



*Unieuro S.p.A. registered office in forlì, giovanni schiaparelli, no. 31
share capital euro 4,000,000 fully paid
tax identification number and number of
registration in the business register of forlì-cesena 00876320409*

**EXPLANATORY REPORT OF THE BOARD OF DIRECTORS
ON THE PROPOSAL REFERRED TO IN ITEM 2 ON THE
AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING
OF UNIEURO S.P.A., CONVENED FOR THE 17 DECEMBER
2020 IN SINGLE CALL**

2. Submission for approval of plan granting rights to be allocated ordinary shares of Unieuro S.p.A. on a gratuitous basis such plan entitled the "2020-2025 Performance Shares Plan" reserved for employees and/or directors of Unieuro S.p.A. and/or the other companies belonging to the group of which Unieuro is parent company; inherent and consequent resolutions.

Dear Shareholders,

This report (the "**Report**") has been drawn up pursuant to art. 114-bis and 125-ter paragraph 1 of Legislative Decree No. 58 ("**TUF**") and art. 84-ter of the Regulations adopted by means of Consob resolution No. 11971 of 14 May 1999 ("**Issuers' Regulations**").

The Report was approved by the Board of Directors of Unieuro S.p.A. ("Unieuro" or "Company" or "Issuer") at the meeting which took place on 27 October 2020 and shall be made available to the public, in accordance with the law and regulations, at Company's registered office, on its website in the section "Unieurospa.com / Corporate Governance / Shareholders' Meetings / Shareholders' Meeting December 2020", and in the further manner envisaged by current legislation.

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With reference to item 2 on the agenda of the ordinary Shareholders' Meeting, the Board of Directors is desirous to submit for Shareholders' approval, pursuant to and for the purposes of Article 114-bis TUF, an incentive plan entitled "2020 - 2025 Performance Shares Plan" (" Plan ") reserved for employees and/or directors of the Company and/or of other companies belonging to the group of which Company is parent ("Subsidiaries"). (Company and Subsidiaries are collectively the "Group"). Such Plan concerns the grant of rights which entitle the beneficiary, upon achievement of certain performance objectives, to be allocated Unieuro shares ("Shares") free of charge. The number of Shares shall be determined with reference to the level of achievement of - and/or achievement exceeding - the aforementioned performance objectives and subject to certain vesting conditions.

The Shares to service the Plan will be obtained from: (i) an appropriate capital increase on a gratuitous basis, which may be carried out in one or more tranches pursuant to Article 2349 Italian Civil Code up to a maximum nominal value of Euro 180,000.00 to be imputed entirely to capital, through issuance of a maximum of 900,000 Shares. Specific powers shall be granted to the Board of Directors pursuant to art. 2443 Italian Civil Code to enable them to implement this capital increase ("Capital Increase") and (ii) treasury shares taken from shares acquired pursuant to art. 2357 and 2357-ter Italian Civil Code.

In this regard, your attention is drawn to the fact the proposals of Capital Increase and authorisation to acquire and dispose of treasury shares shall be submitted for Shareholders' consideration and approval at the Shareholders' Meeting of the Company, the former as sole item on the agenda of the extraordinary Shareholders' Meeting and the latter as item 3 on the agenda of the ordinary Shareholders' Meeting. These proposals are illustrated by specific reports drawn up pursuant to Articles 72 and 73 respectively of the Issuers' Regulations and in accordance with Annex 3A thereto.

Finally, we underline that - pursuant to art. 13 paragraph 3 letter (a) of the regulations adopted by Consob by means of resolution No. 17221 of 12 March 2010 and in accordance with the procedure under art. 2.2 (i) for transactions with related parties of the Company - the procedure for transactions with related parties does not apply to the approval and implementation of the Plan on grounds that said plan constitutes a compensation plan based on financial instruments that shall be submitted for approval at the Shareholders' Meeting convened on 17 December 2020 pursuant to art. 114-bis TUF.

Furthermore, the Plan also forms part of the variable component of the remuneration of executive directors, managers with strategic responsibilities and persons holding managerial offices of the Group, pursuant to the remuneration policy for 2020 subjected to the approval of the Board of Directors on 12 November 2020 and as shall be put to Shareholder's binding vote at the above-mentioned Shareholders' Meeting.

For more information on the terms and conditions of the Capital Increase as well as on the authorisation for the purchase and disposal of treasury shares, please refer to the above-mentioned explanatory reports, which shall be made available to the public within the timelines and in the manner prescribed by law and applicable regulations, as well as the brief illustration set forth below.

The information document on the Plan drawn up pursuant to art. 84-bis and in accordance with Annex 3A of the Issuers' Regulations ("Information Document") shall be made available to the public within the timelines and in the manner provided for by the applicable legal and regulatory provisions and shall be available on the Company's website in the section "Unieurospa.com / Corporate Governance / Shareholders' Meetings / Shareholders' Meeting December 2020", as well as on the authorised storage mechanism "EMARKET STORAGE" (<https://www.emarketstorage.com/home/homepage.en.htm>), together with a copy of this report.

A. Reasons underpinning the adoption of the Plan

The Plan is added to the set of instruments used by the Company to integrate the fixed component of the remuneration package of personnel deemed to hold key offices, with a variable component connected to the achievement of performance objectives in line with best market practices.

It should be noted that, on occasion of the approval of the Unieuro Remuneration Policy adopted at the Company Shareholders' Meeting which took place on 12 June 2020, and with reference to the pursuit of long-term interests, the Shareholders were advised that the Board of Directors deemed it appropriate to postpone the definition of a long-term incentive plan based on financial instruments, in compliance with the responsibility and

sustainability requirements that underpin the choices of the Issuer, mindful of the emergency situation due to the SARS-Cov-2 or Covid-19 epidemic and its impact.

In line with best market practices adopted by listed companies at both domestic and international levels, the Company believes that share-based compensation plans are an effective incentive and loyalty instrument for those personnel who hold key roles as well as for employees, so as to maintain high levels of - and improve - performance, which in turn contributes to an increase in the growth and success of the Company and of the Group.

Therefore, in the Company's opinion, the objectives of the Plan are:

- to focus the attention of Plan Beneficiaries on factors of strategic interest of the Company and direct key resources towards the pursuing of medium-long term results;
- build loyalty among the Plan Beneficiaries and incentivize their continuance with the Company by developing retention policies;
- align the interests of the Beneficiaries with those of the shareholders, with a view to developing the growth of the Company's value; and
- ensure that the overall remuneration of recipients of the Plan remains competitive whilst at the same time developing policies to attract new talent to managerial and professional roles.

In preparing the Plan, the Board of Directors and the Remuneration and Appointments Committee of Unieuro - also engaging external consultants - conducted an in-depth benchmarking activity to ascertain the current best practices in Italy and abroad on long-term policies for remuneration of management. Consequently, said Board of Directors and Remuneration and Appointments Committee submit that the Plan reflects the best international practice in that it will promote loyalty building of Plan beneficiaries and their continuance of work relations within the Group.

We underline that the adoption of share-based remuneration plans is in line inter alia with the recommendations of art. 6 of the Self-Regulation Code emanated by Borsa Italiana S.p.A. as concerns the remuneration of executive directors and managers with strategic responsibilities.

The proposal for adoption of the Plan has been formulated by the Board of Directors on the proposal of the Remuneration and Appointments Committee.

B. Plan Beneficiaries: members of the Board of Directors of the Company, of the parent companies and/or of subsidiaries, who shall benefit from the plan and classes of employees or collaborators of the Company and of the parent or subsidiary companies, who shall likewise benefit from the Plan

Target of the Plan is executive directors and/or managers with strategic responsibilities and/or employees of the Company or of Group companies (“Beneficiaries”).

Identification of Beneficiaries, determination of the number of rights (defined below) to be granted to each of them and any other decision in relation thereto, shall be undertaken by the Board of Directors, subject to the prior opinion of the Remuneration and

Appointments Committee taking into account the relevance of the respective position covered within the Company and/or the Group and the function the Beneficiary performs in the value creation process. A Board member shall abstain from any decision hereunder in relation to which he/she is a Beneficiary.

Names of the Beneficiaries and the other information required under paragraph 1 of Scheme 7 of Annex 3A to the Issuers' Regulations shall be provided at the time of the grant of share rights in the manner set forth in art. 84-bis, paragraph 5, letter a) of the Issuers' Regulations and in any case in the manner and within the timelines provided by the laws in force from time to time.

It is envisaged that the recipients of the first cycle of the Plan may be a maximum of 45 persons, including the executive directors of Unieuro, not yet identified by name, who have an employment relationship with the Company and/or the Group and fall into one of the following classes:

- a) personnel holding the office of manager at the Company and/or at a Group company;
- b) personnel holding the office of middle management employee (quadro) level (or higher) at the Company and/or at a Group company.

The Board of Directors shall identify those Beneficiaries in the class of Company or Group company employees, and determine the number of rights to be granted to each of them. The Board may entrust such tasks to the Chief Executive Officer, having regard to the relevance of the respective position covered within the Company in enhancement of Company value.

The Remuneration and Appointments Committee shall carry out consultative and propositional functions as regards the implementation of the Plan, pursuant to the Self-Regulation Code of Borsa Italiana S.p.A..

We highlight that the Plan is the same for all Beneficiaries. The only aspects which may change from one Beneficiary to another are:

- the Lock-Up commitment to which the Shares allocated to each Beneficiary may be subjected (please refer to paragraph 4.6 of the Information Document for more information);
- the application of the Claw-back and Malus clauses (please refer to paragraph 4.10 of the Information Document for more information).

C. Plan: characteristics; subject matter; manner of implementation; duration; exercise of Rights

The Plan envisages the grant of rights on a gratuitous basis (“Rights”) which entitle a beneficiary who achieves his/her performance objectives, and subject to the fulfilment of specific vesting conditions, to be allocated ordinary Shares in Unieuro. The performance objectives are the most important variables focused on creation of value for the Group.

The free allocation of shares shall be carried out in the years 2023 (1st cycle), 2024 (2nd cycle) and 2025 (3rd cycle).

The actual allocation of the Shares for each of the three envisaged cycles shall be carried out in conformance with the relative Board of Directors' resolution, based on the degree of performance objectives achieved and, in general, fulfilment of the vesting conditions.

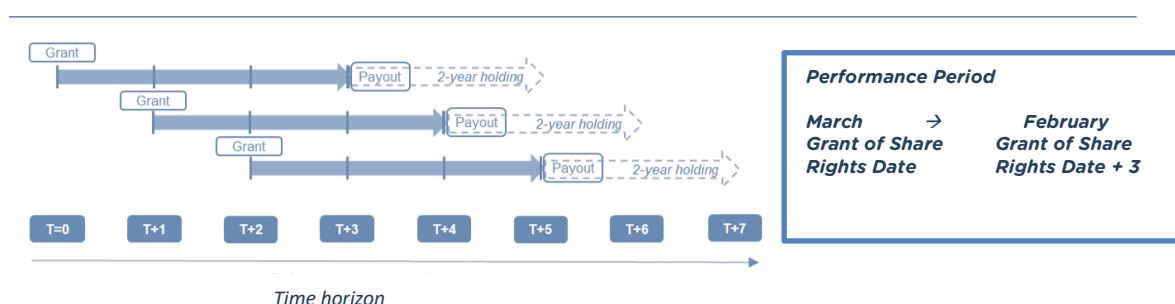
We propose that the maximum total number of Unieuro Shares required to serve the entire Plan be fixed at a maximum of 900,000, to be obtained from the Capital Increase and/or the assignment of treasury shares (already in circulation and in the Company's own portfolio or as may be subsequently purchased).

It should be noted that Shares allocated to a Beneficiary (following the vesting of the Rights) shall carry the same dividend rights as the ordinary shares of the Company on the date of issuance and shall, therefore, bear the coupon bonds current on that date.

The Plan has a time horizon of 5 years (2020-2025) and envisages three cycles, each consisting of (i) the grant of share Rights to the Beneficiaries; (ii) the vesting period; (iii) possible allocation of the Shares and (iv) lock up period where applicable.

More specifically: the 1st cycle has a three-year duration (i.e., grant of share Rights to the Beneficiaries for 1st cycle, vesting period relating to the business periods 2020/2021, 2021/2022, 2022/2023 and any allocation to be carried out after the approval of the report to the annual financial statement as at 28 February 2023) in addition to the lock up period where applicable. The 2nd cycle has a three-year duration (i.e., grant of share rights to the Beneficiaries for 2nd cycle, vesting period relating to the business periods 2021/2022, 2022/2023, 2023/2024 and any allocation to be carried out after the approval of the report to the annual financial statement as at 29 February 2024) in addition to the lock up period where applicable. The 3rd cycle has a three-year duration (i.e., grant of share rights to the Beneficiaries for 3rd cycle, Vesting Period relating to the business years 2022/2023, 2023/2024 and 2024/2025 and any allocation to be carried out after the approval of the report to the annual financial statement as at on 28 February 2025) in addition to the lock up period where applicable.

By way of illustration, the following graph shows the proposed three cycles of the Plan each having a three-year duration:



The allocation of the Shares on a gratuitous basis for each of the three cycles of the Plan is dependent upon the achievement of specific performance objectives as shall be ascertained by the Board of Directors at the end of the vesting period and, in any case, no later than the 30th (thirtieth) calendar day following the date of the Shareholders' Meeting at which the financial statements are approved with reference to the financial statements closed on: 28 February 2023 for the 1st cycle of the Plan; 29 February 2024

for the 2nd cycle of the Plan; 28 February 2025 for the 3rd cycle of the Plan, and subject to fulfilment of the following vesting conditions (“**Vesting Conditions**”):

- on the Share allocation date, the Beneficiary’s relationship with the Company and/or a Group company is still in continuance, unless the Beneficiary is a Good Leaver (for the definition of this term please refer to the Information Document);
- the Performance Objectives have been achieved during the vesting period.
- in consideration of the individual allocations to be made by the Board of Directors or by any persons they may entrust with such task, there is from time to time sufficient available reserves, as reported in the last approved accounting situation of the Company, to carry out the Capital Increase or the purchase of Shares pursuant to arts. 2357 and 2357-ter of the Civil Code. It is understood that the Board of Directors may, at its sole discretion, proportionally reduce the number of Shares to be made available for allocation to Beneficiaries for each cycle of the Plan.

The performance objectives applicable to each cycle of the Plan shall be determined by the Board of Directors having consulted beforehand with the Remuneration and Appointments Committee. With reference to the 1st cycle of the Plan, the performance objectives are represented by Adjusted EBIT and Free Cash Flow Adjusted.

For more information on this point, please refer to the Information Document.

We underline that the Board of Directors shall, on the grant date, set the number of Rights to be granted to each Beneficiary, having duly: heard the opinion of the Remuneration and Appointments Committee; evaluated the importance and strategic value of each Beneficiary in creating new value for the Company and/or the Group; taken into account the particular relevance of the office held as well as the importance of the Beneficiary in terms of loyalty building.

The maximum share incentive as may be granted to a particular Beneficiary shall be determined taking into account his/her level of responsibility/criticality of the office held.

For the sake of clarity, the performance objectives for the 1st cycle of the Plan, shall be linked to the following parameters:

(i) **Adjusted EBIT Indicator**

This means the consolidated EBIT adjusted post application IFRS 16 for (i) non-recurring charges/(income) (ii) non-recurring depreciation and write-downs and (iii) the effects of adjustment of revenues for extended warranty services net of the relative estimated future costs for assistance services, as a consequence of the change in the business model for directly managed assistance services.

The Adjusted EBIT Indicator has a percentage weighting equal to 60% of the total Shares subject to allocation. It coincides with the Unieuro adjusted aggregate EBIT relating to the accounting periods of a cycle. Achievement of performance objectives shall be calculated with reference to the target as per Adjusted EBIT set forth in the budget forecasts as may be amended and approved from time to time by the Board of Directors;

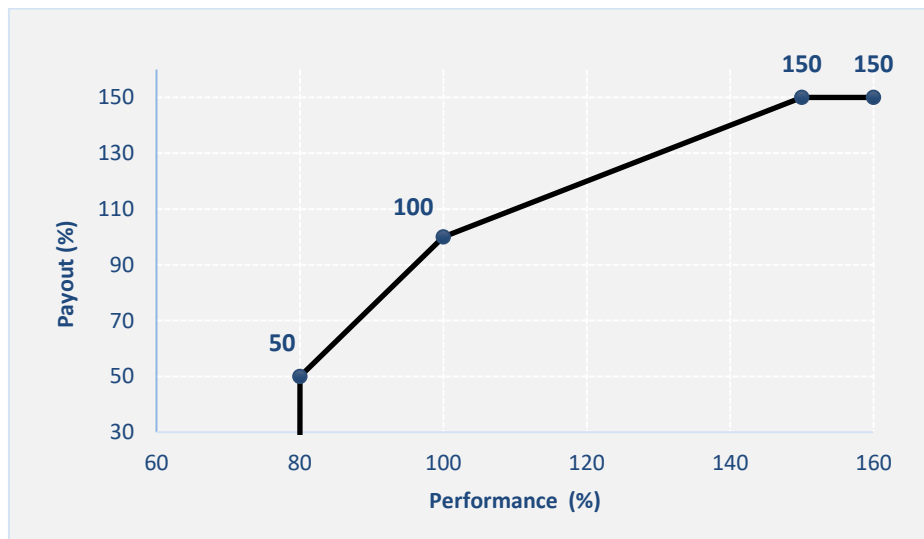
(ii) **Adjusted Free Cash Flow Indicator**

Means the consolidated cash flow generated/absorbed by operating activity and by investment activities comprehensive of financial obligations pre-adoption of IFRS 16. Consolidated Adjusted Free Cash Flow is that adjusted by operative flows and by non-recurring investments and includes adjustments for non-recurring charges (income), their non-monetary component and the related tax impact.

The free cash flow indicator has a percentage weighting equal to 40% of the total Shares subject to allocation. It coincides with the Unieuro adjusted aggregate free cash flow relating to the accounting periods of a cycle. Achievement of target performance objectives shall be calculated with reference to Free Cash Flow set forth in the budget forecasts as may be amended and approved from time to time by the Board of Directors.

Achievement of the performance objectives of the Plan shall be checked at the end of each three-year period of accrual through a timely process of verification of the results actually achieved, on the part of the Board of Directors having heard beforehand the opinion of the Remuneration and Appointments Committee.

The overall performance shall be calculated by adding together the annual results of the individual parameters in the reference vesting period. The achievement of performance objectives entails the accrual of the Rights (for each performance objective) in the relationships indicated in the chart and table below:



More specifically:

% Performance Objective achieved compared to estimated Performance Objective	Accrued Rights
threshold 80%	target weighting % x 50% x BNS(*)
target 100%	target weighting % x 100% x BNS(*)
cap 150% or + 150%	target weighting % x 150% x BNS(*)

(*) Base **Number of Shares or BNS** means, for each Beneficiary, the number of Shares that he/she may obtain upon reaching 100% of the Performance Objectives.

As regards intermediate values between 80% and 100% and between 100% and 120%, linear interpolation shall be applied to determine the accrued Rights.

Cash bonus

The aforementioned Rights entitle each Beneficiary to receive a cash bonus measured against any cash dividends distributed and paid by the Company, for each cycle of the Plan, up to the date of the Share allocation date. Such bonus shall be payable at the same time of, and subject to the delivery of Shares relating to each cycle of the Plan, provided that all the Vesting Conditions have been met.

D. Any support of the plan from special funds for incentivizing the participation of workers in the company as referred to in Article 4 paragraph 112 of the Law of 24 December 203 No. 350

The Plan is not supported from any special Funds for incentivizing the participation of workers in the company as referred to in Article 4, paragraph 112 of Law No. 350.

E. Manner or criteria of price determination for the subscription or purchase of the shares

Not applicable as the Plan involves the allocation of Shares on a gratuitous basis upon achievement of the performance objectives.

F. Any constraints encumbering the shares or the options rights granted with particular reference to any term within which the subsequent transfer to the Company or to third parties is permitted or prohibited

Entitlement to receive Shares is personal, non-transferable and otherwise non disposable inter-vivos and must not be pledged or used as security.

Up to the date of delivery of Shares, Rights shall be exercised exclusively by the Beneficiaries or, in the event of incapacity or death of a Beneficiary then by his/her duly appointed attorney or guardian or their successors in title in the succession mortis causa, on grounds that such Rights are granted by the Company intuitu personae to the individual Beneficiary.

The Rights granted to each Beneficiary cannot be traded, transferred or otherwise disposed of in any way or be subject to any third-party enforcement or interim legal measures. In case of breach of the provisions under this paragraph the Beneficiary shall forfeit his/her Rights.

For the sake of clarity, transfer of rights means any and all transactions involving a disposal of Rights to third parties, whether directly or indirectly, whether or not on a gratuitous basis, including by swap and/or by conferment.

Any sale, assignment, encumbrance or transfer made in breach of the obligation in the previous paragraph will not be binding on the Company and the breaching Beneficiary shall forfeit the Rights granted to him/her.

Once the Shares have been duly transferred to a Beneficiary, he/she may freely trade them.

Beneficiaries who are also members of the Board of Directors and/or Executives with Strategic Responsibilities are obliged to make a lock up commitment on the Share delivery date. Such commitment requires these specific beneficiaries to continuously hold 100% of the Shares for at least 24 months as of the Share delivery date (having deducted a number of Shares commensurate to the tax, social security and welfare charges arising in virtue of the delivery of Shares which, instead, may be freely disposed of).

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In consideration of all the foregoing, the Board of Directors respectfully submits the following resolution proposal for your approval:

"The Shareholders of Unieuro S.p.A., at the ordinary Shareholder's meeting,

- *having examined the Explanatory Report of the Board of Directors drawn up pursuant to art. 114-bis and 125-ter of Legislative Decree 58 of 24 February 1998 and*
- *having examined the information document drawn up pursuant to art. 84-bis of Consob Resolution No. 11971/99;*

resolve

1. *that pursuant to and for the purposes of art. 114-bis of Legislative Decree February 24 1998 No. 58, they approve the adoption of the incentive and loyalty plan entitled the "2020 - 2025 Performance Share Plan ("Plan") having the characteristics (including the conditions and requisites for implementation and vesting) set forth*

in the explanatory report of the Board of Directors and in the related information document;

- 2. that they confer on the Board of Directors all powers as may be necessary or appropriate to execute the Plan (which includes making available treasury shares in the Company's portfolio as shares over which rights may be exercised under the plan). To this end, the powers hereunder include authorization to, by way of example only and not by way of limitation: prepare and adopt the regulations that govern implementation of the Plan, as well as make amendments and/or integrations thereto; identify the beneficiaries; make the relative assignments and determine the number of rights to be granted to each beneficiary; determine in detail the performance objectives which the allocation of ordinary shares is conditional upon; carry out the grant of rights and allocation of ordinary Shares to the beneficiaries (establishing whether to use for this purpose newly issued shares raised from the Capital Increase or treasury shares from time to time in the Company's portfolio), as well as carry out each and every act, fulfilment, formality and notice as may be necessary or appropriate for the purposes of the management and/or implementation of the plan. Said powers include authorisation to the Board of Directors to delegate the powers, duties and responsibilities regarding the execution of the Plan to the Chairman and Chief Executive Officer pro-tempore in charge acting individually, such officers having the faculty to sub-delegate the tasks to third parties and also by means of special attorneys appointed for this purpose, it being understood that any decision relating and/or pertinent to any grant of rights and allocation of ordinary Shares to the Chief Executive Officer pro-tempore in charge as a beneficiary (as well as any other decision relative and/or pertinent to the management and or implementation of the plan as personally affects him/her) shall remain the exclusive competence of the Board of Directors;*
- 3. that they duly confer upon the Board of Directors, by way of its Chairman and Chief Executive Officer pro-tempore in charge acting individually, such officers having the faculty to sub-delegate the tasks to third parties and also by means of special attorneys appointed for this purpose, the broadest powers deemed necessary and/or appropriate to carry out the legislative and regulatory obligations arising in relation to the adoption of the resolutions.”*

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Forlì, 27th October 2020

*On behalf of the Board of Directors
Stefano Meloni
Chairman of the Board of Directors of Unieuro S.p.A.*