things, at providing Unieuro with additional resources to support future growth, through acquisitions and opening new sales outlets.

The credit lines include € 190.0 million in term loan amortising, of which € 50.0 million (the "Term Loan") was set up to replace the previous existing lines of credit and € 50.0 million (the "Capex Facility") is for acquisitions and restructuring investments on the store network, while there are € 90.0 million in 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 require compliance by Unieuro S.p.A. with a consolidation ratio which will be summarised below:

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

At 31 August 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 € 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 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 31 August 2020 and at 29 February 2020 are illustrated below:

(In thousands of Euro)	Maturity	Original amount	Interest rate	At 31 August 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%	10,105	10,105	-
Revolving Credit Facility	jan-23	90,000	Euribor 1m+spread	-		-
Current bank payables				10,105	10,105	-
Term Loan	jan-23	50,000	Euribor 3m+spread	27,500	10,000	17,500
Capex Facility	jan-23	50,000	Euribor 3m+spread	27,000	-	27,000
Ancillary expenses on loans (2)				(1,108)	(466)	(642)
Non-current bank payables and current part of non-current debt				53,392	9,534	43,858
Total				63,497	19,639	43,858

(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.

(In thousands of Euro)	Maturity	Original amount	Interest rate	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.

Financial liabilities at 31 August 2020 reflect the measures implemented against Covid-19 to preserve and strengthen the soundness of the company, also providing for the drawdown of available "committed" lines.

The financial liabilities at 31 August 2020 total Euro 63,497 thousand with an increase of Euro 22,334 thousand compared to 29 February 2020. This change is mainly due to the combined effect of: (i) increased utilisation of short-term lines as of the reporting date of € 10,053 thousand, (ii) regular repayment of principal of the Loan of € 5,000 thousand, (iii) drawdown of the Capex Facility of € 17,000 thousand, used to repay the contractual instalments of the debt 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 1,108 thousand as at 31 August 2020 (Euro 1,389 thousand as at 29 February 2020).

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

(In thousands of Euro)	Period ended	
	31 August 2020	29 February 2020
Within 1 year	19,639	9,520
From 1 to 5 years	43,858	31,643
More than 5 years	-	-
Total	63,497	41,163

A breakdown of the net financial debt as at 31 August 2020 and as at 29 February 2020 is shown below. Note that the net financial debt is presented in accordance with the provisions of Consob Communication No. 6064293 of 28 July 2006 and in conformity with the recommendations of ESMA/2013/319.

(In thousands of Euro)	Ref	as at 31 August 2020		as at 29 February 2020	
			of which with Related-Parties		*of which with Related-Parties*
(A) Cash	5.10	140,212	-	96,712	-
(B) Other cash and cash equivalents		0	-	0	-
(C) Securities held for trading		0	-	0	-
(D) Liquidity (A)+(B)+(C)		140,212	-	96,712	-
- of which is subject to a pledge		0		0	
(E) Current financial receivables		0		0	
(F) Current bank payables	5.12	(10,105)	-	(52)	-
(G) Current part of non-current debt	5.12	(9,534)	-	(9,468)	-
(H) Other current financial payables	5.14	(68,438)	-	(67,989)	-
(I) Current financial debt (F)+(G)+(H)		(88,077)	-	(77,509)	-
- of which is secured		0	-	-	-
- of which is unsecured		(88,077)	-	(77,509)	-
(J) Net current financial position (I)+(E)+(D)		52,135	-	19,203	-
(K) Non-current bank payables	5.12	(43,858)	-	(31,643)	-
(L) Bonds issued		0	-	-	-
(M) Other non-current financial payables	5.14	(408,730)	-	(435,600)	-
(N) Non-current financial debt (K)+(L)+(M)		(452,588)	-	(467,243)	-
- of which is secured		0	-	-	-
- of which is unsecured		(452,588)	-	(467,243)	-
(O) (Net financial debt) / Net Cash (J)+(N)		(400,453)	-	(448,040)	-

The decrease in net financial debt is mainly due to the combined effect of: (i) cash generation from operating activities of € 67,682 thousand and (ii) investments of € 12,927 thousand, mainly due to costs incurred for the development of the direct store network and the refurbishment of the existing store network and costs incurred for the purchase of new hardware, software, licences and application developments with a view to improving the technological infrastructure.

The table below summarises the breakdown of the items “Other current financial payables” and “Other non-current financial payables” for the periods ending 31 August 2020 and 29 February 2020. See Note 5.14 “Other financial liabilities” for more details.

(In thousands of Euro)	Period ended	
	31 August 2020	29 February 2020
Other financial liabilities	69,879	69,419
Other current financial payables	**69,879**	**69,419**
Other financial liabilities	416,933	444,532
Other non-current financial payables	**416,933**	**444,532**
Total financial payables	**486,812**	**513,951**

5.13 Employee benefits

The changes in the item “Employee benefits” for the period from 29 February 2020 to 31 August 2020 and from 28 February 2019 to 31 August 2019 are shown below:

(In thousands of Euro)	
Balance as at 29 February 2020	**11,988**
Service cost	40
Curtailment	0
Interest cost	27
Business unit acquisitions	0
Transfers in / (out)	65
Settlements/advances	(124)
Actuarial (profits)/losses	(226)
Balance as at 31 August 2020	**11,770**

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

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 six-month period ended 31 August 2020 relate to advances against severance indemnities paid to employees during the year and termination of employees with fixed-term contracts.

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

	Period ended	
Economic recruitment	31 August 2020	29 February 2020
Inflation rate	1.20%	1.20%
Actualisation rate	0.68%	0.45%
Severance pay increase rate	2.400%	2.400%

	Period ended	
Demographic recruitment	31 August 2020	29 February 2020
Fatality rate	Demographic tables RG48	Demographic tables RG48
Disability probability	INPS tables differentiated by age and gender	INPS tables differentiated by age and gender
Retirement age	Reaching of minimum requirements under the compulsory general insurance	Reaching of minimum requirements under the compulsory general insurance
Probability of leaving	5%	5%
Probability of anticipation	3.50%	3.50%

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

Below is the sensitivity analysis, as at 31 August 2020, relating to the main actuarial assumptions 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 by 1%, -1%, 0.25% and -0.25%. The results are summarised in the table below:

(In thousands of Euro)	Impact on DBO as at 31 August 2020		
Change to the parameter	UNIEURO	CARINI	MONCLICK
1% increase in turnover rate	10,247	1,044	379
1% decrease in turnover rate	10,422	1,068	390
0.25% increase in inflation rate	10,473	1,072	392
0.25% decrease in inflation rate	10,189	1,039	376
0.25% increase in actualisation rate	10,104	1,029	374
0.25% decrease in actualisation rate	10,563	1,083	395

5.14 Other financial liabilities

A breakdown of the item current and non-current "Other financial liabilities" as at 31 August 2020 and 29 February 2020 is shown below:

(In thousands of Euro)	Period ended	
	31 August 2020	29 February 2020
Payables to leasing companies	62,046	59,931
Payables for equity investments and business units	7,649	9,355
Fair value of derivative instruments	184	133
Other current financial liabilities	69,879	69,419
Payables to leasing companies	415,540	436,420
Payables for equity investments and business units	1,259	7,782
Fair value of derivative instruments	134	330
Other non-current financial liabilities	416,933	444,532
Total financial liabilities	486,812	513,951

Payables for equity investments and business units

Payables owed to leasing companies amount to a total of Euro 8,908 thousand at 31 August 2020 and Euro 17,137 thousand at 29 February 2020. The decrease of € 8,229 thousand is due to the amounts paid for the acquisition of Ex-Pistone S.p.A., Ex Cerioni and Monclick.

Leasing liabilities

Leasing liabilities totalled € 477,586 thousand at 31 August 2020 and € 496,351 thousand at 29 February 2020. The assets that are the subject of the finance lease agreement are buildings, automobiles, furnishings, LEDs, climate control systems, servers, computers and printers. The

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above payables to the leasing company are secured to the lessor via rights on the leased assets. This item includes the present value of lease liabilities relating to operating leases in regard to which the Group has recorded a liability reflecting the obligation to make lease payments and settle lease liabilities relating to contracts previously accounted for in accordance with IAS 17, following the application of the new accounting standard IFRS 16. There are no hedging instruments for the interest rates. It is here by noted that at 31 August 2020, the Group adopted the practical expedient relating to "Leases Covid-19-Related Rent Concessions" which allows the lessee not to consider any concessions on the payment of rents resulting from the effects of Covid-19 as an amendment to the original contract. On the basis of these changes, the above-mentioned concessions were accounted for as positive variable rents without requiring a contractual amendment. For more details, please refer to Note 2.6.1 "Changes to the accounting standards".

The following table shows the cash flows relating to leasing liabilities as at 31 August 2020 and at 29 February 2020.

(In thousands of Euro)	Balance as at 31 August 2020	Within 12M	Between 12M and 60M	Over 60M	Total
Payables to leasing companies	477,586	62,046	231,232	184,308	477,586
Total	477,586	62,046	231,232	184,308	477,586

(In thousands of Euro)	Balance as at 29 February 2020	Within 12M	Between 12M and 60M	Over 60M	Total
Payables to leasing companies	496,351	59,931	233,845	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 31 August 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 € 318 thousand at 31 August 2020 (€ 463 thousand at 29 February 2020). 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 29 February 2020 to 31 August 2020 and from 28 February 2019 to 31 August 2019 is shown below:

(In thousands of Euro)	Tax dispute provision	Other disputes provision	Onerous contracts provision	Restructuring provision	Other risks provision	Total
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
Provisions	5	6,101	-	-	6	6,112
Draw-downs/releases	-	(332)	-	-	-	(332)
Balance as at 31 August 2020	1,902	10,395	-	380	3,027	15,704
- of which current portion	-	926	-	380	16	1,322
- of which non-current portion	1,902	9,469	-	-	3,011	14,382

(In thousands of Euro)	Tax dispute provision	Other disputes provision	Onerous contracts provision	Restructuring provision	Other risks provision	Total
Balance as at 28 February 2019	3,409	3,142	124	359	2,032	9,066
- of which current portion	-	502	124	359	363	1,348
- of which non-current portion	3,409	2,640	-	-	1,669	7,718
Adjustment - application of IFRS 16	-	-	(124)	-	815	691
Adjustment - application of IFRIC 23	(1,018)	-	-	-	-	(1,018)
Provisions	-	338	-	281	210	829
Draw-downs/releases	*(183)*	*(443)*	-	*(309)*	*(34)*	*(969)*
Balance as at 31 August 2019	*2,208*	*3,037*	-	*331*	*3,023*	*8,599*
- of which current portion	-	*276*	-	*331*	*290*	*897*
- of which non-current portion	*2,208*	*2,761*	-	-	*2,733*	*7,702*

The "Tax dispute provision", equal to €1,902 thousand as at 31 August 2020 and €1,897 thousand as at 29 February 2020, was set aside mainly to hedge the liabilities that could arise following disputes of a tax nature.

The "Provision for other disputes" totalled € 10,395 thousand at 31 August 2020 and € 4,626 thousand at 29 February 2020; the increase for the period refers to provisions for suppliers and sub-suppliers of services for which requests in the area of labour law have been received from third parties who hold Unieuro jointly and severally liable.

The "Restructuring provision", equal to Euro 380 thousand as at 31 August 2020 and Euro 380 thousand as at 29 February 2020, refer mainly to the personnel restructuring process of the closing sales outlets.

"Other provisions for risks" totalled € 3,027 thousand at 31 August 2020 and € 3,021 thousand at 29 February 2020. The item mainly includes the costs for returning the shops to their original condition, allocated against the costs to be incurred for the restoration of the property when it is handed over to the lessor in cases where the lessee is contractually obliged to do so.

5.16 Other current liabilities and other non-current liabilities

A breakdown of the items "Other current liabilities" and "Other non-current liabilities" as at 31 August 2020 and 29 February 2020 is shown below:

(In thousands of Euro)	Period ended	
	31 August 2020	29 February 2020
Contract liabilities	154,511	154,835
Payables to personnel	36,684	38,717
Payables for VAT	16,804	16,393
Deferred income and accrued liabilities	5,388	2,656
Payables to welfare institutions	4,591	3,051
Long Term Incentive Plan monetary bonus	2,617	2,436
Payables for IRPEF (income tax)	1,943	3,036
Other tax payables	256	236
Other current liabilities	4	68
Total other current liabilities	222,798	221,428
Deposit liabilities	26	26
Total other non-current liabilities	26	26
Total other current and non-current liabilities	222,824	221,454

The item "Other current liabilities" increased by €1,370 thousand compared with the year ended 29 February 2020.

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

- contract liabilities of € 154,511 thousand at 31 August 2020 (€ 154,835 thousand at 29 February 2020) mainly attributable to (i) deferred revenues for warranty extension services. Revenues from sales are recorded on the basis of the contractual duration, i.e., the period for which there is a performance obligation, thus deferring sales for future periods, (ii) advances received from customers, (iii) liabilities relating to purchase vouchers and (iv) liabilities relating to sales with right of return;

- - payables to personnel of €36,684 thousand as at 31 August 2020 (€38,717 thousand as at 29 February 2020) composed of payables for salaries, holidays, leave and thirteenth and fourteenth month pay. These payables refer to items accrued but not yet settled.

- - VAT payables of €16,804 thousand as at 31 August 2020 (€16,393 thousand as at 29 February 2020) composed of payables resulting from the VAT payment with regard to August 2020;
- deferred income and accrued expenses of € 5,388 thousand as of 31 August 2020 (€ 2,656 thousand as of 29 February 2020) mainly relating to the recording of deferred income on revenues that were settled during the period, though they fall due later;
- payable for the Long Term Incentive Plan monetary bonus of € 2,617 thousand provided by the share-based payment plan (the Long Term Incentive Plan). For more details, please see Note 5.28.

The balance of the item "Other non-current liabilities" is made up of deposits payable, totalling € 26 thousand.

5.17 Trade payables

A breakdown of the item "Trade payables" as at 31 August 2020 and as at 29 February 2020 is shown below:

(In thousands of Euro)	Period ended	
	31 August 2020	29 February 2020
Trade payables to third-parties	464,795	477,996
Trade payables to related-parties	-	-
Gross trade payables	464,795	477,996
Bad debt provision - amount due from suppliers	1,976	1,612
Total Trade payables	466,771	479,608

The balance includes payables relating to carrying out normal trade activities involving the supply of goods and services. This item takes into account the exposure to the risk of potential losses resulting from the failure of the counterparty to comply with the obligations undertaken.

Gross trade payables decreased by €13,201 thousand as at 31 August compared with 29 February 2020. The decrease is due to the combined effect of the actions taken to optimise working capital management and the implementation of the new strategy aimed at increasing stock rotation.

The change in the "Bad debt provision - amount due from suppliers" for the period from 29 February 2020 to 31 August 2020 and from 28 February 2019 to 31 August 2019 is shown below:

(In thousands of Euro)	Bad debt provision - amount due from suppliers
Balance as at 29 February 2020	1,612
Provisions	364
Releases to the Income Statement	-
Utilisation	.
Balance as at 31 August 2020	1,976

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

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 further details, please refer to Note 4 Information on operating segments. The Group's revenues are affected by seasonal factors typical of the consumer electronics market, which records higher revenues in the final part of every financial year.

Below is a breakdown of revenues by channel:

(In thousands of Euro and as a percentage of revenues)	Period ended				Changes	
	31 August 2020	%	31 August 2019	%	Δ	%
Retail	675,820	62.6%	755,850	71.3%	(80,030)	(10.6%)
Online	215,407	20.0%	112,235	10.6%	103,172	91.9%
Indirect	128,087	11.9%	119,051	11.2%	9,036	7.6%
B2B	50,677	4.7%	53,850	5.1%	(3,173)	(5.9%)
Travel	9,027	0.8%	18,550	1.8%	(9,523)	(51.3%)
Total revenues by channel	1,079,018	100.0%	1,059,536	100.0%	19,482	1.8%

The Retail channel (62.6% of total revenues) - consisting at 31 August 2020 of 243 direct stores located in areas deemed commercially strategic and characterised by different dimensions in terms of area - recorded a drop of 10.6%, to € 675,820 thousand, compared to € 755,850 thousand recorded at 31 August 2019. In addition to the voluntary closure of the network from 14 to 29 March, the channel suffered the drastic drop in traffic due to the restrictions on the movement of people and the rules on social distancing, which particularly penalised the shops located outside the urban centres, in large shopping malls and shopping parks. Starting from April, the easing of the restrictions and the actions put in place by Unieuro, in support of the customer experience in the omnichannel perspective, have allowed an improvement in Retail sales, which in May-August 2020 were up compared to the same period of 2019.

The Online channel[22] (20.0% of total revenues) posted growth of 91.9%, which pushed revenues to € 215,407 thousand, compared to € 112,235 thousand in the corresponding period of the previous year. The performance, in all respects exceptional, is the result of the emergency situation that has arisen, which has led customers to favour e-commerce at the expense of physical stores, as well as the immediate reaction of Unieuro, which faced the lockdown by tactically refocusing marketing activities, both mainstream and digital, on the Online channel. The double presence on the web, guaranteed by two well-known and distinct brands such as Unieuro and Monclick, has further contributed to the success recorded. Online sales growth in the second quarter was very strong, though less so than during the first quarter as business returned to normal.

The Indirect channel (11.9% 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 255 sales outlets - recorded revenues of € 128,087 thousand, a decrease of 7.6% compared with € 119,051 thousand of the corresponding period of the previous year. Although in fact the restrictive measures imposed by the authorities have also negatively influenced the turnover and traffic of the affiliated stores, the distinctive characteristics of these shops - medium-small in size, focused on the proximity service and concentrated in central-southern Italy - have allowed a significant resilience of the business, which normalised with the start of Phase 2, allowing the recovery of lost revenues of the first quarter.

The B2B channel[45] (4.7% 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 € 50,677 thousand, a drop of 5.9% compared with € 53,850 thousand in the same period 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. This confirms the randomness of revenues from this channel, which is characterised by an opportunistic approach and influenced by many external factors. Due to its nature, this channel was only marginally affected by the effects of the pandemic.

Lastly, the Travel channel (0.8% of total revenues) - composed of 11 direct sales outlets located at some of the main public transport hubs such as airports, railway and underground stations -

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

recorded a decrease of 51.3% to € 9,027 thousand. The performance was inevitably affected by the collapse of air traffic generated by the pandemic and the total or partial closure of some airports.

Below is a breakdown of revenues by category:

(in millions of Euro and as a percentage of revenues)	Period ended				Changes	
	31 August 2020	%	31 August 2019[46]	%	Δ	%
Grey	532,897	49.4%	502,440	47.4%	30,457	6.1%
White	307,329	28.5%	306,256	28.9%	1,073	0.4%
Brown	141,854	13.1%	158,359	14.9%	(16,505)	(10.4%)
Other products	49,654	4.6%	44,241	4.2%	5,413	12.2%
Services	47,284	4.4%	48,240	4.6%	(956)	(2.0%)
Total revenues by category	1,079,018	100.0%	1,059,536	100.0%	19,482	1.8%

The Grey category (49.4% of total revenues) - i.e., telephony, tablets, information technology, telephone accessories, cameras, as well as all wearable technological products - generated a turnover of € 532,897 thousand, an increase of 6.1% compared to € 502,440 thousand in the same period of the previous financial year, thanks to the ongoing purchasing trends related to smart working, e-learning and communication.

The White category (28.5% of total revenues) - which is composed of large appliances (MDA) such as washing machines, tumble dryers, refrigerators or freezers and cooktops, small appliances (SDA), such as vacuum cleaners, kitchen processors, coffee machines as well as the climate control segment - recorded sales of € 307,341 thousand, up 0.4% compared with € 306,256 thousand of the corresponding period of the previous year. The category experienced double-digit growth in the second quarter thanks to the positive results of home care products.

The Brown category (13.1% of revenues) - including televisions and accessories, audio devices, devices for smart TVs, car accessories ad memory systems - recorded total revenues of €141,854 thousand -10.4% compared with the figure of € 158,359 thousand of the corresponding period of the previous year. The improved performance in the second quarter did not fully offset the weakness recorded in the first part of the year.

The Other products category (4.6% 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 € 49,654 thousand (+12.2%). The entertainment segment, including consoles and video games, drove sales in a phase characterised by the search for maximum home comfort.

The Services category (4.4% of total revenues) decreased by 2.0% to € 47,284 thousand, as the positive performance in the second quarter did not fully offset the circumstances that characterised the first three months of FY2020.

[46] 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 table below contains a breakdown of the revenues per geographical area:

(In thousands of Euro)	Period ended	
	31 August 2020	31 August 2019
Abroad	5,125	2,237
Italy	1,073,893	1,057,299
Total	1,079,018	1,059,536

5.19 Other income

Below is a breakdown of the item "Other income" for the periods ended 31 August 2020 and 31 August 2019:

(In thousands of Euro)	Period ended	
	31 August 2020	31 August 2019
Insurance reimbursements	15	49
Other income	366	791
Total Other Income	381	840

The decrease in "Other income" is mainly due to lower revenues from agreements signed with service providers.

5.20 Purchases of materials and external services

Below is a breakdown of the item "Purchases of materials and external services" for the periods ended 31 August 2020 and 31 August 2019:

(In thousands of Euro)	Period ended	
	31 August 2020	31 August 2019
Purchase of goods	810,819	857,545
Transport	37,840	31,640
Marketing	19,340	27,120
Other costs	7,048	9,647
General sales expenses	6,531	4,722
Utilities	6,150	7,974
Maintenance and rental charges	5,678	7,137
Consulting	3,414	4,141
Purchase of consumables	4,154	3,098
Travel expenses	260	1,525
Payments to administrative and supervisory bodies	335	350
Total Purchases of materials and external services	901,569	954,899
Changes in inventory	37,635	(31,362)
Total, including the change in inventories	939,204	923,537

The item "Purchases of materials and external services", taking into account the item "Change in inventories", rose from € 923,537 thousand in the six-month period ended 31 August 2019 to € 939,204 thousand in the six-month period ended 31 August 2020, an increase of € 15,667 thousand or 1.7%.

The main increase is attributable to the item "Changes in inventories" which increased by € 68,997 thousand to the detriment of the item "Purchase of goods" which decreased by € 46,725 thousand. This trend is due to the implementation of the new strategy that is focused on increasing stock rotation and a different planning and mix of purchases compared to the previous six-month period ended 31 August 2019.

The item "Transport" increased by Euro 31,640 thousand at 31 August 2019 to Euro 37,840 thousand at 31 August 2020. The performance is mainly attributable to the increase in weight of the sales of the period recorded in the online channel compared to the physical network 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" fell from € 27,120 thousand at 31 August 2019 to € 19,340 thousand at 31 August 2020. The decrease is mainly attributable to the company's choice to focus more on digital consumption, making a progressive cut of paper and distribution, partially reinvesting savings to strengthen the visibility of the digital flyer. Marketing and advertising communication activities have been redirected towards the Online channel.

The item "General sales expenses" increased from €4,722 thousand at 31 August 2019 to €6,531 thousand at 31 August 2020. The item mainly includes the costs for commissions on sales transactions, the increase is due to the cost of collections through electronic payment instruments (cards, PayPal, etc.) due to the growth in sales volumes in the online channel.

The item "Other costs" mainly includes costs for variable rents, condominium expenses, vehicles, hiring, cleaning, insurance and security. The item has decreased by € 2,599 thousand compared to 31 August 2019 (-53.3%), mainly due to the application of the amendment to IFRS 16 published by the IASB on 28 May 2020. The practical expedient provided by "*Leases Covid-19-Related Rent Concessions*" allows lessees not to consider as an amendment to the original contract any concessions provided in respect of the payment of rents because of the effects of Covid-19. On the basis of this provision, the aforesaid concessions signed by the reference date of the Half-Yearly Financial Report, totalling € 8.6 million, have been recorded as positive variable lease payments with an impact on the income statement without requiring a contractual amendment. For more details, please refer to Note 2.6.1 "Changes to the accounting standards".

The item "Utilities" and "Maintenance and rental charges" decreased by € 1,824 thousand and € 1,459 thousand respectively compared to 31 August 2019. The decrease is mainly due to the reduction in operating costs, mainly of utilities and maintenance fees, caused by the reduced operation of the stores in the first quarter of the year.

The item "Consultancy" went from € 4,141 thousand at 31 August 2019 to € 3,414 thousand at 31 August 2020, down compared to the previous year.

5.21 Personnel costs

Below is a breakdown of the item "Personnel costs" for the periods ended 31 August 2020 and 31 August 2019:

(In thousands of Euro)	Period ended	
	31 August 2020	31 August 2019
Salaries and wages	54,956	65,624
Welfare expenses	16,150	20,126
Severance pay	3,966	4,035
Other personnel costs	437	1,294
Total personnel costs	75,509	91,079

Personnel costs went from € 91,079 thousand in the six-month period ended 31 August 2019 to € 75,509 thousand in the six months ended 31 August 2020, a decrease of € 15,570 thousand or -17.1%.

"Salaries and wages" and "Welfare expenses" decreased by € 10,668 thousand and € 3,976 thousand, respectively. The decrease is mainly due to the effect of the actions taken to mitigate the impact of the epidemic, mostly reflecting the use of the Exceptional Redundancy Payments and the completion of previous holidays and leaves.

The item "Other personnel costs", which amounted to € 437 thousand at 31 August 2020 (€1,294 thousand at 31 August 2019), mainly includes the cost of the share-based payment plan (the Long Term Incentive Plan) which, having completed its vesting period on 31 July 2020. The subscription of the shares may be carried out beginning from 31 July 2020 and within the final deadline of 31 July 2025. 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 periods ended 31 August 2020 and 31 August 2019:

(In thousands of Euro)	Period ended	
	31 August 2020	31 August 2019
Non-income based taxes	2,913	3,048
Provision/(releases) for supplier bad debts	364	(109)
Bad debt provision (releases)	361	(66)
Other operating expenses	251	728
Total other operating costs and expenses	3,889	3,601

"Other costs and operating expenses" rose from € 3,601 thousand in the six-month period ended 31 August 2019 to € 3,889 thousand in the six-month period ended 31 August 2020, registering an increase of € 288 thousand equal to 8.0%. Assessments of the exposure to the risk of potential losses resulting from the failure to meet the obligations assumed by counterparties in view of the current market and economic scenario, led to an increase in the write-down of receivables considered to be of doubtful collectability.

The item "non-income 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 write-downs

Below is a breakdown of the item "Amortisation, depreciation and write-downs" for the periods ended 31 August 2020 and 31 August 2019:

(In thousands of Euro)	Period ended	
	31 August 2020	31 August 2019
Amortisation/depreciation of Right-of-use assets	31,133	30,864
Depreciation of tangible non-current assets	10,431	10,518
Intangible Assets Amortisation	3,424	3,225
Write-downs/(write backs) of tangible and intangible non-current assets	991	117
Total Amortisation, depreciation and write-downs	45,979	44,724

The item "Amortisation, depreciation and write-downs" went from € 44,724 thousand in the period ended 31 August 2019 to € 45,979 thousand in the six-month period ended 31 August 2020, recording an increase of € 1,225 thousand.

The item "Write-downs/(write backs) of tangible and intangible non-current assets" includes write-downs of certain assets in Forlì following the decision to transfer the registered office and write-downs of assets following the work carried out on the sales outlets.

5.24 Financial income and Financial expenses

Below is a breakdown of the item "Financial income" for the periods ended 31 August 2020 and 31 August 2019:

(In thousands of Euro)	Period ended	
	31 August 2020	31 August 2019
Other financial income	36	52
Interest income	1	1
Total financial income	37	53

The item "Financial income" went from € 53 thousand in the six-month period ended 31 August 2019 to € 37 thousand in the six months ended 31 August 2020, a decrease of € 16 thousand. This item mainly includes exchange gains realised during the period.

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

(In thousands of Euro)	Period ended	
	31 August 2020	31 August 2019
Interest expense on bank loans	1,159	1,304
Other financial expense	5,667	5,331
Total Financial Expenses	6,826	6,635

The item "Financial expenses" went from € 6,635 thousand in the six-month period ended 31 August 2019 to € 6,826 thousand in the six months ended 31 August 2020, an increase of € 191 thousand.

The item "Interest expense on bank loans" decreased as at 31 August 2020 by € 145 thousand compared to the same period of the previous year; this is due to improved treasury management.

The item "Other financial expenses" amounted to € 5,667 thousand at 31 August 2020 (€ 5,331 thousand at 31 August 2019). This item mainly includes the financial expenses related to the IFRS 16 adjustment. The change during the period is mainly due to discounting the costs of payables for the purchase of business units and payables to directors and employees relating to the Long Term Incentive Plan.

5.25 Income taxes

Below is a breakdown of the item "Income taxes" for the periods ended 31 August 2020 and 31 August 2019:

(In thousands of Euro)	Period ended	
	31 August 2020	31 August 2019
Current taxes	(2,590)	(241)
Deferred taxes	2,096	273
Tax provision allocation	(13)	-
Total	(507)	32

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

(In thousands of Euro and as a percentage of the profit before tax)	Period ended			
	31 August 2020	%	31 August 2019	%
Pre-tax result for the period	8,029		(9,147)	
Theoretical income tax (IRES)	(1,927)	24.0%	2,195	24.0%
IRAP	(1,332)	(16.6%)	(188)	2.1%
Tax effect of permanent differences and other differences	2,765	34.4%	(1,975)	21.6%
Taxes for the period	(494)		32	
Accrual to/(release from) tax provision	(13)		0	
Total taxes	(507)		32	
Actual tax rate		(6.3%)		(0.3%)

The impact of taxes on income is calculated considering (accrual to)/release from the tax provision for tax disputes. In the periods ended at 31 August 2020 and at 31 August 2019, the effect of taxes on profit before taxes was negative by 6.3% and 0.3%, respectively.

It is hereby specified that beginning from 28 February 2019, Unieuro S.p.A. had exercised an option for the Domestic Tax Consolidation regime in its capacity as the "Consolidating Company" (pursuant to Article 117 of Presidential Decree No. 917 of 22/12/1986) together with the "Consolidated Company" Monclick S.r.l.. The option made it possible to determine the payable IRES (corporate income tax) due on a tax base which corresponds to the algebraic sum of the taxable revenue and tax losses of the individual companies that are included in the Consolidation.

The item "Allocation to tax provision" increased from € 0 thousand in the six-month period ended 31 August 2019 to € 13 thousand in the six-month period ended 31 August 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:

(In thousands of Euro)	Period ended	
	31 August 2020	31 August 2019
Earnings for the period [A]	7,522	(9,115)
Number of shares (in thousands) taken into consideration for the purpose of calculating the basic earnings per share [B] (1)	20,000	20,000
Earnings per share (*in Euro*) [A/B]	0.38	(0.46)

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

The details of the calculation of the diluted earnings per share are given in the table below:

(In thousands of Euro)	Period ended	
	31 August 2020	31 August 2020
Earnings for the period [A]	7.522	(9,115)
Average number of shares (in thousands) [B] (1)	20,000	20,000
Effect of the options on shares upon issuance [C] (2)	0	0
Diluted earnings per share (*in Euro*) [A/(B+C)]	0.38	(0.46)

(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

(In thousands of Euro)	Period ended	
	31 August 2020	31 August 2019
Cash flow from operations		
CONSOLIDATED PROFIT/(LOSS) FOR THE CONSOLIDATED PERIOD	7,522	(9,115)
Adjustments for:		
Income taxes	5,07	(32)
Net financial expenses (income)	6,789	6,582
Depreciation, amortisation and write-downs of fixed assets	45,979	44,724
Other changes	196	287
	60,993	42,446
Changes in:		
- Inventories	37,634	(31,362)
- Trade receivables	(26,335)	(10,917)
- Trade payables	(6,378)	9,097
- Other changes in operating assets and liabilities	8,817	10,033
Cash flow generated/(absorbed) by operating activities	13,738	(23,149)
Taxes paid	(945)	-
Interest paid	(6,104)	(6,280)
Net cash flow generated/(absorbed) by operating activities	67,682	13,017

Although due to the seasonal nature of the sector, liquidity is usually absorbed in the first half of the year, the consolidated net cash flow generated/(absorbed) by operating activities was positive by € 67,682 thousand (positive for € 13,017 thousand at 31 August 2019). Cash generation is linked to the good performance of the Group's operating profitability and the careful management of working capital, this also being due to the one-off actions taken by management to tackle the epidemic.

Cash flow generated (absorbed) by investment activities

(In thousands of Euro)	Period ended	
	31 August 2020	31 August 2019
Cash flow from investment activities		
Purchases of plant, equipment and other assets	(6,405)	(8,027)
Purchases of intangible assets	(6,522)	(5,839)
Investments for business combinations and business units	(8,318)	(11,040)
Net cash inflow from acquisition	-	10
Cash flow generated (absorbed) by investment activities	(21,245)	(24,896)

Investment activities absorbed liquidity of € 21,245 thousand and € 24,896 thousand, respectively, in the six-month periods ended 31 August 2020 and 31 August 2019.

With reference to the six-month period ended 31 August 2020, the main requirements involved:

- Investments in companies and business units totalled €8,318 thousand. These investments refer to the portion paid for the acquisition of Ex-Pistone S.p.A., Ex Cerioni S.p.A. and Monclick.
- investments in plant, machinery and equipment of €6,405 thousand, mainly relating to interventions at sales outlets opened, relocated or renovated during the year;
- investments in intangible assets of €6,522 thousand relating to costs incurred for the purchase of new hardware, software, licenses as well as developments on the applications with a view to digitisation of the stores and launch of advanced functions for the online platform, with the aim of making each customer's omnichannel experience increasingly functional and enjoyable.

Cash flow generated/(absorbed) by financing activities

(In thousands of Euro)	Period ended	
	31 August 2020	31 August 2019
Cash flow from investment activities[47]		
Increase/(Decrease) in financial liabilities	21,788	21,311
Increase/(Decrease) in other financial liabilities	2,969	(472)
Increase/(Decrease) in other financial liabilities - IFRS 16 Leases	(27,694)	(27,873)
Distribution of dividends	-	(21,400)
Cash flow generated/(absorbed) by financing activities	(2,937)	(28,434)

Financial activities absorbed cash of €2,937 thousand in the period ended 31 August 2020 and EUR 28,434 thousand for period ended 31 August 2019. The decrease is mainly due to the dividend which was kept in place and amounted to € 21,400 thousand in the previous six months.

5.28 Share-based payment agreements

Long Term Incentive Plan 2018-2025

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 the specific characteristics of the Plan were delegated by the Shareholders' Meeting itself to the Unieuro Board of Directors for its specific definition. On 29 June 2017, the Board of Directors approved the plan regulations (hereinafter the "Regulations") containing the terms and conditions for the implementation of the Long Term Incentive Plan.

[47] For the purpose of better representation, the cash flows relating to IFRS 16 Leases were reclassified from the item "Cash flow generated/(absorbed) by investment activities" to the item "Cash flow generated/(absorbed) by financing activities".

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

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

- *Condition:* the Plan and the grant of the options associated with it will be subject to the conclusion of the listing of Unieuro by 31 July 2017 (the "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 Long Term Incentive Plan, the strategies of Unieuro and the Group and the objectives to be achieved, took into account, among other things, the strategic importance of the role and impact of the role on the pursuit of the objective;

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

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

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

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

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

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

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

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

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

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

- *Duration:* the Plan covers a time horizon of five years, 2018-2025.

In the financial statements the evaluation of the probable market price of the options is recorded using the binomial method. The theories underlying the calculation were (i) volatility, (ii) risk rate (equal to the return on Eurozone zero-coupon bond securities maturing close to the date the options will be exercised), (iii) the exercise deadline equal to the period between the grant date and the exercise date of the option and (iv) the amount of expected dividends. Finally, the probability of the Recipients exiting was taken into account, consistent with the provisions of IFRS 2.

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 vesting period of the rights provided for in the Plan ended at the close of the last financial period (29 February 2020); on 18 June 2020, the Board of Directors verified that 101.11% of the quantitative and therefore objectively verifiable objectives had been achieved and approved the allocation of a total of 849,455 options, in compliance with the Plan Regulations. From 31 July 2020 until 31 July 2025, each beneficiary will be entitled to exercise their subscription rights in whole or in part, including in several tranches; at the end of each financial year in which the beneficiary will have exercised all or part of their subscription rights, as provided for by the Plan, that beneficiary will be entitled to receive an extraordinary cash bonus upon exercising the subscription rights, equal to the dividends that would have been forthcoming from the date of approval of the Plan until the end of the vesting period, pursuant to the exercise of the corporate rights attached to the shares obtained in the relevant year.

The number of outstanding options is as follows:

	Number of options 31 August 2020
No. of options in circulation	849,455
No. of options granted during the period	8,605
No. of options not granted	10,760
No. of options exercised	-
No. of options expired	-

Performance shares 2020-2025

On 27 October 2020, after receiving the favourable opinion of the Nominations and Remuneration Committee, the Board of Directors of Unieuro S.p.A. approved the Information Document relating to the Performance Shares 2020-2025 Plan (the "Performance Shares" or "PS") drawn up pursuant to Article 114-bis of the Consolidated Finance Act (TUF), which will be submitted to the Shareholders' Meeting in December for approval.

Description of the Plan's recipients

The Plan is intended for executive directors and/or executives with strategic responsibilities and/or employees of the Company or of Group companies.

In particular, this involves up to 45 persons for the first cycle, who are not yet identified by name but are personnel who have a working relationship with the Company and/or the Group and fall into one of the following categories: (i) executive/senior level at the Company and/or Group companies; (ii) middle management (or higher) level employees at the Company and/or Group companies.

The Board of Directors will identify the beneficiaries, with the abstention of any Directors included among the beneficiaries, subject to the opinion of the Remuneration and Appointments Committee, considering the importance of their respective positions within the Company and/or the Group and their functions in respect of the value creation process. The names of the beneficiaries and the other information required by section 1 of Schedule 7 of Annex 3A to the Issuers' Regulations will be provided in accordance with the procedures and within the terms indicated in Article 84-bis, paragraph 5 of the Issuers' Regulations.

Essential elements relating to the characteristics of the financial instruments on which it is based

The Plan provides for the free granting of rights to receive ordinary shares of Unieuro (the "Shares") to each of the beneficiaries. This granting will be based, inter alia, on the achievement of certain performance objectives and specific vesting conditions, which reflect the most important variables related to the creation of value for the Group.

The free allocations of these Shares will be made in 2023 (1st cycle), 2024 (2nd cycle) and 2025 (3rd cycle).

As resulting from the relevant resolution of the Board of Directors, the actual allocation of the Shares, for each of the three cycles indicated, will be made on the basis of the degree to which the performance objectives were achieved and, in general, the continuation of the vesting conditions.

It is also provided that the aforesaid rights confer to each beneficiary the right to receive a cash bonus based on any cash dividends distributed and paid by the Company up to the allocation date. This bonus shall be payable jointly with, and subject to, the delivery of the shares relating to each cycle of the Plan, provided that the specific vesting conditions are met.

Plan rationale

The Plan is one of the instruments used by the Company and the Group to supplement the remuneration package of key personnel through variable components linked to the achievement of certain performance objectives, in accordance with best market practices.

In particular, the Company believes that a share-based incentive plan, with a five-year duration and specific performance targets, is the most effective incentive instrument and best suited to the interests of the Company and the Group. Therefore, the Plan has the following objectives: (i) to focus the attention of the beneficiaries on factors of strategic interest to the Company and to direct key resources towards strategies aimed at pursuing medium/long-term results; (ii) to build the loyalty of the beneficiaries and encourage them to remain with the Company by developing retention policies aimed at increasing the loyalty of key resources; (iii) to align the interests of the beneficiaries with those of the shareholders, with a view to developing confidence in the growth of the Company's value; and (iv) to ensure that the overall remuneration of the recipients of the Plan remains competitive while concurrently developing policies that will attract talented managerial and professional staff.

6. RELATED-PARTY TRANSACTIONS

The tables below summarise the Group's credit and debt relations with related parties as at 31 August 2020 and 29 February 2020:

(In thousands of Euro)	Credit and debt relations with related parties (as at 31 August 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
At 31 August 2020							
Other current liabilities	-	(47)	(216)	(2,149)	(2,412)	222,798	(1.1%)
Total	-	(47)	(216)	(2,149)	(2,412)		

(In thousands of Euro)	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
At 29 February 2020							
Other current liabilities	-	(65)	(139)	(2,145)	(2,349)	221,428	(1.1%)
Total	-	(65)	(139)	(2,145)	(2,349)		

The following table summarises the economic relations of the Group with related parties as at 31 August 2020 and as at 31 August 2019:

(In thousands of Euro)	Economic relations with related parties (as at 31 August 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
At 31 August 2020							
Purchases of materials and external services	(81)	(47)	(271)	-	(399)	(901,569)	0.0%
Personnel costs	-	-	-	(2,791)	(2,791)	(75,509)	3.7%
Total	(81)	(47)	(271)	(2,791)	(3,190)		

(In thousands of Euro)	Economic relations with related parties (as at 31 August 2019)						
Type	Pallacanestro Forlì 2,015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
At 31 August 2019							
Purchases of materials and external services	(193)	(49)	(283)	-	(525)	(954,899)	0.1%
Personnel costs	-	-	-	(2,499)	(2,499)	(91,079)	2.7%
Total	(193)	(49)	(283)	(2,499)	(3,024)		

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

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

Main managers	
Year ended 31 August 2020	Year ended 31 August 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
Chief Commercial Officer- Gabriele Gennai	

The gross pay of the main managers includes all remuneration components (benefits, bonuses and gross remuneration). The gross pay of the main managers includes all remuneration components (benefits, bonuses and gross remuneration). It is noted that the change in compensation and flows is affected by a different timing of payment and the combined effect of: (i) the appointment, from 1 March 2020, of the new Chief Commercial Officer and (ii) the waiver of a portion of their salary in response to the Covid-19 emergency as a gesture of solidarity towards the population of the company.

The table below summarises the Group's cash flows with related parties as at 31 August 2020 and at 31 August 2019:

(In thousands of Euro)	Related parties							
Type	Pallacanestro Forlì 2,015 s.a r.l.	Italian Electronics Holdings	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
Period from 1 March 2020 to 31 August 2020								
Net cash flow generated/(absorbed) by operating activities	(145)	-	(65)	(194)	(2,787)	(3,127)	67,682	(4.6%)
Total	(145)	-	(65)	(194)	(2,787)			
Period from 1 March 2019 to 31 August 2019								
Net cash flow generated/(absorbed) by operating activities	(193)		(102)	(401)	(885)	(1,581)	13,016	(12.1%)
Cash flow generated/(absorbed) by financing activities		(7,233)				(7,233)	(561)	1,289.3%
Total	(193)	(7,233)	(102)	(401)	(85)			

7. OTHER INFORMATION

Contingent liabilities

Based on the information currently available, the Directors of the Company believe that, at the date of the approval of these financial statements, the provisions set aside are sufficient to guarantee the correct representation of the financial information.

Guarantees granted in favour of third-parties

(In thousands of Euro)	Period ended	
	31 August 2020	29 February 2020
Guarantees and sureties in favour of:		
Parties and third-party companies	48,172	48,829
Total	48,172	48,829

Information on transparency obligations within the public funding system (Article 1, paragraphs 125-129 of Law No. 124/2017)

As required by the legislation on the transparency of public funding introduced by Article 1, paragraphs 125-129 of Law No. 124/2017 and subsequently supplemented by the 'security' Decree-Law (No. 113/2018) and the 'simplification' Decree-Law (No. 135/2018), please refer to the National Register of State Aid. It should be noted that the Group has benefited from the general measures that are available to all companies and that fall within the general structure of the reference system defined by the State, such as, by way of example and without limitation, the benefits relating to super and hyper depreciation.

It is further noted that the Group has adhered to certain fiscal measures to support businesses created by the Government in order to counteract COVID-19's negative effects on the national economy that fall within the scope of the temporary framework for State aid measures in support of the economy during the current COVID-19 emergency, as well as in the "de minimis" aid. For such tax benefits, all relevant information for tax purposes will be included in the appropriate tax returns of the applicant Company.

As at 31 August 2020, the Group had not received any further subsidies, contributions and economic benefits of any kind from public administrations and similar entities, subsidiaries of public administrations and state-owned companies.

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Subsequent events

The partnership with UniCredit

On 16 September, Unieuro and UniCredit announced the launch of a partnership aimed at strengthening the bank's corporate welfare programme, to the benefit of its more than 38,000 Italian employees who can take advantage of large discounts on the technological products marketed by Unieuro, with a specific focus on smart working, home technology adaptation and sustainable mobility. Unieuro is thus able to access a valuable clientele, generating traffic in stores and strengthening the important B2B2C channel, managed through Monclick.

The refund of the flu vaccine

On 21 September, Unieuro announced the decision to reimburse the cost of the flu vaccine to all employees who voluntarily decide to use it, this being a further concrete expression of the company's concern for the health of its employees while the Covid-19 pandemic is ongoing.

The internalisation of all "Unieuro by Iper" stores

On 2 October, Unieuro announced the changeover to direct management of 16 "Unieuro by Iper" shop-in-shops located in "Iper, La grande i" hypermarkets, previously managed by the Finiper Group under the affiliate regime. The transaction - which followed the internalisation of 4 other previously affiliated shop-in-shops and the opening of the Milan Portello direct store - resulted in all 21 Unieuro by Iper points of sale becoming an integral part of Unieuro 's direct network, which has now exceeded 270 points of sale. Through this transaction, Unieuro further strengthened its presence in the large-scale retail segment.

The new headquarters

On 14 October, Unieuro signed a multi-year lease agreement for Palazzo Hercolani, an old building located in the historic centre of Forlì, where the Group will move its headquarters during 2021. Upon completion of the adaptation and modernisation works, also in light of the major projects currently in the pipeline to place Unieuro at the forefront of smart working, the building will offer over 250 employees and guests a rewarding, innovative and comfortable work experience that will facilitate collaboration and the circulation of ideas and solutions to the benefit of the company and its people.

The Unieuro brand lands in the city of Naples

On 19 October, Unieuro and the Partenope Group signed a multi-year partnership whereby the five Partenope Group stores, previously operating under the banner of a competing purchasing group, joined Unieuro's indirect network, adopting its brand and format in view of the start of the 2020 peak season. The agreement allowed the Unieuro brand to land with force in the city of Naples, where it was largely under-represented.

The proposed Performance Share Plan 2020-2025

The Unieuro Board of Directors, meeting on 27 October, examined and approved the guidelines and essential terms of the new incentive plan called "Performance Share Plan 2020-2025" to be submitted to the approval of the Shareholders' Meeting called for 17 December 2020. At the same meeting, the proposal for the power to increase the share capital to service the Plan and the proposal for authorisation to purchase and dispose of treasury shares, also at the service of the same Plan, will also be submitted.

The expiry of the Liquidity Provider contract

On 28 October, Unieuro announced the expiry and the decision not to renew the Liquidity Provider contract conferred on Intermonte SIM on 29 October 2019 in relation to its ordinary shares. The decision was taken in the light of the expansion of the free float, which transformed Unieuro into a real public company, and the consequent sharp increase in trading volumes on the stock.

The resurgence of the Covid-19 epidemic

Since October, after a summer of relative tranquillity, the epidemiological situation in Italy has rapidly worsened. The sudden increase in infections has mainly involved certain regions, including Lombardy and Piedmont, pushed to adopt restrictive measures including the closure of shopping centres at weekends. The further deterioration of the situation prompted the government, on 4 November, to issue a decree that imposed new restrictions on commercial activities and the free movement of persons. For Unieuro, the new rules will lead to the closure of about two thirds of direct stores on public holidays and pre-holidays until 3 December 2020.

CERTIFICATION OF THE CONDENSED HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 AUGUST 2020 PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

The undersigned, Giancarlo Nicosanti Monterastelli, as Chief Executive Officer, and Italo Valenti, as the manager in charge of preparing the Unieuro Group's corporate and accounting documents, hereby certify, also considering the provisions of Article 154-bis, paragraphs 3 and 4 of Legislative Decree No. 58 of 24 February 1998:

- the adequacy in relation to the company's characteristics; and
- the effective application of administrative and accounting procedures in the preparation of the Condensed Half-Yearly Consolidated Financial Statements as at 31 August 2020.

We also certify that the Condensed Half-Yearly Consolidated Financial Statements as at 31 August 2020 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 management report includes a reliable analysis of the changes and results of management, and of the position of the issuer and companies included in the scope of consolidation, together with a description of the principal risks and uncertainties faced.

12 November 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

KPMG S.p.A.
Revisione e organizzazione contabile
Via Innocenzo Malvasia, 6
40131 BOLOGNA BO
Telefono +39 051 4392511
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

Report on review of condensed interim consolidated financial statements

To the shareholders of
Unieuro S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Unieuro Group, comprising the statement of financial position as at 31 August 2020, the income statement and the statements of comprehensive income, cash flows and changes in equity for the six months then ended and notes thereto. The directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of the review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Unieuro Group as at

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and for the six months ended 31 August 2020 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Bologna, 12 November 2020

KPMG S.p.A.

(signed on the original)

Luca Ferranti
Director

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Unieuro S.p.A.
Via Schiaparelli, 31
47122 Forlì (FC)
unieurospa.com