E-MARKET SDIR CERTIFIED

ANNUAL FINANCIAL REPORT 2020/21

CONTENTS

Directors' Report

Letter from the CEO to the Shareholders

Dear Shareholders,

In addition to the drama of the events linked to the pandemic, the 2020/21 financial year will be remembered as one of the most complex and volatile ever for the consumer electronics and household appliances sector.

The context in which Unieuro has been operating has changed several times, even radically. The initial shock resulting from the rapid spread of the virus and the imposition of severe containment measures was in fact followed by a sudden and prolonged phase of growth, supported by new needs and consumption habits following the pandemic. The imposition of new restrictions close to the peak season and still in force have further complicated the scenario, without however compromising the strong underlying trend.

What has never changed instead is our omnichannel strategy, which has proven to be vital to overcome the most difficult moments continuing to offer customers an essential service in stores and online, as well as the perseverance of all our people. With determination and spirit of sacrifice, they have continued to carry out their work in stores, on logistics platforms and at home, in smart working.

The results of such foresight and dedication, as well as the active contribution of all our partners and stakeholders, are exhilarating, the best in our history: not only have we recorded a new record in revenues of Euro 2.7 billion, but growth of 9.8%, completely organic, was higher than the +8.2% recorded by the reference market, allowing us to widen the gap that separates the competition from us.

Also profitability, benefiting from non-repeatable factors, reached historic levels with Consolidated Adjusted EBIT of Euro 86.8 million equal to 3.2% of revenues, and Consolidated Adjusted Net Profit of Euro 66.9 million, at the highest level ever reached by Unieuro.

Lastly, there was record cash generation of Euro 124.7 million, the result of the excellent performance of the business but also of structural and sustainable interventions on the level of inventories: a managerial success that gives us important financial resources with which to remunerate shareholders and build the Unieuro of the future.

The recent organisational developments with the appointment of a General Manager expert in digital transformation and the drafting of a new wide-ranging Business Plan currently underway are precisely in this direction: provide new life to the Company's inexhaustible growth path, to reach new and exciting goals that will once again see us as great protagonists.

6 May 2021 Giancarlo Nicosanti Monterastelli

Chief Executive Officer

Letter to Shareholders from the Chairman of the Board of Directors

Dear Shareholders,

While Italy is re-emerging from the crisis triggered by the Covid-19 pandemic, I am pleased to present to you - on behalf of the entire Board of Directors - an Unieuro that has never been so solid, profitable and oriented towards the future.

Just one year ago, we were hoping to be able to emerge from the difficult context that had been created, strengthening our competitive advantage and leadership in a market destined to reward the most robust, determined, entrepreneurial and innovative operators. I am proud to be able to tell you that our aims have been achieved.

We succeeded thanks to a winning strategy, even during difficult times, the effectiveness of our management actions, our focus on service, customers and the product and, last but not least, the solidarity of all of our stakeholders - shareholders, employees and partners - who during critical times were capable of reacting responsibly, even making sacrifices in the interest of the company.

To concretely demonstrate its gratitude and positivity, the Board of Directors will therefore propose to the Shareholders' Meeting the distribution of a record dividend of Euro 2.60 per share, consistent with the dividend policy in force and capable of making up for the fact that no dividend was distributed last year for reasons of prudence.

Once again, this is not our point of arrival, but a further significant step forward: the virtuous path of Unieuro is destined to continue with market consolidation and company strengthening to create sustainable value for everyone: shareholders, customers, employees, suppliers, partners, the community, even for competitors, who in Unieuro must be able to recognise a responsible market leader, respectful of business ethics and with strong values.

Therefore, the concept of Sustainability is increasingly near and dear to us, so much so that the Board of Directors has established a Board Committee to oversee, stimulate and give shape to its concepts, in line with the increasing importance of social, environmental and corporate governance aspects in listed companies.

This is even more true in a “public-public” company like Unieuro, whose share capital is owned by small and large new shareholders, which are all active participants in the ongoing process of creating value, and aware of their contributions to the ambitious path that the Company is on and will continue to follow, also thanks to estimated growth in Italian Domestic Product, which has been quite considerably stimulated by recently adopted economic measures.

6 May 2021

Stefano Meloni

Chairman of the Board of Directors

DIRECTORS' REPORT 28/02/2021

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 and accounting effects beginning from 1 March 2020.

The company Unieuro S.p.A. (hereinafter also the "Company" or "Unieuro" or "UE") is a company incorporated under Italian law based in Forlì in Via Piero Maroncelli 10, founded in the late 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 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. In April 2020, the telecommunications operator Iliad announced the purchase of a stake equal to approximately 12% of the share capital of Unieuro, of which 1.9% through an equity swap contract expiring on 17 September 2021[1]. Based

[1] Ref. Press Release 6 April 2021.

on the information available to date, the other major shareholders of Unieuro are[2] the asset management company Amundi Asset Management (6.8% of the capital), some members of the Silvestrini family that overall own 7.3%, Mediolanum Gestione Fondi Sgr (4.9%) and J.P. Morgan Asset Management (3.3%).

[2] Sources: Consob; Minutes of the Shareholders' Meeting of 17 December 2020.

2. Procedural note

This Directors' Report on Operations contains information relating to the consolidated revenues, consolidated profitability, cash flows and balance sheet of the Unieuro Group as at 28 February 2021 compared with the figures from the last financial statements approved as at 29 February 2020.

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 the Adjusted Consolidated Profit (Loss) for the Year. 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 "11. Impact of IFRS 16" for a summary of the effects of applying IFRS 16 at 28 February 2021.

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 more details, please refer to section "2.7.1 Changes to the accounting standards" in the Consolidated Financial Statements and section "2.6.1 Changes to the accounting standards" in the Separate Financial Statements.

3. Accounting policies

This Annual Financial Report as at 28 February 2021 was prepared in compliance with the provisions of Article 154 ter, paragraph 5 of Legislative Decree 58/98 of the Consolidated Finance Act as subsequently amended and supplemented and in compliance with Article 2.2.3 of the Stock Exchange Regulations.

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

On 1 March 2020, the Group adopted the amendment to the accounting standard IFRS 16 (Leasing). For more details, please refer to section "2.7.1 Changes to the accounting standards" in the Consolidated Financial Statements and section "2.6.1 Changes to the accounting standards" in the Separate 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 Consolidated Financial Statements; (v) the definitions and criteria adopted for the determination of the indicators used by the Group, since they do not derive from the reference accounting standards, may not be homogeneous with those adopted by other companies or groups and, therefore, may not be comparable with those potentially presented by such entities, and (vi) the APIs used by the Group are prepared with continuity and homogeneity of definition and representation for all the financial periods for which information is included in the Consolidated Financial Statements.

The APIs reported (Consolidated Adjusted EBIT, Consolidated Adjusted EBIT margin, Adjusted Consolidated Profit (loss) for the year, 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 shall not be considered as alternative measures to those provided in the Group's Consolidated Financial Statement 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 EBIT, Consolidated Adjusted EBIT Margin, Consolidated Adjusted Profit (Loss) for the Year and Consolidated Adjusted Free Cash Flow 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[3]-[4]

(in millions of Euro)	Year ended	
	28 February 2021	29 February 2020
Operating indicators		
Consolidated revenues	2,685.2	2,444.9
Consolidated Adjusted EBIT[5]	86.8	58.7
Consolidated Adjusted EBIT margin[6]	3.2%	2.4%
Adjusted Consolidated Profit/(loss) for the year[7]	66.9	42.1
Consolidated Profit/(loss) for the year	53.6	25.6
Cash flows		
Consolidated Adjusted Free Cash Flow[8]	124.7	56.5
Investments for the period	(40.9)	(39.8)

(in millions of Euro)	Year ended	
	28 February 2021	29 February 2020
Indicators from statement of financial position		

[3]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.

[4] 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 Consolidated Profit for the Year. 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.

[5] 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 section 6.2 for additional details.

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

[7] The Adjusted Consolidated Result for the year is calculated as the Consolidated Profit/(loss) for the year adjusted by (i) the adjustments incorporated in the Consolidated Adjusted EBITDA, (ii) the adjustments of the non-recurring depreciation, amortisation and write downs, (iii) the adjustments of the non-recurring financial expenses/(income) and (iv) the theoretical tax impact of these adjustments. See section 6.4 for additional details.

[8] 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 section 7.5 for additional details.

Net working capital	(315.4)	(258.7)
(Net financial debt) / Net cash - Pursuant to IAS 17[9]	154.8	29.6
(Net financial debt) / Net cash	(288.8)	(448.0)

(in millions of Euro)	Year ended	
	28 February 2021	29 February 2020
Operating indicators for the year		
Like-for-like growth[10]	8.7%	6.5%
Direct points of sale (number)	273	249
of which Pick-Up Points[11]	264	236
Affiliated points of sale (number)	254	261
of which Pick-Up Points	123	174
Total area of direct points of sale (in square metres)	about 388,000	about 369,000
Sales density[12] (Euro per square metre)	4861	5,031
Full-time-equivalent employees[13] (number)	4679	4,414
Net Promoter Score[14]	45.8	46.3

[9] 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 7 for additional details.

[10] Like-for-like revenue growth: the methods for comparing sales for the year ended 28 February 2021 with those for the year ended 29 February 2020 based on a standard scope of operations, for retail and travel stores operating for at least an entire financial year from the closing date of the reference period, excluding sales outlets affected by significant business discontinuity (e.g. temporary closures and major refurbishments), as well as the entire online channel.

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

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

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

[14] 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).

4. Strategy and business model

The year ended 28 February 2021 was characterised by an unprecedented shock of the world economy. The global spread of COVID-19 represents the largest health emergency since the war. Also Italy - in addition to the heavy budget in terms of human lives - has been affected by the spread of Covid-19, recording a significant decline in GDP, particularly in some product sectors. Although this year is characterised by significant uncertainty compared to the past, the consumer electronics trade segment was able to react positively, curbing the decline recorded in the first half of the fiscal year and closing with significant growth in all segments of demand.

If the lockdown and the temporary closure of some distribution chains actually penalised the sales of the physical channel in the first half of the year, in the second half of the year, we witnessed a recovery in sales which - together with the exceptional online performance - drove the market into positive territory.

In this changed context, the Group was able to react promptly by implementing a series of initiatives. The protection of its employees, the safety of its consumers and attention to the level of service offered have integrated and supported the strategic development drivers of the company, changing its boundaries and reshaping its contents. Although in fact FY21 saw the consolidation of new consumption paradigms linked to the pandemic, the disruption of the seasonality of the demand to which the market was accustomed and the increase in online penetration, the Group was able to invest and consolidate its leadership on every strategic growth axis.

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

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

4.1 Proximity

The need for safety and comfort at home, home working and remote teaching have determined a change in consumers' purchasing habits, emerging as a catalytic factor in a broader process of structural transformation of the market.

A new awareness of customers in terms of product knowledge, streamlining of the information acquisition process and greater fluidity in purchase paths are just some of the phenomena induced by the affirmation of new technological paradigms and the Internet that redefine not only the relationship between customer and retailer but also the boundaries between sales channels, effectively opening the doors to an increasingly omnichannel vision of business.

In this changed context, proximity to the customer becomes increasingly strategic. A new concept of proximity in an omnichannel logic both as physical proximity but also as proximity to customer needs thanks to the oversight of all contact touchpoints. Despite the pandemic, the Unieuro Group has continued its process of developing the network of direct and indirect points of sale with the aim of optimising commercial penetration in areas not yet covered, has strengthened its image by launching new distribution formats and has maximised the opportunities for contact with its customers on the online channels. In this new and integrated sense of proximity, it has in fact strengthened the online segment by adding Pay & Pick to the already consolidated formula of Home delivery and Click & Collect, which allows for payment online and pick-up at the store.

Therefore, if the capillarity of the Unieuro physical network has always been a fundamental asset, the online channel is coherently integrated into this meaning of proximity to the customer, offering not only the possibility of ordering products but also of choosing the method of collection and the nearest point of sale.

The high recognition and attractiveness of the Unieuro brand together with a centralised, flexible and scalable logistics process have always represented the enablers for the evolution of the concept of proximity in an omnichannel perspective that the Group pursues.

4.2 Maximising the customer experience

Many retailers during the year of the global pandemic had to face new challenges, change their strategies and face structural changes in demand.

New forms of agile work such as smart working and home working together with new forms of online teaching have led more and more people to spend more time at home. It is therefore the home that takes on a new social role, a place where we can be connected to the world thanks to the Internet. The internet opens up new ways of using media and content on demand, opens the doors to E-commerce and has allowed us to develop human and working relationships in recent months. The home thus becomes the place to feel safe and which ends up catalysing the expenses linked to a new concept of comfort and well-being as in the case of the purchase of food and consumer electronics in the IT and Small Appliance segments.

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

In this context, the E-commerce revolution is triggered: more and more people connected in always on mode; more and more people are qualifying as regular web shoppers.

Supply and Distribution channels of goods therefore evolve directed towards security, transparency and integration between physical and online channels offering an omnichannel, customer centric experience. In a retail scenario made even more complex by the health emergency, with the intention of pushing on process innovation, experimenting and developing new ways of relating with customers by strengthening the synergies between online and physical, the company has developed a project roadmap that led to the rapid release of new digital services with a clear omnichannel approach. These are free and active services in all sales outlets, designed to rationalise the flow of customers in the store, in a historical moment in which social distancing continues to be fundamental:

- aTUperTU offers the possibility to book, via the website and app, a dedicated appointment with an employee for personalised assistance.

- Ciao FILA, which can be activated both via the website/app and in front of the sales outlet via the appropriate QR Code, allows booking entry in the event of a queue, avoiding waiting and crowding.

- AUTOritiro allows customers to collect purchases made online at the nearest sales outlet without having to get out of their vehicle.

These services represent the full consolidation of the synergies between online and physical, enriching the purchase path of customers and at the same time enhancing the role of the sales outlet as an integral part of the online world. Also, the Store is enriched with a new professional figure. The store steward, specially trained to manage access to the store and the traffic in it with method and courtesy, guarantees total compliance with safety measures in light of the capacity limits of each store and - through a special device - allows also on site to access the booking services of aTUperTU and Ciao FILA.

4.3 Retail Mix

The Unieuro Group is able to offer its customers a broad range of appliances and consumer electronics goods and is one of the leading operators with points of sale in terms of the breadth and completeness of products offered to customers. FY21 is characterised by a significant change in purchasing preferences linked to the new emerging needs to face the pandemic.

The proven experience in buying processes together with a natural market concentration process made it possible also this year to enhance - despite the crisis - procurement planning procedures, adopt a supplier selection process and implement the necessary controls to ensure the ongoing verification of product performance and the service offered. On the one hand, this has made it possible to strengthen the long-term relationship with vendors, who see the Group as a reliable strategic partner capable of marketing their products and on the other hand to:

- continue to optimise product assortment, pricing policies and promotions to enhance synergies between channels in order to encourage the further strengthening of the brand including through exclusive agreements with suppliers;

- focus growth on product lines in merchandise categories supporting market trends allowing for an increase in its share;

- expand the availability of additional services (e.g. installation and set-up services, extended warranty services, consumer credit services and the signing of phone contracts) to increasingly augment customer satisfaction.

The diversification of the distribution structure and the business model as a function of the customer base (direct or indirect point of sale, local stores or megastores) is also emphasized by diversifying assortment. The product range is specialised on the basis of the store structure; for example, travel points of sale have a greater focus on telephone systems and accessories. Over the years, Unieuro has been able to select a mix of points of sale suited to its various customer bases and it will continue to carefully select distribution structures and from time to time will assess the distribution structure most suitable for specific locations.

5. Market performance[15]

Market trends this year were strongly influenced by the sudden change in the lifestyle and consumption styles of the Italian population. 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 also largely linked to the expansion of the web user base. The share of the Italian population that has access to the Internet has gone from 69.6% to 74.7%[16]. Web shoppers are growing significantly, going from about 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%[17]) as well as those who have approached the world of E-commerce for the first time. The lockdown has led as many as 1.4 million individuals to choose the online channel as a new transactional medium.

The penetration of the online channel of services and products is growing particularly in sectors such as consumer electronics, publishing and grocery, 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[18] closed the fiscal year with extraordinary growth (+8.2%) recovering the decline of the first half. Despite a less lively peak season than last year and the worsening of the health crisis with the consequent closure of sales outlets on weekends, there has been extraordinary recovery of the offline channel, which largely, but not entirely, curbed the decline recorded in the first half. The online channel has driven the market into positive territory, with a substantial increase in value on all product categories. This leads to a significant jump in the online penetration rate, which stands at around 25.4% (+8.2% compared to the corresponding period of the previous 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 Wholesale Channel - exploiting capillarity on the territory and the proximity DNA, show a strong growth trend (+21.6%).

Thanks to the liveliness of the second half and the expansion of online channels, Technical Super Stores - characterised by larger dimensions - are able to recover the gap recorded in the first half, closing the year in positive territory with growth in line with that of the market (+8.1%). The Specialist segment (-14.5%) is the most affected by the health 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 and pure players. In fact, the

15 The data relating to the market were prepared by the Group management based on the data available as of 28 February 2021.

16 Source: data audiweb December 2020 - December 2021.

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

18 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).

mass merchandiser segment - the Pure Player online reference perimeter - partially intercepts the online growth of the telephony and ped sector.

CHANNEL	DESCRIPTION
MASS MERCHANDISERS	• Large areas, Multi-category retailers • Consumer electronics is not necessarily core Business • Hypermarkets; Supermarkets; Multi-category stores; Internet Pure Player
TECH SUPERSTORES	• Consumer electronics is the core Business • Large format stores (more than 800 sqm with minimum turnover of Euro 2.5 million) • Predominantly Specialised Chains and Purchasing Groups
ELECTRICAL SPECIALISTS	• Consumer electronics is the core Business • Small format stores (less than 800 sqm with turnover of less than Euro 2.5 million) • Predominantly Specialised Chain or Purchasing Group Affiliates above all Independent Entrepreneurs
TELECOM RETAILERS	• Consumer electronics is not the core Business but specialises in the Telecom category • They offer telephony products in combination with other services
OTHER SPECIALISTS	• Consumer electronics is the core business, specialising in the following segments: IT; Photography; Entertainment • Small format stores often found in city centers

The changes in the structure of supply and demand have resulted, as a return effect, in differing contributions from the different product sectors: - The excellent performance is confirmed of the Grey sector (+8.5%) led by the IT sector (+40.1%). The significant increase recorded is attributable to the growth in demand for products needed for home working and remote teaching.

- The Brown recovered and closed the fiscal year in positive territory thanks to the performance of the online channel (46.8%). There was a strong recovery in sales in the second half of the year mainly of large and latest generation TVs that therefore have a positive effect on the average price of the category.

- The White, despite the decline recorded in the first half, recovered the gap, closing the year with growth of 8.4% driven by the extraordinary performance of small household appliances (+18.6%) and GED products (+5.6%). Despite the period of uncertainty, the Unieuro Group has consolidated its leadership position on the retail market thanks to the focus on the strategic development pillars pursued in recent years. In this area, it is to be noted that the following initiatives contributed to the Group's performance during the first half of the year:

- Expansion of the sales network through new distribution models (FINIPER; CONAD)

- Consolidation of its presence on the national territory (opening of stores: Milan, etc.)

- Focus on high strategic impact Transformation projects such as the launch of the new omnichannel services: aTUperTU; Ciao FILA; AUTOritiro

6. Group operating and financial results[19]

6.1 Consolidated revenues

In the year ended 28 February 2021, Unieuro recorded revenues of Euro 2,685.2 million, up 9.8% compared with the figure of Euro 2,444.9 million of the previous year.

After a first quarter in significant decline (revenues at -13.4%) due to the sudden spread of the emergency and the first lockdown, the following quarters - closed respectively up by 15.2%, 15.8% and 16.0% - allowed for a robust recovery, favored by the effectiveness of the Unieuro omnichannel strategy and by the consumption trends triggered by the pandemic.

In the absence of significant changes to the corporate perimeter, the performance for the year was entirely organic. The development of like-for-like revenues- or the comparison of sales with those of the previous year based on a standard scope of operations - was in fact +8.7%. Excluding the pre-existing sales outlets adjacent to the new stores from the scope of analysis, like-for-like sales[20] would have recorded an even stronger growth of 10.3%.

6.1.1 Consolidated revenues by channel

(in millions of Euro and as a percentage of revenues)	Year ended				Changes	
	28 February 2021	%	29 February 2020	%	Δ	%
Retail	1,711.6	63.7%	1,708.6	69.9%	3.0	0.2%
Online	525.2	19.6%	297.1	12.2%	228.1	76.8%
Indirect	307.5	11.5%	263.2	10.8%	44.4	16.9%
B2B	116.9	4.4%	136.5	5.6%	(19.6)	(14.4%)
Travel	24.1	0.9%	39.6	1.6%	(15.5)	(39.3%)
Total consolidated revenues by channel	2,685.2	100.0%	2,444.9	100.0%	240.3	9.8%

The Retail channel (63.7% of total revenues) - which as at 28 February 2021 included 262 direct sales outlets - recorded sales of Euro 1,711.6 million, in line with the previous year. After the criticalities of the first lockdown phase, the significant growth recorded in the second (+10.3%) and third quarters (+9.1%) was also confirmed in the fourth (+8.3%), despite the persistence of limitations to the accessibility of the direct network by customers. The move to direct management of 18 Unieuro by

[19] 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 the Adjusted Profit for the Year. 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.

[20] The growth of like-for-like revenues is calculated including: (i) retail and travel stores operating for at least an entire year from the closing date of the reference period, excluding sales outlets affected by significant business discontinuity (e.g. temporary closures and major refurbishments) and (ii) the entire online channel.

Iper shop-in-shops, previously affiliated and internalised during the year, contributed positively to the performance of the channel.

The Online channel (19.6% of total revenues) posted growth of 76.8%, which pushed revenues to Euro 525.2 million, compared to Euro 297.1 million in the corresponding period of the previous year. The performance, to all intents and purposes exceptional, is the result of the emergency situation that has arisen, which has led customers to favor e-commerce to the detriment of physical stores. 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 by the channel.

The Indirect channel (11.5% 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 254 sales outlets as at 28 February 2021 - recorded revenues of Euro 307.5 million, an increase of 16.9% compared with Euro 263.2 million in the previous year. In general, the distinctive characteristics of the affiliated stores - small to medium size and focused on proximity service - allowed significant business resilience only marginally impacted by the restrictions and full recovery of lost revenues from the first wave of the pandemic already in the second quarter. In addition to this is the launch in November of the partnership with the Partenope Group, which led to the launch of the Unieuro brand in the city of Naples and which partially offset the passage to the Retail channel of the Unieuro by Iper shop-in-shops previously affiliates.

The B2B channel (4.4% of total revenues) - which targets professional domestic and foreign customers that operate in industries other than those where Unieuro operates, such as hotel chains and banks, as well as operators that need to purchase electronic products to be distributed to their regular customers or to employees to accumulate points or participate in prize competitions or incentive plans (B2B2C segment) - recorded sales of Euro 116.9 million, down 14.4% from Euro 136.5 million in the previous year. The uncertain nature of revenues in this channel is confirmed, featuring an opportunistic approach influenced by multiple exogenous factors.

Lastly, the Travel channel (0.9% 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 39.3% and sales equal to Euro 24.1 million. The performance was inevitably affected by the collapse in air traffic generated by the pandemic and the total or partial closure of some airports, while the decrease in turnover of the stores in Milan San Babila (underground) and Turin Porta Nuova (railway station) was more contained.

6.1.2 Consolidated revenues by category

(in millions of Euro and as a percentage of revenues)	Year ended				Changes	
	28 February 2021	%	29 February 2020	%	Δ	%
Grey	1,309.6	48.8%	1,160.2	47.5%	149.4	12.9%
White	728.8	27.1%	684.0	28.0%	44.8	6.6%
Brown	404.4	15.1%	384.5	15.7%	19.9	5.2%
Other products	134.1	5.0%	113.9	4.7%	20.2	17.7%
Services	108.4	4.0%	102.3	4.2%	6.0	5.9%
Total consolidated revenues by category	2,685.2	100.0%	2,444.9	100.0%	240.3	9.8%

Through its distribution channels the Group offers 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 (48.8% of total revenues) - i.e., telephony, tablets, information technology, telephone accessories, cameras, as well as all wearable technological products - generated a turnover of Euro 1,309.6 million, an increase of 12.9% compared to Euro 1,160.2 million in the previous year, thanks to the ongoing purchasing trends related to smart working, e-learning and communication, which were particularly emphasised during this period. In the fourth quarter, in particular, the Grey continued to grow significantly (+16.6%), driven by smartphones and laptops.

The White category (27.1% of total revenues) - composed of large appliances (MDA) such as washing machines, tumble dryers, refrigerators or freezers and cooktops, small appliances (SDA), such as vacuum cleaners, food processors, coffee machines as well as the climate control segment - recorded sales of Euro 728.8 million, up by 6.6% compared with Euro 684 million in the previous year. In the last quarter, the category grew in particular thanks to the positive results of vacuum and large appliances.

The Brown category (15.1% of revenues) - including televisions and accessories, audio devices, devices for smart TVs, car accessories ad memory systems - recorded total revenues of Euro 404.4 million, +5.2% compared with Euro 384.5 million in the previous year. After the strong performance in the third quarter, the category continued its growth trend in the fourth as well (+13.9%), definitively offsetting the weakness recorded in the first part of the year, also justified by the cancellation of sporting events imposed by Covid-19.

The Other products category (5% 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 revenues of Euro 134.1 million, up 17.7% compared to the previous year. The category benefited mainly from the increase in turnover generated by electric mobility products, as a consequence of the incentives and social distancing rules imposed. There was also significant growth in the entertainment segment, including consoles and video games, driven by the search for utmost home comfort.

The Services category (4% of total revenues) grew by 5.9% to Euro 108.4 million: the positive performance in the third and fourth quarters (+13.5% and +12.2% respectively) offset the weakness recorded in the first six months of the year, also thanks to Unieuro's continued focus on providing services to its customers, particularly the extended warranty service.

6.2 Consolidated operating profit[21]

The income statement tables presented below in this Directors' Report on operations were reclassified using presentation methods that management deemed useful for reporting the

[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 the

operating profit performance of the Unieuro Group during the year. To more fully report the cost and revenue items indicated, the following were reclassified in this income statement by their nature: (i) non-recurring expenses/(income) and (ii) the impact from the adjustment of revenues for extended warranty services net of related estimated future costs to provide the assistance service, because of the change in the business model for directly managed assistance services.

(in millions and as a percentage of revenues)	Year ended						Changes	
	28 February 2021			29 February 2020				
	Adjusted amounts	%	*Adjustments*	Adjusted amounts	%	*Adjustments*	Δ	%
Revenue	2,685.2			2,444.9			240.3	9.8%
Sales revenues	**2,685.2**			**2,444.9**			**240.3**	**9.8%**
Purchase of goods and Change in inventories	(2,113.5)	(78.7%)	0.0	(1,924.6)	(78.7%)	3.2	(188.9)	9.8%
Marketing costs	(49.5)	(1.8%)	0.3	(50.6)	(2.1%)	2.4	1.1	(2.2%)
Logistics costs	(90.7)	(3.4%)	0.2	(68.1)	(2.8%)	1.0	(22.6)	33.2%
Other costs	(77.3)	(2.9%)	8.7	(74.8)	(3.1%)	3.2	(2.5)	3.3%
Personnel costs	(175.5)	(6.5%)	0.3	(184.1)	(7.5%)	1.3	8.6	(4.6%)
Other operating income and costs	(5.9)	(0.2%)	0.0	(4.2)	(0.2%)	(2.0)	(1.7)	41.9%
Revenues from the sale of warranty extensions netted of future estimated service cost - business model's change related to direct assistance services	5.2	0.2%	5.2	8.8	0.4%	8.8	(3.7)	(41.3%)
Consolidated Adjusted EBITDA	**178.0**	**6.6%**	**14.6**	**147.4**	**6.0%**	**18.0**	**30.7**	**20.8%**
Amortisation, depreciation and write-downs of fixed assets	(91.2)	(3.4%)	-	(88.7)	(3.6%)	0.1	(2.5)	2.8%
Consolidated Adjusted EBIT	**86.8**	**3.2%**	**14.6**	**58.7**	**2.4%**	**18.1**	**28.2**	**48.0%**

Consolidated Adjusted EBIT for the year increased by Euro 28.2 million, settling at Euro 86.8 million (Euro 58.7 million in the corresponding period of the previous year). The Adjusted EBIT margin was 3.2%.

The actions taken by management[22], together with the growth in sales volumes, led to a strong recovery in margins starting from the second half of the year, which more than offset the negative effects caused by Covid-19 in the first. Adjusted EBIT has improved, in part due to one-off changes in costs that followed the trend in revenues in the year.

During the period, costs for the purchase of goods and changes in inventories increased by Euro 188.9 million, while maintaining the same incidence on consolidated revenues, equal to 78.7%.

Adjusted Profit for the Year. 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.

[22] Refer to the Interim Operating Report as at 31 May 2020 and Half-yearly Financial Report as at 31 August 2020.

Marketing costs decreased by 2.2% compared with 29 February 2020. 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 thus obtained to strengthen the visibility of its digital version and to consolidate communication both in the digital channel and in the more traditional communication channels TV and Radio. The impact on consolidated revenues fell to 1.8% in the period (2.1% in the previous year).

Logistics costs increased by around Euro 22.6 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 to 3.4% as at 28 February 2021 (2.8% in the previous year).

The item Other costs increased by Euro 2.5 million compared to the corresponding period of the previous year, with an incidence on consolidated revenues down to 2.9% (3.1% in the corresponding period of the previous year). The increase is mainly attributable to both an increase in costs associated with the increase in turnover volumes of the online channel, in particular the costs associated with collections with electronic payment instruments (cards, PayPal, etc.) and the costs for the call center, and to an increase in costs incurred in response to the pandemic, such as costs for the smart working project and the privacy project and the costs for cleaning and sanitising the sales outlets and for the purchase of personal protective equipment.
This trend was partially offset by the implementation of the practical expedient provided by Covid-19-Related Rent Concessions, which 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 Annual Financial Report, totalling Euro 9.9 million, have been recorded as positive variable lease payments with an impact on the income statement.

Personnel costs decreased by Euro 8.6 million, mainly due to the effect of the actions taken by management in the first part of the year to mitigate the impact of the pandemic, mainly relating to the use of the Cassa Integrazione Guadagni in Deroga (Wages Redundancy Fund), compensation for holidays and leaves of absence, non-renewal of expired fixed-term contracts and the voluntary reduction in management remuneration and lower costs compared to the previous year of share-based payment plans. This trend was offset by the increase in costs mainly referable to the increase in the workforce caused by the internalisation of the Unieuro by Iper shop-in-shops and by the new openings of the year and the payment of an extraordinary bonus to employees. The impact on consolidated revenues fell to 6.5% as at 28 February 2021 (7.5% in the previous year).

Other operating income and costs increased by Euro 1.7 million. The impact on consolidated revenues (0.2%) is in line with the corresponding period of the previous year. The item mainly includes costs for expenses related to business operations such as waste disposal tax, etc.

Amortisation, depreciation and write-downs of non-current assets amounted to Euro 91.2 million (Euro 88.7 million in the year ended 29 February 2020). The increase is mainly attributable to the amortisation relating to the IFRS 16 adjustment and the write-down of some tangible assets present in Forlì following the decision to transfer the headquarters.

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

(in millions of Euro and as a percentage of revenues)	Year ended				Changes	
	28 February 2021	%	29 February 2020	%	Δ	%
Consolidated Adjusted EBIT[23]	86.8	3.2%	58.7	2.4%	28.2	48.0%
Non-recurring expenses /(income)	(9.5)	(0.4%)	(9.1)	(0.4%)	(0.3)	3.4%
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[24]	(5.2)	(0.2%)	(8.8)	(0.4%)	3.7	(41.3%)
Non-recurring depreciation, amortisation and write-downs of fixed assets	-	0.0%	(0.1)	(0.0%)	0.1	(100.0%)
Net Operating Result	72.2	2.7%	40.6	1.7%	31.6	77.9%

Non-recurring expense/(income) increased by Euro 0.3 million compared with the previous year ended 29 February 2020 and are explained, in detail, in paragraph 6.3.

The adjustment due to the change in the business model for directly managed services was down by Euro 3.7 million compared with the previous year ended 29 February 2020.

23 See note in the section "Main financial and operating indicators".

24 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 28 February 2021 and 29 February 2020 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.

6.3 Non-recurring income and expenses

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

(in millions of Euro)	Year ended		Changes	
	28 February 2021	29 February 2020	Δ	%
Mergers & Acquisitions	0.2	3.0	(2.8)	(94.7%)
Costs for pre-opening, relocating and closing sales outlets[25]	1.1	1.6	(0.5)	(32.6%)
Other non-recurring expenses	8.2	3.3	4.9	148.5%
Exceptional Accidental Events	-	1.3	(1.3)	(100.0%)
Total	9.5	9.1	0.3	3.4%

Non-recurring income and charges increased by Euro 0.3 million compared to the previous year ended 29 February 2020.

The item relating to Merger & Acquisition costs was Euro 0.2 million in the year ended 28 February 2021 (Euro 3.0 million in the year ended 29 February 2020). 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. sales outlets.

Costs for the pre-opening, repositioning and closure of sales outlets stood at Euro 1.1 million for the year ended 28 February 2021 (Euro 1.6 million in the previous year). This item includes lease, personnel, security, travel and transfer costs, for maintenance and marketing operations incurred as part of: i) point of sale openings (in the months immediately preceding and following the opening) and (ii) point of sale closures. It was influenced by the infrequent network development activity following the lockdown.

Other non-recurring income and expense totalled Euro 8.2 million in the year ended 28 February 2021 (Euro 3.3 million in the previous year). These costs mainly relate to allocations for risks correlated with suppliers and sub-suppliers of services for which requests have been received in the area of legal and labour law from third parties who hold Unieuro jointly liable and costs for the commitments undertaken by the Group for the proceeding initiated January 2021, by the AGCM - Competition and Market Authority.

The costs for exceptional accidental events were zero in the year ended 28 February 2021 (Euro 1.3 million in the year ended 29 February 2020). This item included the impacts on the estimates deriving from the Coronavirus epidemic reflected in the values recognised in the financial statements as at 29 February 2020 as adjusted event and attributable to the recoverability of receivables and the valuation of inventories for Euro 3.9 million and the income relating to the

[25] 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) points of sale openings (in the months immediately preceding and following the opening), and iii) points of sale closures.

insurance reimbursement obtained in relation to the theft that took place in August 2017 at the Piacenza warehouse for Euro 2.6 million.

6.4 Net result[26]

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)	Year ended						Changes	
	28 February 2021			29 February 2020				
	Adjusted amounts	%	Adjustments	Adjusted amounts	%	Adjustments	Δ	%
Consolidated Adjusted EBIT	86.8	3.2%	14.6	58.7	2.4%	18.1	28.2	48.0%
Financial income and expenses	(13.3)	(0.5%)	-	(14.2)	(0.6%)	-	0.9	(6.3%)
Income taxes[27]	(6.6)	(0.2%)	*(1.3)*	(2.4)	(0.1%)	*(1.6)*	(4.3)	182.0%
Adjusted Consolidated Profit/(loss) for the year	66.9	2.5%	*13.4*	42.1	1.7%	*16.5*	24.8	58.8%

Net financial expenses in the period ended on 28 February 2021, amounted to Euro 13.3 million (Euro 14.2 million in the previous year ended on 29 February 2020). The change in the period is mainly attributable to financial expenses relating to the IFRS 16 adjustment.

Income taxes excluding the theoretical tax impact from taxes on non-recurring expenses/(income) and the change of business model in the period ended on 28 February 2021, were Euro -6.6 million (Euro -2.4 million in the corresponding period of the previous year ended on 29 February 2020). Note that IRES tax losses, which were still available resulting from the tax estimate made during the closure of the financial statements as at 28 February 2021, totalled Euro 298 million in relation to Unieuro and Euro 6.2 million in relation to Monclick. These tax losses guarantee a substantial benefit in the payment of taxes in future years."

The Adjusted Consolidated Profit/(Loss) for the year amounted to Euro 66.9 million (Euro 42.1 million in the previous year ended 29 February 2020): the positive trend is attributable to the increase in Adjusted EBIT and the reduction in net financial expenses, only partially offset by the increase in

[26] 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 the Adjusted Profit for the Year. 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.

[27] The tax impacts of the adjustments were calculated using the theoretical rate deemed appropriate of 8.7% as at 28 February 2021 and 29 February 2020, 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%.

income taxes. Below is a reconciliation between the adjusted consolidated net profit (loss) for the year and the consolidated net profit (loss) for the year.

(in millions of Euro and as a percentage of revenues)	Year ended				Changes	
	28 February 2021	%	29 February 2020	%	Δ	%
Adjusted Consolidated net Profit (Loss) for the year	66.9	2.5%	42.1	1.7%	24.8	58.8%
Non-recurring expenses/income	(9.5)	(0.4%)	(9.1)	(0.4%)	(0.3)	3.4%
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	(5.2)	(0.2%)	(8.8)	(0.4%)	3.7	(41.3%)
Non-recurring depreciation, amortisation and write-downs of fixed assets	-	0.0%	(0.1)	0.0%	0.1	100.0%
Non-recurring financial expenses/(income)	-	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.	1.3	0.0%	1.6	0.1%	(0.3)	(19.2%)
Consolidated net Profit/(loss) for the year	53.6	2.0%	25.6	1.0%	28.0	109.2%

6.5 Cash flows

6.5.1 Consolidated Adjusted Levered Free Cash Flow [28_29]

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

(in millions of Euro)	Year ended		Changes	
	28 February 2021	29 February 2020	Δ	%
Consolidated EBITDA	163.4	129.4	34.0	26.3%
Cash flow generated/(absorbed) by operating activities[30]	62.1	19.1	43.0	224.9%

[28] 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 the Adjusted Profit for the Year. 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.

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

[30] 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.

Taxes paid	(2.5)	(3.7)	1.1	(31.1%)
Interest paid	(12.4)	(13.5)	1.2	(8.6%)
Other changes	0.4	1.4	(1.1)	(75.5%)
Consolidated net cash flow generated/(absorbed) by operating activities[31]	210.9	132.7	78.2	58.9%
Investments[32]	(32.4)	(27.8)	4.6	(16.5%)
Investments for business combinations and business units	(8.4)	(12.0)	3.5	(29.6%)
Adjustment for non-recurring investments	8.4	15.5	(7.1)	(45.6%)
Non-recurring expenses /(income)	9.5	9.3	0.2	2.2%
Adjustment for non-monetary components of non-recurring (expenses)/income	(8.3)	(4.9)	(3.4)	69.0%
Other non-recurring cash flows	1.1	(1.5)	2.6	(171.6%)
Theoretical tax impact of the above entries[33]	(0.1)	(0.4)	0.3	(72.8%)
IFRS 16 Leases[34]	(55.9)	(54.4)	(1.5)	2.7%
Consolidated Adjusted levered free cash flow	124.7	56.5	68.3	120.9%

The Consolidated net cash flow generated/(used) by operating activities was Euro +210.9 million (Euro +132.7 million in the previous year ended 29 February 2020). Cash generation is linked to the good performance of the Group's operating profitability and the careful management of working capital, due to structural and sustainable interventions on the level of stocks and one-off actions taken by management to tackle the epidemic.

The investments made and paid amounted to Euro 32.4 million in the year ended 28 February 2021 (Euro 27.8 million in the previous year ended 29 February 2020), and are mainly attributable to: (i) interventions for the development of external and internal lines 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, including costs relating to the project - still being implemented - aimed at adopting a new ERP, 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 for Euro 8.4 million in the year ended 28 February 2021 (Euro 12.0 million in the previous year ended 29 February 2020) refer to the paid portion of the purchase price as part of the acquisition of former Pistone SpA, former Cerioni and Monclick and the security deposit paid for the purchase of the former Galimberti store. These investments are classified as non-recurring and therefore adjusted by determining the

[31] 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".

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

[33] The theoretical rate deemed appropriate by management is 8.7% both at 28 February 2021 and 29 February 2020, 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%.

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

Consolidated Adjusted Free Cash Flow indicator. The adjustment for non-recurring investments also includes any investments that took place during the year for the fitting-out of the points of sale acquired.

Non-recurring income and charges amounted to Euro 9.5 million in the year ended on 28 February 2021 (Euro 9.3 million in the same period of the previous year), of which Euro 8.3 million had not yet had a financial impact at the end of the year. Other non-recurring operating cash flows of Euro 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 29 February 2020, the item included the insurance reimbursement for direct damages obtained in connection with the fire in the Oderzo store, which occurred on 25 February 2017.

Below are the main changes recorded in the Group's net financial debt during the years ending 28 February 2021 and 29 February 2020:

(in millions of Euro)	Year ended		Changes	
	28 February 2021	29 February 2020	Δ	%
Operating profit	163.4	129.4	34.0	26.3%
Cash flow generated/(absorbed) by operating activities	62.1	19.1	43.0	224.9%
Taxes paid	(2.5)	(3.7)	1.1	(100.0%)
Interest paid	(12.4)	(13.5)	1.2	(8.6%)
Other changes	0.4	1.4	(1.1)	(75.5%)
Net cash flow generated/(absorbed) by operating activities	210.9	132.7	78.2	58.9%
Investments	(32.4)	(27.8)	4.6	(16.5%)
Investments for business combinations and business units	(8.4)	(12.0)	3.5	(29.6%)
Exercise - Long Term Incentive Plan	3.3	-	3.3	100.0%
Distribution of dividends	-	(21.4)	21.4	(100.0%)
Payables from the acquisition of business units	8.4	(7.2)	15.7	(216.3%)
IFRS 16 Leases	(55.9)	(54.4)	(1.5)	2.7%
Other changes	(0.6)	(0.7)	0.1	(13.9%)
Change in net financial debt - Pursuant to IAS 17	125.3	9.1	116.1	1,275.5%

7. Statement of financial position[35]

Below is a detailed breakdown of the Group's net working capital and net invested capital as at 28 February 2021 and as at 29 February 2020:

(in millions of Euro)	Year ended	
	28 February 2021	29 February 2020
Trade receivables	65.3	51.3
Inventories	372.1	369.8
Trade payables	(505.1)	(479.6)
Net operating working capital	(67.7)	(58.5)
Other working capital items	(247.7)	(200.2)
Net working capital	(315.4)	(258.7)
Assets for rights of use	451.6	478.3
Assets/(Non-current liabilities)	306.0	324.6
Net invested capital	442.1	544.2
(Net financial debt) / Net cash – Pursuant to IAS 17	154.8	29.6
IFRS 16 Leases	(443.7)	(477.6)
(Net financial debt) / Net cash	(288.8)	(448.0)
Shareholders' equity	(153.3)	(96.2)
Total shareholders' equity and financial liabilities	(442.1)	(544.2)

The Group's Net Working Capital as at 28 February 2021 was negative by Euro 67.7 million (negative by Euro 58.5 million as at 29 February 2020). The performance of the year is influenced by the actions implemented in response to the Covid-19 emergency combined with a more careful management of inventories and related debt levels. The change in trade receivables is mainly attributable to a calendar effect.

The Net Invested Capital of the Group stood at Euro 442.1 million as at 28 February 2021, down by Euro 102.0 million compared to 29 February 2020. The change is mainly due to: (i) the decrease in the Group's Net Working Capital by Euro 56.6 million and (ii) the decrease in net non-current assets by Euro 45.3 million. Investments as at 28 February 2021 amounted to Euro 31.6 million (Euro 27.8 million as at 29 February 2020) and are attributable to capitalised costs incurred for interventions for the development of the network of direct shops and costs incurred for the purchase of new hardware, software, licenses and application developments with a view to improving the technological infrastructure, including costs relating to the project - still being implemented - aimed at adopting a new ERP.

[35] 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 Consolidated Profit for the Year. 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.

Shareholders' equity stood at Euro 153.3 million as at 28 February 2021 (Euro 96.2 million as at 29 February 2020), with an increase mainly caused by the recording of the positive result for the year and the recognition of the Long-Term Incentive Plan[36] reserved for some managers and employees. For further details, refer to section 15.1 "Stock option plans".

Below is a detailed breakdown of the Group's net financial debt as at 28 February 2021 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)	Year ended		Changes	
	28 February 2021	29 February 2020	Δ	%
(A) Cash	219.4	96.7	122.7	126.8%
(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)	**219.4**	**96.7**	**122.7**	**126.8%**
- of which is subject to a pledge	*0.0*	*0.0*	*0.0*	0.0%
(E) Current financial receivables	**0.1**	**0.0**	**0.1**	**100.0%**
(F) Current bank payables	(0.1)	-	(0.1)	1,029.6%
(G) Current part of non-current debt	(9.6)	(9.5)	(0.1)	0.9%
(H) Other current net financial payables	(67.2)	(68.0)	6.8	(1.2%)
(I) Current financial debt (F)+(G)+(H)	**(76.9)**	**(77.5)**	**0.6**	**(0.8%)**
- of which is secured	*0.0*	*0.0*	*0.0*	*0.0%*
- of which is unsecured	*(76.9)*	*(77.5)*	*0.6*	*(0.8%)*
(J) Net current financial position (I)+(E)+(D)	**142.6**	**19.3**	**123.3**	**638.8%**
(K) Non-current bank payables	(39.1)	(31.6)	(7.4)	23.5%
(L) Bonds issued	0.0	0.0	0.0	0.0%
(M) Other non-current net financial payables	(392.4)	(435.6)	43.2	(9.9%)
(N) Non-current financial debt (K)+(L)+(M)	**(431.4)**	**(467.2)**	**35.8**	**(7.7%)**
- of which is secured	*0.0*	*0.0*	*0.0*	*0.0%*
- of which is unsecured	(431.4)	(467.2)	35.8	(7.7%)
(O) (Net financial debt) / Net cash(J)+(N)	**(288.8)**	**(448.0)**	**159.2**	**(35.5%)**

A breakdown of the composition of the net financial debt pursuant to IAS 17 as at 28 February 2021 and as at 29 February 2020 is shown below.

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

(in millions of Euro)	Year ended		Changes	
	28 February 2021	29 February 2020	Δ	%
(Net financial debt) / Net cash	(288.8)	(448.0)	159.2	(35.5%)
Current financial receivables - IFRS 16	(1.0)	(1.4)	0.4	(30.3%)
Non-current financial receivables - IFRS 16	(7.2)	(8.9)	1.7	(19.6%)
Other current financial payables - IFRS 16	58.0	57.1	1.0	1.7%
Other non-current financial payables - IFRS 16	393.8	430.9	(37.1)	(8.6%)
(Net financial debt) / Net cash – Pursuant to IAS 17	154.8	29.6	125.3	423.3%

Net cash - IAS 17 increased by Euro 125.3 million compared with 29 February 2020, creating a positive cash position of Euro 154.8 million as at 28 February 2021.

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 Euro 155.0 million and (ii) investments of Euro 32.4 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, including costs relating to the project - still being implemented - aimed at adopting a new ERP.

8. Performance of Unieuro[37]

The Unieuro S.P.A. reclassified Income Statement as at 28 February 2021 is illustrated below:

(in millions of Euro and as a percentage of revenues)	Year ended				Changes	
	28/02/2021	%	29/02/2020	%	Δ	%
Revenue	2,659.3		2,425.9		233.4	9.6%
Gross Operating Result	163.6	6.2%	134.9	5.6%	28.7	21.3%
Non-recurring expenses /(income)	5.2	0.2%	8.8	0.4%	(3.7)	(41.4%)
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	5.2	0.2%	8.8	0.4%	(3.7)	(41.4%)
Adjusted EBITDA	173.9	6.5%	152.5	6.3%	21.4	14.0%
Depreciation, amortisation and write-downs of fixed assets	(90.2)	(3.4%)	(83.8)	(3.5%)	(6.4)	7.6%
Non-recurring depreciation, amortisation and write-downs	0.0	0.0%	0.1	0.0%	(0.1)	(100.0%)
Adjusted EBIT	83.7	3.1%	68.8	2.8%	14.9	21.7%
Financial income and expenses	(13.3)	(0.5%)	(13.8)	(0.6%)	0.5	(3.7%)
Non-recurring financial expenses/(income)	0.0	0.0%	0.0	0.0%	0.0	0.0%
Income taxes	(5.6)	(0.2%)	(1.5)	(0.1%)	(4.1)	276.1%
Theoretical tax impact from taxes on non-recurring expenses/(income), non-recurring financial expenses/(income), non-recurring depreciation, amortisation and write-downs and the change in business model,	(0.9)	(0.0%)	(1.5)	(0.1%)	0.6	(41.7%)
Adjusted Net Income	63.9	2.4%	52.0	2.1%	11.9	22.9%
Non-recurring expenses /(income), non-recurring financial expenses /(income), non-recurring depreciation, amortisation and write-downs	(5.2)	(0.2%)	(8.9)	(0.4%)	3.8	(42.1%)
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	(5.2)	(0.2%)	(8.8)	(0.4%)	3.7	(41.4%)
Theoretical tax impact from taxes on non-recurring expenses/(income), non-recurring financial expenses/(income), non-recurring depreciation, amortisation and write-downs and the change in business model,	0.9	0.0%	1.5	0.1%	(0.6)	(41.7%)

[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 the Adjusted Profit for the Year. 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.

Profit/(loss) for the year	54.4	2.0%	35.8	1.5%	18.7	52.3%

Unieuro revenues in the year ended 28 February 2021 amounted to Euro 2,659.3 million, an increase of 9.6% compared to the Euro 2,425.9 million recorded in the year ended 29 February 2020; the excellent revenue trend involved all sales channels and all categories, benefiting from external and internal growth actions, as well as from the success of the "Addams' Black Friday" promotional campaign and the significant commercial results of the Christmas season.

The higher revenues, together with the continuous attention to the cost structure, allowed the achievement of an Adjusted EBIT of Euro 83.7 million in the year ended 28 February 2021, up 21.7% compared to Euro 68.8 million in the year ended 29 February 2020.

Adjusted Profit (Loss) for the Year amounted to Euro 63.9 million in the year ended 28 February 2021 (Euro 52.0 million in the year ended 29 February 2020), representing 2.4% of revenue; the increase in Adjusted Profit (Loss) for the Year was due to the positive performance of operations, and the improvement in financial management compared to the same period of the previous year.

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

The reconciliation between the shareholders' equity of the parent company and the consolidated shareholders' equity as at 28 February 2021 is illustrated below:

(In millions of Euro)	Shareholders' equity as at 28 February 2021	Net result as at 28 February 2021
Balances from the Parent Company's SEPARATE FINANCIAL STATEMENTS	152.5	54.4
Difference between the carrying amount of equity investments and the profit/(loss)	(9.2)	(0.2)
Allocation of goodwill, brand, software and customer list, net of the tax effect	10.0	(0.6)
Consolidated Financial Statements of the Unieuro Group	153.3	53.6

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

(In millions of Euro)	Shareholders' equity as at 29 February 2020	Net result as at 29 February 2020
Balances from the Parent Company's SEPARATE FINANCIAL STATEMENTS	106.7	39.2
Difference between the carrying amount of equity investments and the profit/(loss)	(21.3)	(13.1)
Allocation of goodwill, brand, software and customer list, net of the tax effect	10.8	(0.6)
Consolidated Financial Statements of the Unieuro Group	96.2	25.6

10. Investments

The investments made and paid amounted to Euro 32.4 million in the year ended 28 February 2021 (Euro 27.8 million in the previous year ended 29 February 2020), and are mainly attributable to: (i) interventions for the development of external and internal lines of the network of direct shops and for the refurbishment of the network of existing shops and (ii) costs incurred for the purchase of new hardware, software, licenses and development of applications with a view to improving the technological infrastructure, including costs relating to the project - still being implemented - aimed at adopting a new ERP.

For further details, refer to notes 5.1 "Plant, machinery, equipment and other assets" and 5.3 "Intangible assets with definite useful life" of the Consolidated Financial Statements.

11. IFRS 16 Impacts

The impact of IFRS 16 on the Group's main economic and financial indicators at 28 February 2021 is shown below[38]:

		28 February 2021 (Ex - IAS 17)	~~Impa~~ct ~~IFRS 1628 feb 2021~~	28 February 2021 (IFRS 16)
EBITDA ADJ	• reduction in operating costs (rents paid on shops, offices, warehouses and cars), net of income from subleases of shops	111.0	+67.1	178.0
EBIT ADJ	• increase in depreciation on right-of-use assets	80.6	+6.3	86.8
PROFIT BEFORE TAXES ADJ	• increase in financial expenses for interest related to rights-of-use liabilities	76.9	(3.3)	73.6
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	154.8	(443.7)	(288.8)

[38] The values shown in the column 28 Feb 2021 (ifrs 16) are derived from the indicators included in section "6. Group financial results". The values reported in the column impact ifrs 16 derive from the accounting entries and calculation schedules summarizing the effects of the application of the international accounting standard ifrs 16 (leasing). The values reported in the column February 28, 2021 (ex-ias 17) are pre-adoption IFRS 16 and are calculated as the difference between the column February 28, 2021 ifrs 16 and the column impact ifrs 16. All amounts are in millions of euros.

12. 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 the gradual reopening of direct stores in order to guarantee customers the most urgent or necessity purchases as required by the Prime Ministerial Decree 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 stability 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

Immediately, actions were initiated aimed at containing personnel costs through the use of previous holidays and leave. 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.

Thanks to the successful dialogue with the owners of the properties that host the direct stores, the economic and financial impact of the leases was also mitigated to compensate for the lower revenues achieved during the lockdown period.

Purchases of goods and services that are not considered strictly necessary were lastly 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 a 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. These measures, initially valid from 6 November to 3 December 2020, were then extended on several occasions and are still in force at the closing date of the Financial Statements.

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.

Also during the peak season and in the following months of January and February, Unieuro's business has also been able to take advantage (i) of 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) of the multiplicity of sales channels through which the Group operates, which works to compensate for the impact of the lockdown on some of the channels, and (iii) of the omnichannel services launched by Unieuro in the course of the summer, with the aim of making the in-store purchasing process safer and faster during this complex historical moment.

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. On weekends and holidays and days before holidays, about 50% of them remain closed in compliance with the provisions in place since 4 November 2020;

- 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 first 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: shops located in airports were by far the most affected by the emergency, impacted by the collapse of air traffic generated by the pandemic and the total or partial closure of some airports, while the decrease in turnover of the shops in Milan San Babila (underground) and Torino Porta Nuova (railway station) was more contained.

Based on the forecasts for the 2021/2022 year updated in light of the forecasts on future trends, the Board of Directors does not identify any indicators of possible impairment (for further details, refer to section 5.2.1 "Impairment test of the Consolidated Financial Statements").

Although it cannot estimate the impact of the ever-changing situation, 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.

Even with the continuation of the emergency, also in light of the obstacles and slowdowns that the vaccination campaign is undergoing, the operational management of the Group is ensured above all thanks to: (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 employees in the event of an infection with Covid-19; (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, strict sanitary measures have been adopted, including respect for safety distances between people and (iii) the launch of an ambitious smart working plan called "Futura" for office employees which, thanks to investments in digitalisation, allows working remotely for the same level of efficiency and effectiveness.

13. Corporate governance and ownership structures

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

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

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

Based on the information available to date, the major shareholders of Unieuro are those listed in paragraph "1 - Introduction" of the Report on Operations.

14. 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 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Credit and debt relations with related parties (as at 28 February 2021)						
Type	Pallacanestro Forlì 2015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
At 28 February 2021							
Other current liabilities	(70)	(61)	(148)	(3,125)	(3,404)	(261,174)	1.3%
Total	(70)	(61)	(148)	(3,125)	(3,404)		

(In thousands of Euro)	Credit and debt relations with related parties (as at 29 February 2020)						
Type	Pallacanestro Forlì 2015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
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 28 February 2021 and as at 29 February 2020:

(In thousands of Euro)	Economic relations with related parties (as at 28 February 2021)						
Type	Pallacanestro Forlì 2015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
At 28 February 2021							
Purchases of materials and external services	(294)	(95)	(571)	-	(960)	(2,342,374)	0.0%
Personnel costs	-	-	-	(5,306)	(5,306)	(175,824)	3.0%
Total	(294)	(95)	(571)	(5,306)	(6,266)		

(In thousands of Euro)	Economic relations with related parties (as at 29 February 2020)						
Type	Pallacanestro Forlì 2015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
At 29 February 2020							
Purchases of materials and external services	(278)	(96)	(524)	-	(898)	(2,135,414)	0.0%
Personnel costs	-	-	-	(5,323)	(5,323)	(185,407)	2.9%
Total	(278)	(96)	(524)	(5,323)	(6,221)		

With reference to the periods considered, the credit/debit and economic relations with related parties mainly refer to relations with Directors and Principal Executives, summarised in the following table:

Main managers	
Year ended 28 February 2021	Year ended 29 February 2020
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 Commercial Officer - Gabriele Gennai	*Chief Operations Officer - Luigi Fusco*
Chief Operations Officer - Luigi Fusco	

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

The table below summarises the Group's cash flows with related parties as at 28 February 2021 and at 29 February 2020:

(In thousands of Euro)	Related parties						
Type	Pallacanestro Forlì 2015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
Period from 1 March 2019 to 29 February 2020							
Net cash flow generated/(absorbed) by operating activities	(278)	(127)	(618)	(3,428)	(4,451)	132,743	(3.4%)
Total	(278)	(127)	(618)	(3,428)			
Period from 1 March 2020 to 28 February 2021							
Net cash flow generated/(absorbed) by operating activities	(224)	(99)	(562)	(4,326)	(5,211)	210,924	(2.5%)
Total	(224)	(99)	(562)	(4,326)	(5,211)		

15. Information on corporate bodies

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

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

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

15.1. Stock option plans

Long-Term Incentive Plan

On 6 February 2017, the Extraordinary Shareholders' Meeting of Unieuro approved the adoption of a stock option plan (the "Plan" or "Long-Term Incentive Plan" or "LTIP") reserved for Executive Directors, associates and employees (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 subscribed to the Plan in October 2017. The parties expressly agreed that the effects of granting rights should be retroactive to 29 June 2017, the date 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 Euro 206,452, in addition to the share premium, for a total value (capital plus premium) equal to the price at which Unieuro's shares will be placed on the MTA through the issuing of a maximum of 1,032,258 ordinary shares;

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

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

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

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

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

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

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

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

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

- *Duration*: the Plan covers a time horizon of five years, from 31 July 2020 to 31 July 2025.

The vesting period of the rights provided for in the Plan ended at the close of the previous 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 Consolidated Financial Statements as at 28 February 2021 was Euro 0.3 million.

The number of outstanding options as at 28 February 2021 is as follows:

	Number of options 28 February 2021
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	300377
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 was submitted to the Shareholders'

Meeting in December 2020 for approval.

Description of the Plan's recipients

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 13 January 2021, 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 January 2021.

The Plan is intended for executive directors and/or managers with strategic responsibilities and/or employees of the Company or Group companies, understood as personnel who have an employment 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.

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.

In the financial statements, the assumptions underlying the calculation were: (i) the exercise term equal to the duration between the grant date and the right assignment date, (ii) the share price at the time of valuation, (iii) the amount of expected dividends. Lastly, consistent with the requirements of IFRS 2, (iv) the probability of Recipients leaving and (v) the probability of achieving performance targets of 100%.

The number of outstanding rights is as follows:

	Number of rights 28 February 2021
In place at the beginning of period	-
Assigned during the period	-
Granted during the period	200,000
Contribution from merger	-
Withdrawn during the period (bad leavers)	-
Outstanding at end of period	200,000
Not allocated at the beginning of period	-
Exercisable at end of period	-
Not allocated at the end of the period	-

15.2. Unieuro treasury shares

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

16. 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.

17. Staff-related information

Composition of workforce

Below is a breakdown of employees by classification.

	28 February 2021		29 February 2020		
	Unieuro S.p.A.	Monclick S.r.l.	Unieuro S.p.A.	Monclick S.r.l.	Carini Retail S.r.l.
Executives	27	1	24	1	-
Middle managers	63	-	54	-	-
Office workers	5,202	38	4,535	36	226
Factory workers	1	-	1	-	90
Apprentices	53	-	66	-	1
Total	**5,346**	**39**	**4,680**	**37**	**317**

Gender equality and work environment

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

Search and selection

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

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

Training, organisation and compensation policies

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

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

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

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

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

Protection of health and safety

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

18. 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.

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

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

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

19.1. Strategic and operational risks

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

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

Risks associated with the health emergency from Covid-19

The Unieuro Group is exposed to risks linked to the ongoing health emergency. For further details, refer to section 12 "Coronavirus epidemic".

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

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

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

Risks associated with the management of directly operated stores: The Unieuro Group is exposed to the risk of having to compete with the pricing offered by other competing companies when renewing agreements for directly operated points of sale. In addition, a potential risk also derives from the draft law on Sunday closures of stores, which may have repercussions on the number of visitors and therefore on the turnover of the Unieuro Group.

Risks associated with stores not managed directly and relations with affiliates: The Unieuro Group is exposed to the risk of losing commercial relationships with its affiliates and/or the deterioration of their pricing that could result in a reduction in related revenues.

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

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

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

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

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

Other operational risks: this category includes risks typical of the consumer electronics sector connected with: opening new points of sale, seasonality, failure to implement or the delayed implementation of its business strategy, the technological development of electronic products and the perception of new trends, the availability of products and inventory obsolescence, the operations of the logistics centre and procurement of products marketed, possible restrictions on imports, product liability, the operation of IT systems, management of post-sale customer assistance services, e-commerce fraud and services provided by third parties. The Group manages and measures these risks and they are reflected in the financial statements in items related to inventories, with respect to provisions for obsolescence and in provisions for risks and charges. For additional information on provisions and write-downs made during the year ended 28 February 2021, see the related notes to the consolidated financial statements.

19.2. Financial risks

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

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

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

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

The Company believes that existing lines of credit and loans as at 28 February 2021 are sufficient to cover requirements from its operating and investment activities and to repay maturing debt. For further details about the impacts of the Coronavirus, refer to section 12 "Coronavirus epidemic".

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

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

Credit risk: this is related to the Group's exposure to potential losses resulting from the failure of financial or commercial counterparties to fulfil their obligations. The Group has credit monitoring processes that call for analysing the customers' reliability, assigning a credit line and controlling exposure using reports that break down maturities and average collection periods. There are no significant concentrations of risk as at 28 February 2021.

Risks associated with the Group's net financial debt: The seasonality of business cycles and the Group's revenue trends do not rule out the possibility that the Group may need to obtain new lines of credit to meet its financial requirements. The lines currently available are sufficient to guarantee operations over the next 12 months.

19.3. Legal and non-compliance risks

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

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

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

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

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

Risks associated with compliance with competition and privacy regulations: the Group is subject to laws and regulations protecting competition and privacy; therefore, any violations of the above-mentioned regulations could involve limitations to the activities of the Group or significant additional costs. In accordance with the obligations of regulations, the Group makes the investments necessary to ensure compliance with the provisions of applicable laws and regulations.

Risks associated with the risk linked to contract solidarity: the Group is subject to the solidarity established by regulations on tenders, which could result in significant additional costs. The Group makes the investments necessary to limit these risks.

20. Significant events during and after the year

Significant events during the year

Temporary closure of the sales network

On 14 March 2020, 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 2020, as part of a new package of measures to contain the effects of the health emergency, the Company progressively started reopening direct points of sale, in order to guarantee customers the most urgent or necessity purchases.

Insurance coverage

On 20 March 2020, Unieuro took out insurance coverage in the event of contagion from Coronavirus for all 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 2020, 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 2020. Similarly, the entire company management decided to cut its salary for the months of April and May 2020, 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 2020, 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.

Relaunch of the network expansion

On 11 June 2020, 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 three direct 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 large-scale retail distribution segment: the location, adjacent to the "La grande i di Piazza Portello" hypermarket is in fact part of the partnership signed at the beginning of 2019 with Finiper.

The Shareholders' Meeting

On 12 June 2020, 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.

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 2020, 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.

The partnership with UniCredit

On 16 September 2020, 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 clientèle, generating traffic in stores and strengthening the important B2B2C channel, managed through Monclick.

The refund of the flu vaccine

On 21 September 2020, Unieuro announced the decision to reimburse the cost of the flu vaccine to all employees who voluntarily decided to use it, this being a further concrete expression of the company 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 2020, 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 2020, Unieuro signed a multi-year lease agreement for Palazzo Hercolani, an old building located in the historic centre of the city of Forlì, where the Group subsequently moved its headquarters, in order to make Unieuro at the forefront of smart working and offer more than 250 employees and guests a rewarding, innovative and comfortable work experience, which facilitates collaboration and the circulation of ideas and solutions for the benefit of the company and its people.

The Unieuro brand lands in the city of Naples

On 19 October 2020, Unieuro and the Partenope Group signed a multi-year partnership whereby the five Partenope Group stores, previously operating under the Expert sign, 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 2020, 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. As of 4 November, the further deterioration of the situation prompted the government to issue a decree that imposed new restrictions on commercial activities and people freedom to move about. For Unieuro, the new rules lead to the closure of about half of direct stores on public holidays and pre-holidays. Said measures were still in force at the closing date of the Financial Statements.

The expiry of the Liquidity Provider contract

On 28 October 2020, 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 2020-2021 "Sign of the Year award"

On 27 November 2020, Unieuro was awarded the prestigious "Sign of the Year" award for the second consecutive year in the Household Appliances & Electronics category, once again confirming its position as the leading brand in the highly fragmented and competitive consumer electronics sector.

Success for the "Change Black Friday" campaign

Started on 3 November 2020 and ended on 3 December, the promotional campaign called "Change Black Friday", the Black Friday of "life-changing" technology, marked another record duration in Unieuro's history and recorded good sales results despite the restrictive measures in place that penalised the Retail Channel. As a result, the Online channel benefited, with the Unieuro.it platform recording a 63% increase in the number of orders and a double-digit percentage increase in the average value of those orders. Excellent performance also for affiliate shops, only marginally impacted by the restrictions, and for Monclick's Mon Black Friday (13-30 November).

The Key Award

On 10 December 2020, the "Addams' Black Friday" campaign carried out in 2019 by Unieuro was awarded the prestigious "Key Award", set up by Media Key and dedicated to advertising in print, billboard, TV, cinema, radio, web and promotional events, for the best advertising campaign in the category 'Finance, Insurance, Commerce and Large Scale Retail.

The Shareholders' Meeting

On 17 December 2020, Unieuro's Shareholders' Meeting, held in ordinary and extraordinary session, on a single call, approved the amendments and additions to the first section of the Report on remuneration policy and compensation paid approved by the Shareholders' Meeting on 12 June; approved the new incentive plan called "2020-2025 Performance Shares Plan"; approved the authorisation to purchase and dispose of treasury shares, also to service the Plan, up to a maximum of 2,000,000 ordinary Unieuro shares for a maximum period of 18 months; approved the authorization to increase the share capital to service the Plan, up to a maximum of 900,000.

Transfer of the registered office

On 13 January 2021, the Unieuro Board of Directors approved the transfer of the registered office from via Schiaparelli 31 to Palazzo Hercolani, in via Maroncelli 10, also in Forlì, without the need to amend the Articles of Association.

The transfer took effect on 1 April 2021.

Dixons Carphone

On 15 January 2021, Dixons Carphone plc, indirect shareholder of the Company through Alfa S.r.l., announced the sale of the entire interest held by it in Unieuro, equal to approximately 7.17% of the share capital, through an accelerated book-building procedure.

With the conclusion of the transaction, Unieuro's free float exceeded 91% of the capital, further strengthening the Company's nature as a public company.

The #Cuoriconnessi event and the new book

On 9 February 2021, on the occasion of the world day for network security, Unieuro together with the State Police organised a large digital event dedicated to the fight against cyberbullying, which was attended by over 260,000 students connected via streaming. A new book of #Cuoriconnessi was also presented, which, similarly to the first volume of 2020, tells stories of cyberbullying and the online life of children and parents. It was made available for free in print (over 200,000 news items) and digitally.

The Futura project

On 11 February 2021, the ambitious smart working project called "Futura" was presented to the more than 300 employees of the central functions, intended to revolutionise the methods of work and interaction between people, placing them at the centre of an innovative and rewarding work experience.

By focusing on trust and individual responsibility in achieving the objectives, Unieuro evolves its offices into places of collaboration, sociality and support for the corporate culture, with significant benefits in terms of motivation of people, balance between private and working life and lower polluting emissions related to transport.

The appointment of the General Manager

On 17 February 2021, at the proposal of the Chief Executive Officer and with the favourable vote of all those present, the Board of Directors decided to set up the General Management and to entrust it to Bruna Olivieri with effect from 1 March 2021. Former Chief Omni-Channel Officer of the Company, Olivieri will report directly to the Chief Executive Officer, assuming the leadership and responsibility of all company functions with the exception of the Finance area, in order to ensure utmost coordination and development from an omnichannel perspective and accelerate the increasingly essential digital transformation, already underway.

Significant events following the closure of the year

The adoption of the SAP management system

The transition to the new SAP S/4HANA management software began on 1 March 2021. The adoption of the new ERP (Enterprise Resource Planning) has been planned for some time and implemented with the support of the consulting companies EY and Abstract, leaders in the sector, with the aim of radically evolving company information systems, making them technologically advanced and functional to the omnichannel growth strategy of Unieuro.

The acquisition of the Limbiate store

Following the participation in the competitive procedure announced by the Court, Unieuro was awarded the contract and on 01 March 2021, acquired the business unit of Galimberti S.p.A., in an arrangement with creditors consisting of a store located in Limbiate.

The expansion in the metropolitan area of Turin

On 31 March 2021, Unieuro announced a significant strengthening of the network in the Piedmont capital thanks to the acquisition of a business unit consisting of two 2C Srl stores and the signing of an affiliation contract for the third store managed by the same company. The three stores, previously members of the Expert purchasing group, reopened under the Unieuro sign in April.

The entry of iliad in the capital

On 6 April 2021, Unieuro acknowledged the purchase of an interest of approximately 12% of the share capital by iliad Italia, with which a successful commercial relationship is already in place and which declared its intention to accompany the Company in its long-term growth.

The consensual termination of the employment relationship with the CFO

On 9 April 2021, Unieuro and Italo Valenti signed an agreement for the consensual termination of the employment relationship, with effect from 31 May 2021, as a result of which Italo Valenti will leave his role as Chief Financial Officer and the positions of manager in charge of preparing the corporate and accounting documents and investor relator of Unieuro and will pursue other professional opportunities.

21. Foreseeable operating evolution

The 2021/22 financial year will be largely influenced by the speed and results of the vaccination campaign, in progress at the date of preparation of this Report, aimed at containing and finally eradicating the Covid-19 epidemic.

The continuation of the emergency is in fact linked to the persistence of the restrictions decided by the Authorities, for which reference is made to section 12 "Coronavirus epidemic", but above all to the continuation of consumption trends in favor of the product categories managed by Unieuro, the positive impact of which has occurred since the second quarter of the previous year.

Once these trends have been exhausted, to all effects exceptional, it is presumed that the demand for products belonging to the Grey category (in particular IT and telephony) may slow down, however offset by an acceleration of the White sector, historically correlated to the trend in GDP, destined to recover in the post-pandemic period. Starting from September 2021, the Brown category will also benefit from the migration to the DVB-T2 Hevc standard, decided by the Government to free up television frequencies for the benefit of 5G telephony and destined to give a significant boost to the TV segment.

At channel level, the lifting of restrictions on trade and the mobility of people will provide a new impetus to physical stores, while e-commerce will slow its growth, without however regressing to pre-Covid levels, in light of the consumer patterns that have profoundly changed by now.

In general, in 2021/22, the Italian market is therefore expected to make further progress compared to the previous year, supported by growth in value rather than by the increase in volumes. Said phenomenon will allow a reduction of the gap still existing compared to the more mature European markets.

The Unieuro Management believes that the Group, thanks to its consolidated market leadership and a successful strategy even in times of pandemic, will continue to grow above the market, confirming its solidity and its ability to generate value, even in the absence of the non-repeatable benefits that characterised the performance of the year 2020/2021.

CONSOLIDATED FINANCIAL STATEMENTS
28/02/2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of Euro)		Year ended	
	Notes	28 February 2021	29 February 2020
Plant, machinery, equipment and other assets	5.1	71,526	84,696
Goodwill	5.2	195,238	195,238
Intangible assets with definite useful life	5.3	32,927	27,247
Assets for rights of use	5.4	451,622	478,286
Deferred tax assets	5.5	40,766	38,617
Other non-current assets	5.6	10,082	11,931
Total non-current assets		802,161	836,015
Inventories	5.7	372,053	369,788
Trade receivables	5.8	65,314	51,288
Current tax assets	5.9	-	-
Other current assets	5.6	19,069	25,355
Cash and cash equivalents	5.10	219,366	96,712
Total current assets		675,802	543,143
Total assets		1,477,963	1,379,158
Share capital	5.11	4,053	4,000
Reserves	5.11	75,588	38,316
Profit/(loss) carried forward	5.11	73,654	53,842
Profit/(Loss) of third parties	5.11	-	-
Total shareholders' equity		153,295	96,158
Financial liabilities	5.12	39,068	31,643
Employee benefits	5.13	12,979	11,988
Other financial liabilities	5.14	399,562	444,532
Provisions	5.15	20,752	8,679
Deferred tax liabilities	5.5	3,637	3,463
Other non-current liabilities	5.16	26	26
Total non-current liabilities		476,024	500,331
Financial liabilities	5.12	9,659	9,520
Other financial liabilities	5.14	68,202	69,419
Trade payables	5.17	505,066	479,608
Current tax liabilities	5.9	3,789	1,449
Provisions	5.15	754	1,245
Other current liabilities	5.16	261,174	221,428
Total current liabilities		848,644	782,669
Total liabilities and shareholders' equity		1,477,963	1,379,158

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

CONSOLIDATED INCOME STATEMENT

(In thousands of Euro)		Year ended	
	Notes	28 February 2021	29 February 2020
Revenue	5.18	2,685,224	2,444,897
Other income	5.19	905	5,126
TOTAL REVENUE AND INCOME		2,686,129	2,450,023
Purchases of materials and external services	5.20	(2,342,374)	(2,135,414)
Personnel costs	5.21	(175,824)	(185,407)
Changes in inventory	5.7	2,264	7,446
Other operating costs and expenses	5.22	(6,805)	(7,263)
GROSS OPERATING RESULT		163,390	129,385
Amortisation, depreciation and write-downs	5.23	(91,186)	(88,802)
NET OPERATING RESULT		72,204	40,583
Financial income	5.24	76	91
Financial expenses	5.24	(13,365)	(14,299)
PROFIT BEFORE TAX		58,915	26,375
Income taxes	5.25	(5,365)	(779)
PROFIT/(LOSS) FOR THE YEAR		53,550	25,596
Profit/(loss) of the Group for the financial year	5.11	53,550	25,596
Profit/(loss) of the third parties for the financial year	5.11	-	-
Basic earnings per share (in Euro)	5.26	2.68	1.28
Diluted earnings per share (in Euro)	5.26	2.68	1.28

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of Euro)		Year ended	
	Notes	28 February 2021	29 February 2020
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		53,550	25,596
Other components of comprehensive income that are or could be restated under profit/(loss) for the consolidated year:			
Gain/(losses) on cash flow hedges	5.14	290	(50)
Income taxes		(70)	12
Total other components of comprehensive income that are or could be restated under profit/(loss) for the consolidated year	5.11	220	(38)
Other components of comprehensive income that will not subsequently be restated under profit/(loss) for the consolidated year:			
Actuarial gains (losses) on defined benefit plans	5.13	(407)	(455)
Income taxes		116	131
Total other components of comprehensive income that will not subsequently be restated under profit/(loss) for the consolidated year:	5.11	(291)	(324)
Total comprehensive income for the consolidated year		53,479	25,234

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

CONSOLIDATED CASH FLOWS STATEMENT[39]

(In thousands of Euro)	Notes	Year ended 28 February 2021	Year ended 29 February 2020
Cash flow from operations			
Consolidated profit/(loss) for the consolidated year	5.11	53,550	25,596
Adjustments for:			
Income taxes	5.25	5,365	779
Net financial expenses (income)	5.24	13,289	14,208
Depreciation, amortisation and write-downs of fixed assets	5.23	91,186	88,802
Other changes		354	1,446
		163,744	130,831
Changes in:			
- Inventories	5.7	(2,265)	(7,446)
- Trade receivables	5.8	(14,026)	(10,000)
- Trade payables	5.17	26,333	7,992
- Other changes in operating assets and liabilities	5.6-5.15-5.16	52,039	28,558
Cash flow generated/(absorbed) by operating activities		62,081	19,104
Taxes paid	5.25	(2,535)	(3,677)
Interest paid	5.24	(12,359)	(13,515)
Net cash flow generated/(absorbed) by operating activities	5.27	210,931	132,743
Cash flow from investment activities			
Purchases of plant, machinery, equipment and other assets	5.1	(17,789)	(16,003)
Purchases of intangible assets	5.3	(14,463)	(11,844)
Investments for business combinations and business units	5.14	(8,418)	(11,964)
Net cash inflow from acquisition	5.10	-	10
Cash flow generated/(absorbed) by investment activities	5.27	(40,851)	(39,801)
Cash flow from investment activities			
Increase/(Decrease) in financial liabilities	5.12	6,846	(3,223)
Increase/(Decrease) in other financial liabilities	5.14	(1,669)	(1,660)
Increase/(Decrease) in financial liabilities - IFRS 16 Leases	5.14	(55,907)	(54,435)
Exercise - Long Term Incentive Plan	5.13	3,304	-
Distribution of dividends	5.11	-	(21,400)
Cash flow generated/(absorbed) by financing activities	5.27	(47,426)	(80,718)
Net increase/(decrease) in cash and cash equivalents		122,654	12,224
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		96,712	84,488
Net increase/(decrease) in cash and cash equivalents		122,654	12,224
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		219,366	96,712

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

[39] 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".

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In thousands of Euro)	Notes	Share capital	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for actuarial profits/ (losses) on defined benefits plans	Reserve for share-based payments	Other reserves	Profits/ (losses) carried forward	Total shareholders' equity	Minority interests	Total shareholders' equity
Balance as at 28 February 2019	5.11	4,000	800	-	(315)	(1,247)	3,376	26,944	57,319	90,877	-	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 year		-	-	-	-	-	-	-	25,596	25,596	-	25,596
Other components of comprehensive income		-	-	-	(38)	(324)	-			(362)	-	(362)
Total statement of comprehensive income for the consolidated year		-	-	-	(38)	(324)	-	-	25. 596	25,234	-	25,234
Allocation of prior year result		-	-	6,769	-	-	-	-	(6,769)	-	-	-
Distribution of dividends		-	-	-	-	-	-	-	(21,400)	(21,400)	-	(21,400)
Share-based payment settled with equity instruments		-	-	-	-	-	2,351	-	(904)	1,447	-	1,447
Total transactions with shareholders		-	-	6,769	-	-	2,351	-	(29,073)	(19,953)	-	(19,953)
Balance as at 29 February 2020	5.11	4,000	800	6,769	(353)	(1,571)	5,727	26,944	53,842	96,158	-	96,158
Profit/(loss) for the period		-	-	-	-	-	-	-	53,550	53,550	-	53,550
Other components of comprehensive income		-	-	-	220	(291)	-			(71)	-	(71)
Total comprehensive income for the period		-	-	-	220	(291)	-	-	53,550	53,479	-	53,479
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		53	-	-	-	-	(1,658)	3,251	2,012	3,658	-	3,658
Total transactions with shareholders		53	-	35,750	-	-	(1,658)	3,251	(33,738)	3,658	-	3,658
Balance as at 28 February 2021	5.11	4,053	800	42,519	(133)	(1,862)	4,069	30,195	73,654	153,295	-	153,295

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

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 and accounting effects beginning from 1 March 2020.

The company Unieuro S.p.A. (hereinafter also the "Company" or "Unieuro" or "UE") is a company incorporated under Italian law based in Forlì in Via Piero Maroncelli 10, founded in the late 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 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. In April 2020, the telecommunications operator Iliad announced the purchase of a stake equal to approximately

12% of the share capital of Unieuro, of which 1.9% through an equity swap contract expiring on 17 September 2021[40]. Based on the information available to date, the other major shareholders of Unieuro are[41] the asset management company Amundi Asset Management (6.8% of the capital), some members of the Silvestrini family that overall own 7.3%, Mediolanum Gestione Fondi Sgr (4.9%) and J.P. Morgan Asset Management (3.3%).

[40] Ref. Press Release 6 April 2021.

[41] Sources: Consob; Minutes of the Shareholders' Meeting of 17 December 2020.

2. CRITERIA ADOPTED FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF THE ACCOUNTING PRINCIPLES

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

2.1 Basis of preparation of the Consolidated Financial Statements

The Group's Consolidated Financial Statements comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for financial year ended 28 February 2021, as well as the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for financial year ended 28 February 2021 and 29 February 2020 of Unieuro and the related notes to the financial statements.

2.2 Preparation criteria for the Consolidated Financial Statements

The Consolidated Financial Statements of the Unieuro Group 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 Group's ability to honour its obligations in the foreseeable future and over the next 12 months; for further details on the impact of the Covid-19 pandemic, please see section 12."Coronavirus Epidemic" in the Report on Operations.

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

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

As at 28 February 2021, 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.

It is hereby noted that, on 5 August 2020, Unieuro and Carini Retail signed the merger deed. 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 28 February 2021 are listed in the Introduction.

The 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 Consolidated Financial Statements as at 28 February 2021, approved by the Board of Directors on 06 May 2021, have been audited and will be submitted for approval to the Shareholders' Meeting.

2.3 Statement of compliance with IFRS

The Consolidated Financial Statements were prepared in compliance with the International Accounting standards (IAS/IFRS) which are issued by the International Accounting Standards Board (IASB) and their relative interpretations (SIC/IFRIC), adopted by the European Union.

Furthermore, the Consolidated Financial Statements were prepared in compliance with the provisions adopted by Consob for financial statements in application of article 9 of Legislative Decree 38/2005 and other rules and provisions issued by Consob regarding financial statements. In particular it is hereby noted that with regard to Consob resolution 15519 of 27 July 2006 and Communication no. DEM6064293 of 28 July 2006 regarding financial statements, specific schedules have been added to the consolidated income, consolidated balance sheet and consolidated cash flow statements indicating significant relations with related parties and specific income statement schedules indicating, for each item, the non-recurring component.

2.4 Consolidated Financial Statement Schedules

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

A) 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 recovered or settled within or later than 12 months from the reference date of the Consolidated Financial Statements.

B) **Consolidated income statement:** the classification of the costs in the income statement is based on their nature, showing the interim results relative to the gross operating result, the net operating result and the result before taxes.

C) **Consolidated statement of comprehensive income**: this item includes the profit/(loss) for the year as well as the income and expenses recognised directly in equity for transactions other than those with shareholders.

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

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

The Consolidated Financial Statements are shown in comparative form.

2.5 Consolidation policies and scope of consolidation

The Consolidated Financial Statements as at 28 February 2021 include the financial statements of the parent company, Unieuro S.p.A., and its subsidiary Monclick S.r.l.

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

Subsidiaries

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

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

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

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

Transactions eliminated in the consolidation process

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

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

In application of the IFRS, the preparation of the Consolidated Financial Statements requires the usage of estimates and assumptions that have an effect on the values of the assets and liabilities of the Consolidated Financial Statements and the information regarding the contingent assets and liabilities at the date of reference. The estimates and assumptions are based on elements which are known as at the date that the Consolidated Financial Statements are prepared, are based on the experience of the management and other elements - if any - considered to be significant. The actual figures may differ from the estimates. Management uses estimates to make provisions for credit risks and legal disputes, 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, 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.

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

Recoverable value of non-current assets

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

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

Recoverability of deferred tax assets

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

Bad debt provision

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

Obsolescence Provision

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

Contract asset related to the sale of warranty extension services

The extension of a product guarantee over and above the guarantee required of the manufacturer by the law is among the services that the Group offers to its customers. This service is sold directly in the sales outlets by recognising an additional amount to that of the product sold. Sales reps are awarded an incentive for each additional sale of extended warranty services.

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

Trade payables

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

Contract liability related to the sale of warranty extension services

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

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

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

Lease liabilities and right-of-use assets

The Group recognises the right-of-use asset and the lease liability. The right-of-use asset is initially valued at cost, and subsequently at cost, net of amortisation and cumulative impairment losses, and adjusted to reflect the revaluations of the lease liability.

The Group evaluates the lease liability at the present value of the payments due for unpaid leases at the effective date.

The lease liability is subsequently increased by the interest accruing on said liability and decreased by the payments due for the lease made and is revalued in the event of a change in future payments due for the lease deriving from a change in the index or rate, or when the Group changes its valuation with reference to the exercise or otherwise of an extension or termination.

Lease contracts in which the Group acts as lessee may provide for renewal options with effects, therefore, on the duration of the contract. Valuations on the existence of a relative certainty that this option is (or not) exercised can influence, even significantly, the amount of lease liabilities and right-of-use assets.

The Group classifies sub-leases in which it acts as a lessor, as financial leases.

Defined benefit plans and other post-employment benefits

The Group provides a defined benefit plan to its employees (employees severance indemnity).

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

Provisions

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

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

Share based payment plan settled with equity instruments

Long-Term Incentive Plan

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

Performance shares 2020-2025

The fair value measurement is recorded according to an actuarial method. The assumptions underlying the calculation were: (i) the exercise term equal to the duration between the grant date and the assignment date, (ii) the share price at the time of valuation, (iii) the amount of expected dividends. Lastly, consistent with the requirements of IFRS 2, the probability of Recipients leaving and the probability of achieving performance targets of 100%. For more details, please see Note 5.28.

Hedging derivatives

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

2.7 Significant accounting standards

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

2.7.1 Changes to the accounting standards

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.

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 Financial Report and recorded as positive variable lease payments in the income statement amount to Euro 9,911 thousand.

It should be noted that on 31 March 2021, the IASB published the amendment to IFRS 16 Leases: *Covid-19-Related Rent Concessions beyond 30 June 2021*, which extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting of the concessions granted to lessees due to Covid-19. The European Union is still in the midst of the process of adopting this measure.

2.7.2 Significant accounting standards

Business combinations and goodwill

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

Every contingent consideration is also recognised by the Group at its fair value on its acquisition date. Fair value gains and losses of the contingent consideration classified as assets or liabilities are recognized in profit or loss as required by IFRS 9. If the contingent liability is classified in shareholders' equity, its initial value will never be subsequently re-determined.

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

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes;

- is not larger than the operating segments that have been identified.

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

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

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

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

Hierarchical levels of fair value measurement

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

- Level 1: the inputs consist of listed prices (not amended) in active markets for identical assets or liabilities which the company can access on the measurement date. A listed price on an active market which is liquid is the most reliable proof for the fair value measurement, and if the market for the asset/liability is not unique it is necessary to identify the most beneficial market for the instrument;

- - Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or the liability has a specific duration, a level 2 input must be observable for the entire duration of the asset or the liability. Some examples of instruments which fall within the second hierarchical level are the following: assets or liabilities in markets which are not active or interest rates and yield curves which are observable at intervals that are commonly listed;

- - Level 3: unobservable inputs for the asset or liability. The non-observable inputs shall be used only if the inputs of level 1 and 2 are not available. Notwithstanding this, the purpose remains the same, that is to determine a closing price on the valuation date, therefore reflecting the assumptions that the market operators would use in determining the price of the asset or the liability, including the assumptions related to the risk.

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

Recognition and measurement

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

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

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

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

Subsequent costs

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

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

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

Depreciation

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

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

The depreciation rates are determined according to economic - technical rates in relation to the estimated useful life of the individual assets established pursuant to the company plans for usage which also consider the physical and technological wear and take into account the presumable realizable value estimated net of costs for scrapping the asset. When the tangible asset consists of several significant components with different useful lives, each component is appreciated separately. When events occur that indicate possible impairment of tangible fixed assets, or when there are significant reductions in the market value of these assets, significant technological changes or significant obsolescence, the net book value, regardless of the depreciation that has already been recognised, is subject to verification based on an estimate of the current value of future cash flows and eventually adjusted. Subsequently if such conditions do not come to pass, the impairment will be written down to the book value that would have existed (net of depreciation) if the impairment of the asset had never been recognised.

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

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

Intangible assets with definite useful life

Initial recognition and measurement

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

Subsequent costs

Costs incurred subsequently to purchase are capitalised only when the expected future economic benefits which are attributable to the asset they refer to are increased. All other subsequent costs are recognised in the income statement once incurred.

Depreciation

Intangible fixed assets are amortized based on their useful life and they are tested for impairment whenever there are indications of a possible loss in their value. The period and method of amortization applied to them is re-examined at the end of each financial year or more frequently if necessary. Any changes to the depreciation schedule are applied prospectively.

The profits or the losses from elimination of an intangible fixed asset are measured from the difference between the net revenue from the sale and the book value of the intangible asset, and they are recognised in profit and loss in the year during which the elimination takes place.

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

Category	% used
Software	20%
Software- ERP	10%
Entry rights	Based on the duration of the lease beginning from the date that the shop opens
Brands	5-10%

Leased assets

The right-of-use asset is initially valued at cost, including the amount of the initial valuation of the lease liability, adjusted for the payments due for the lease made on or before the effective date, increased by the initial direct costs incurred and an estimate of the costs that the lessee will have to incur for the dismantling and removal of the underlying asset or for the restoration of the underlying asset or the site where it is located, net of lease incentives received.

The right-of-use asset is subsequently amortised on a straight-line basis from the effective date to the end of the lease term. Furthermore, the asset for the right of use is regularly reduced by any impairment losses and adjusted to reflect any changes deriving from subsequent valuations of the lease liability.

At the effective date of the lease, the Group recognises lease liabilities by measuring them at the present value of the payments due for the lease not yet paid at that date. Payments due include fixed payments (including fixed payments in substance) net of any lease incentives to be received, variable lease payments that depend on an index or rate, and amounts that are expected to be paid as residual value guarantees. The lease payments also include the exercise price of a purchase option if it is reasonably certain that this option will be exercised by the Group and the lease termination penalty payments, if the lease term takes into account the exercise by the Group of the termination option of the lease. Variable lease payments that are not dependent on an index or rate are recognised as costs in the period in which the event or condition that generated the payment occurs.

In calculating the present value of the payments due, the Group uses the marginal borrowing rate. After the effective date, the amount of the lease liability increases to reflect interest on the lease liability and decreases to reflect payments made. Furthermore, the carrying amount of lease payables is restated in the event of any changes to the lease or the revision of the contractual terms for the modification of payments; it is also restated in the presence of changes in future payments resulting from a change in the index or rate used to determine such payments.

The Group applies the exemption for the recognition of leases relating to assets of modest value and to contracts with a duration of 12 months or less.

The Group, in its capacity as intermediate lessor in a sub-lease agreement, classifies the sub-lease as financial with reference to the assets consisting in the right of use deriving from the main lease.

The Group adopted the amendment to IFRS 16 *Leases Covid-19-Related Rent Concessions*, which 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. 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 section 2.7.1 Changes to the accounting standards.

Financial assets

The Group determines the classification of its financial assets on the basis of the business model adopted to manage them and the characteristics of the related cash flows and, where appropriate and permitted, reviews this classification at the end of each year.

a) Financial assets measured at amortised cost

Financial assets for which the following requirements are met are classified in this category:

(i) the asset is held as part of a business model the objective of which is to own the asset aimed at collecting contractual cash flows; and

(ii) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

These are mainly receivables from customers, loans and other receivables.

Trade receivables that do not contain a significant financial component are recognised at the price defined for the related transaction (determined according to the provisions of IFRS 15 Revenue from contracts with customers).

Other receivables and loans are initially recognised in the financial statements at their fair value increased by any accessory costs directly attributable to the transactions that generated them.

Assigned receivables are derecognised if the assignment provides for the total transfer of the connected risks and benefits (contractual rights to receive the flows from a financial asset). The difference between the carrying amount of the asset sold and the consideration received is recognised as financial components of income.

In the subsequent measurement, financial assets at amortised cost, with the exception of receivables that do not contain a significant financial component, use the effective interest rate. The effects of this measurement are recognised as financial components of income.

With reference to the impairment model, the Group evaluates receivables by adopting an expected loss logic.

For trade receivables, the Group adopts a simplified approach to valuation that does not require the recognition of periodic changes in credit risk, but rather the accounting of an Expected Credit Loss (ECL) calculated over the entire life of the credit (lifetime ECL). In particular, trade receivables are fully written down in the absence of a reasonable expectation of recovery (e.g. bankruptcy situations).

Write-downs made pursuant to IFRS 9 are recognised in the consolidated income statement net of any positive effects associated with releases or write-backs of value and are represented under operating costs.

b) Financial assets at fair value with balancing entry in the comprehensive income statement (FVOCI)

Financial assets for which the following requirements are met are classified in this category:

(i) the asset is held as part of a business model the objective of which is achieved both through the collection of contractual cash flows and through the sale of the asset; and

(ii) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

These assets are initially recognised in the financial statements at their fair value increased by any accessory costs directly attributable to the transactions that generated them. In the subsequent measurement, the valuation made at the time of recognition is updated and any changes in fair value are recognised in the comprehensive income statement.

With reference to the impairment model, as described in point a) above is followed.

c) Financial assets at fair value with balancing entry in the consolidated income statement (FVPL)

Financial assets that are not classified in any of the previous categories (i.e. residual category) are classified in this category. These are mainly derivative instruments.

The assets belonging to this category are recognised at fair value at the time of their initial recognition.

The ancillary costs incurred when recording the asset are immediately recognised in the consolidated income statement.

In the subsequent measurement, FVPL financial assets are measured at fair value.

Gains and losses deriving from changes in fair value are accounted for in the consolidated income statement in the period in which they are recognised.

Purchases and sales of financial assets are accounted for at the settlement date.

Financial assets are removed from the financial statements when the related contractual rights expire, or when the Group transfers all the risks and benefits of ownership of the financial asset.

Inventories

The inventories are measured at the lower of the cost and net realizable value. The cost of inventories includes all costs required to bring the inventories to their current location and status. This includes in particular the purchase price net of premiums attributable to products and other costs which are directly attributable to the purchase of the merchandise. Commercial discounts, returns and other similar items are deducted when determining the acquisition cost. The method used for the cost of inventories is the average weighted cost method.

The value of the obsolete and slow moving inventories is written down in relation to the possibility of use or realization, through Inventory bad debt provision.

Cash and cash equivalents

The cash and cash equivalents include cash on hand and sight and short term deposits of no more than three months. For the purpose of the cash flow, the cash and cash equivalents are represented as cash on hand as defined above, net of bank overdrafts.

Financial liabilities

The financial liabilities are initially recognized at the fair value of the consideration received net of the transaction costs that are directly attributable to the loan itself. After initial recognition, the financial liabilities are measured using the amortised cost criteria, applying the effective interest rate method. Amortization at the effective interest rate method is included among financial liabilities in the income statement.

If there is a change in expected cash flows, the value of the liabilities is recalculated to reflect that change on the basis of the present value of the new expected cash flows and the internal rate of return determined initially.

Liabilities arising from employee benefits

Post-employment benefits may be offered to employees through defined contribution plans and/or defined benefit plans. These benefits are based on the remuneration and the years of service of the employees.

Defined contribution plans are post-employment benefit plans based on which the Group and, sometimes, its employees pay contributions of a specific amount into a distinct entity (a fund) and the Group does not and will not have a legal or implicit obligation to pay additional contributions if the fund does not have assets that are sufficient to cover the obligations to the employees.

The defined benefit plans are plans for benefits after the end of the employment relationship, which differ from defined contribution plans. Defined benefit plans can be financed either completely or partially by contributions paid by the company, and sometimes by its employees, to a company or a fund, which is legally distinct from the company that provides the benefits to the employees.

The amount which accrues is projected into the future to estimate the amount payable upon termination of the employment relationship and subsequently discounted to take into account the time that has passed prior to the actual payment.

The adjustments to the liabilities regarding employee benefits are determined on the basis of actuarial assumptions, which are based on demographic and financial assumptions and recognised on an accrual basis concurrently with the employment services required in order to obtain the benefit. The amount of the rights accrued during the year by the employees and the portion of the interests on the accrued amount at the beginning of the period and the corresponding movements referring to the same period observed is allocated to the income statement under the item "Personnel expenses" while the financial expense arising from the actuarial calculation is recognised in the comprehensive statement of income under the item "Profit (loss) from restatement of defined benefit plans".

The actuarial valuation is carried out by an actuary who is not employed by the Group.

Following the amendments made to the employee severance indemnity ("TFR") provisions of Law 296 of 27 December 2006 and the subsequent decrees and regulations ("Social Security Reform") issued in the initial months of 2007:

- the TFR accrued up to 31 December 2006 is considered to be a defined benefit plan pursuant to IAS 19. Benefits provided to employees in the form of TFR which are granted upon termination of the employment relationship are recognised in the vesting period;

- TFR which accrues subsequently to 1 January 2007 is considered to be a defined contribution plan and therefore the contributions accrued during the period are recognised as a cost in their entirety and the portion which has not yet been paid is recognised as a liability under "Other current liabilities".

Provisions

The allocations to provisions are made when the Group is required to fulfil an actual obligation (whether legal or implicit) which refers to a past event, when an outlay is possible for discharge of the obligation and it is possible to reliably estimate the amount thereof. When the Group believes that allocation to the provision will be partially or fully refunded, for example in the case of risks covered by insurance policies, the indemnification is recognised distinctly and separately in assets if, and only if, it is practically certain. In this case, the cost of the eventual allocation is shown in the income statement net of the amount recognised for the indemnification. If the effect of discounting the value of money is significant, the non-current portion of the allocations is discounted.

Restructuring provision

A provision is established for restructuring when there is a detailed and official programme for restructuring that has been approved and the restructuring has begun or the main aspects of which have been publicly disclosed to third parties.

Trade payables

Trade payables are recognized at their nominal amount, net of premiums, discounts, returns or invoicing adjustments, which is equal to the fair value of the company's obligation. When a financial transaction takes place based on the terms of payment that have been agreed, the payables are measured at amortised cost through discounting of the nominal value receivable, with a discount recognised as a financial expense.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment of tangible and intangible assets. If there is any such indication, the Group tests the asset for impairment.

The accounting standard does not request formal preparation of an estimate of the recoverable value unless there are indications of impairment. Assets which are not available for use and goodwill acquired in business combinations which must be tested for impairment annually and whenever there is indication of impairment constitute the exception to this principle. The Group has set the balance sheet closing date as the time for testing of impairment of all assets for which annual testing is mandatory.

The impairment test is assigned to an expert who is not employed by the Group.

In evaluating whether there is an indication of impairment of an asset, the Group considers:

- an increase in the market interest rates or other investments that could influence the calculation of the Group's discount rate, thereby diminishing the recoverable value of the asset;
- significant changes in the technological environment and market in which the Group operates;
- physical obsolescence not related to the depreciation that the asset has undergone in a specific period of time;
- any extraordinary plans implemented during the year the impact of which is reflected on the asset constituting the object of the analysis (for example corporate restructuring plans);
- operating losses resulting from interim results.

If the analysis shows that there are potential losses due to impairment, the management will make a preliminary check relative to the useful life, the amortisation criterion, and the residual value of the asset and, based on the applicable accounting standard, shall make any amendments to these parameters; specific analysis relative to the impairment of the asset will take place at a later time.

As described in IAS 36, the recoverable value of an asset is the higher of the value in use and the fair value (net of costs to sell) of the asset itself. Furthermore, in the definition provided in the international accounting standard, the instructions are the same whether they refer to a single asset or to cash flow generating units.

In order to better understand the provisions of IAS 36, we provide below some key definitions:

Value in use: the value in use is the current value of all the cash flows of an asset or a generating unit, constituting the object of the valuation, which are expected to originate from it. In particular, an asset generates cash flows, which will be discounted at a pre-tax rate which reflects the market valuations on the current value of money and the specific risks inherent in the asset. These cash flows are determined based on the company's business plan. These plans are constructed on the basis of detailed budgets and separate calculations for each asset/cash generating unit. The budgets used do not include the effects arising from the extraordinary activities (restructuring, sales and acquisitions) and cover a period of time of up to five financial years;

Fair value: it represents the price that could be secured for the sale of an asset or which could be paid for the transfer of a liability in an arm's length transaction on the measurement date. To determine the fair value of an asset, the Group uses valuation models that use listed shares, models with valuation multipliers and other available indicators as a reference;

Cash generating units (or cash flows): a cash generating unit (CGU) is a group of assets which, together, generate cash flows that are incoming or outgoing regardless of the cash flows generated by other assets and activities. A group of assets is the smallest identifiable group able to generate incoming cash flows;

Book value: the book value is the value of assets net of depreciation, write-downs and write backs.

The accounting standard provides the option of selecting either the fair value or the value in use. In fact, if one of the two values is higher than the book value, it is not necessary to identify the other amount as well. It may not be possible to determine fair value of an asset or a cash-generating unit because there is no basis for making a reliable estimate of the amount obtainable from the sale of the asset in an orderly transaction between market operators. In these cases, the value in use can be considered as the recoverable value of the asset.

Once all the useful values have been identified and determined in terms of evaluating the asset or the CGU, the book value is compared with the recoverable value and if the book value is higher than the recoverable value, the Group will write down the asset to its recoverable value.

On each balance sheet closing date, the Group will furthermore measure, in regard to all the assets other than goodwill, eventual existence or non-existence of impairment that has previously been recognised and, should these indications exist, the recoverable value is estimated. The value of an asset that has previously been written down can be written back only if there are changes in the estimates on which the recoverable value calculation which resulted in recognition of the last impairment was based.

The write-back cannot exceed the book value that would have existed, net of depreciation and amortization, if no impairment loss had been recognised in previous years. This write back is recognised in the income statement.

Derivative financial instruments and hedge accounting

The Group holds no derivative financial interests for speculative purposes. However, if the derivative financial instruments do not satisfy all the terms and conditions required for hedge accounting, the changes in fair value of these instruments are recognised in the income statement as financial expenses and/or income.

Therefore, the derivative financial instruments are recognised using hedge accounting rules when:

- the formal designation and documentation of the hedging relation itself exists from the beginning of the hedge;
- it is presumed that the hedge is highly effective;
- the effectiveness can be reliably measured and the hedge itself is highly effective during the periods of designation.

The Group uses the derivative financial instruments to cover their exposure to interest rate and currency risk.

The derivatives are initially measured at fair value; the transaction costs attributable to them are recognised in the income statement at the time that they are incurred. After initial recognition, the derivatives are measured at fair value. The relative changes are recognised as described below.

Cash flow hedges

The changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. For the non-effective portion, the changes in fair value are recognised in the income statement.

Recognition of the hedge, as indicated above, ceases prospectively if the instrument designated as the hedge:

- no longer satisfies the criteria for recognition as a hedge;
- reaches maturity;
- is sold;
- is ceased or exercised.

The accumulated profit or loss is kept in equity until the expected operation takes place. When the hedged element is a non-financial asset, the amount recognised in equity is transferred to the book value of the asset at the time that it is recognised. In other cases, the amount recognised in equity is transferred to the income statement in the same year in which the hedged element has an effect on the income statement.

Share based payment

Key executives and certain managers of the Group may receive a portion of their remuneration in the form of share based payments. Pursuant to IFRS 2, these are equity settled plans. The right to payment accrues over the vesting period during which the managers perform their duties as employees and reach performance targets. Therefore, during the vesting period, the current value of share based payments as at the assignment date is recognized in the income statement at cost with an offsetting entry in a special shareholders' equity reserve. Changes in the current value subsequent to the assignment date have no effect on the initial valuation. In particular, the cost, which corresponds to the current value of the options on the assignment date, is recognised among personnel costs on a straight line basis throughout the period from the date of the assignment and the date of maturity, with an offsetting entry recognised in shareholders' equity.

Cancellation of financial assets and liabilities

A financial asset (or, where applicable, the part of the similar financial asset) is cancelled from the balance sheet when:

- the rights to receive the cash flows from an asset have been extinguished;
- the Group reserves the right to receive cash flows from the asset, but has assumed the contractual obligation to pay them in full and without delay to a third party.

A financial liability is cancelled from the balance sheet when the obligation underlying the liability has been extinguished, or cancelled or fulfilled.

Revenue

Revenues from contracts with customers are recognised in accordance with IFRS 15. On the basis of the five-step model introduced by IFRS 15, the Group recognises revenues after identifying the contracts with its customers and the related services to be performed (transfer of goods and/or services), determining the amount to which it considers to be entitled in exchange for the performance of each of these services, and assessing the means of performing these services (fulfillment at a given time versus fulfillment over time).

Revenues are recognised when the performance obligations are met through the transfer of the goods or services promised to the customer. It is probable that the economic benefits will be achieved by the Group and the related amount can be reliably determined, regardless of the collection. The transaction price, which represents the amount of consideration that the entity expects to receive for the supply of goods or services to the customer, is allocated on the basis of separate sales prices (stand-alone selling prices) of the related performance obligations.

Revenues are measured not including discounts, reductions, bonuses or other taxes on sales.

The following specific recognition criteria for revenues must be complied with prior to allocation to the income statement:

Sale of assets

The revenue is recognised when the control of the asset is transferred to the customer and the company has transferred to the buyer all the significant risks and benefits connected to ownership of the asset, generally at the time that the consumer purchases the product at the point of sale, the delivery of the good to customer's home in the event of home delivery, or when the ownership is transferred in the wholesale and B2B channel. Moreover, sales in which delivery is deferred upon request of the purchaser ("bill and hold") are recognised as revenue at the time that the consumer makes the purchase. The revenue is recognised when the asset is available, has been identified and is ready to be delivered and furthermore deferral of the delivery has been requested by the purchaser. In the same way, the sales revenue is recognised at the time of purchase of the goods by the consumer even if the installation of the asset is necessary. The revenue is recognised immediately upon acceptance of the delivery by the buyer when the procedure installation is very simple (for example the installation of an appliance that requires only unpacking, electrical connection and connection).

The Group has a customer loyalty program which is based on points, the Unieuro Club, with which customers can accumulate loyalty points when they acquire products in points of sale bearing the Unieuro Brand. Once a specific minimum number of points have been collected, they can be used as a discount on the purchase of another product. The duration of the programme coincides with the fiscal year. The Group records an adjustment to the estimated revenues based on the points accrued which had not yet been spent, the value of the discount to be paid as provided by the loyalty program and the historical information regarding the percentage of loyalty point usage by customers.

Right of return

To account for the transfer of products with right of return, the Group records the following elements:

a) adjusts the sales revenues by the amount of the consideration for the products for which the return is expected;

b) recognises a liability for future repayments;

c) recognises an asset (and the corresponding adjustment of the cost of sales) for the right to recover the products from the customer upon settlement of the liability for future repayments.

Provision of services

Revenues and costs deriving from the provision of services (revenues realised over time) are recognised on the basis of the assessment of the entity's progress towards complete fulfillment of the obligation over time. In particular, the transfer over time is assessed on the basis of the input method, or considering the efforts or inputs employed by the Group to fulfill the single performance obligation.

For the sale of guarantee extension services over and above the guarantee provided by the manufacturer pursuant to the law, the Group recognises the revenue throughout the duration that the services are provided, based on the estimated interventions for repairs under guarantee. The interventions for repairs that are under guarantee are estimated based on historical information regarding the nature, frequency and costs of the interventions under guarantee, duly interpolated to stimulate future curves of such events occurring.

The Group incurs costs for the acquisition of the contract with multi-year duration.

These costs, typically represented by the bonuses paid to employees for each additional sale made and which will be recovered by means of the revenues deriving from the contract, have been capitalised as contract costs and amortised based on the assessment of the entity's progress in transferring the services and goods transferred to the customer over time.

Commissions

The payments received on the sale of specific goods and services such as for example consumer loans, telephony contracts, etc., are calculated as a percentage of the value of the service that is carried out or, sometimes on the basis of a fixed consideration and they correspond with the amount of the commission received by the Group.

Costs

The costs and other operating expenses are recognised in the income statement when they are incurred on the basis of the accruals principle and the correlation of revenues, when they do not produce future economic benefits or when the latter do not have to be recognised as assets.

The cost to acquire goods is recognized when the company assumes all the risks and rewards of ownership of the good, measured at fair value of the consideration due net of any returns, rebates, trade discounts, contributions and premiums.

Agreements with suppliers involve recognising premiums and contributions. These premiums and contributions are recognised either as a percentage of the quantities purchased, or as a fixed figure on the quantities purchased or sold, or as a defined contribution. For commercial agreements with a maturity date that is later than the end of the financial year, an estimate is made based on the amount of purchase or sale and on valuations that take into account historical data regarding the effective recognition of premiums and contributions by suppliers.

The costs for services are recognised on the basis of the progress of the services at the closing date of the year.

The costs arising from operating leases that do not fall within the scope of application of IFRS 16 are recognised on a straight line basis throughout the duration of the reference contracts. Additional costs which depend on and are determined by the revenues achieved in a specific point of sale, are recognised on an accruals basis during the contractual period.

Interest income and interest expense

Interest income and expenses are recognised in the net result for the year on an accruals basis using the effective interest rate method. The effective interest method is the rate that exactly discounts the future expected cash flows to the net book value of the financial asset or liability, based on the expected life of the financial instrument.

Taxes

Current taxes

The current taxes are determined based on a realistic forecasts of tax expenses payable on an accruals basis and in application of the applicable tax laws. The rates and tax laws used to calculate the amount are the applicable rates and laws, or essentially those which are in force, as at the balance sheet closing date. The current taxes which are relative to elements that are not included in the income statement, are allocated directly to the statement of comprehensive income and thereafter to shareholders' equity, in line with the recognition of the element to which they refer.

It is hereby specified that beginning from 29 February 2020, 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 makes it possible to determine IRES (corporate income tax) due on a tax base which corresponds to the algebraic sum of the taxable revenue and tax losses of the individual companies that are included in the Consolidation. The economic relations, responsibilities and reciprocal obligations between the "Consolidating Company" and the "Consolidated Company" have been set out in detail in a specific contract that establishes the operating procedures for management of the tax positions between the various companies that belong to the Domestic Tax Consolidation.

Deferred taxes

Deferred taxes are accounted for using the liability method on temporary differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The deferred tax liabilities are recognised against all taxable temporary differences, except when the deferred taxes arise from initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, has no effect either on the profit for the year calculated for the balance sheet statement purposes or the profit or the loss calculated for tax purposes.

The deferred tax assets are recognised against all the deductible temporary differences and for tax losses brought forward, to the extent that the existence of adequate future taxable profits sufficient for usage of the deductible temporary differences and tax losses brought forward is probable. The value to post in the balance sheet of the deferred tax assets is re-examined on each balance sheet closing date and reduced to the extent that it is no longer probable that there will be sufficient taxable profits in the future for the recovery of these assets. The deferred tax assets which are not recognised are re-examined periodically on the balance sheet closing date and they are recognised to the extent that it has become probable that there will be taxable profit that can absorb these deferred taxes.

The deferred taxes are measured based on the tax rates that are expected will be applicable in the financial year in which these assets will be realised or these liabilities will be extinguished, considering the rates applicable and those already issued or essentially issued on the balance sheet date.

The deferred tax assets and liabilities are offset if they refer to taxes payable to the same tax authority and there exists a legal right that allows offsetting of the assets and liabilities for current taxes.

Effects of the changes in foreign exchange rates

The financial statements are presented in Euro, which is the Group's functional and presentation currency. The transactions in a foreign currency are recognised initially at the exchange rate (which refers to the functional currency) existing as at that transaction date. The monetary assets and liabilities which are denominated in a foreign currency are converted back to the functional currency at the exchange rate applicable on the balance sheet closing date. All foreign exchange differences are recognised in the income statement. The non-monetary items which are measured at their historical cost in a foreign currency are converted using the exchange rate applicable as at the initial date on which the transaction was recorded. The non-monetary items which are measured at their fair value in a foreign currency are converted using the exchange rate applicable as at the initial date the value was recorded.

Earnings per share

Earnings per share - basic

The diluted earnings per share are calculated by dividing the profit of the Group by the number of Unieuro S.p.A. shares on the date the financial statements are approved.

Earnings per share - diluted

The diluted earnings per share are calculated by dividing the profit of the Group by the number of Unieuro S.p.A. shares on the date the financial statements are approved. For the purpose of calculating the diluted earnings per share, the shares are modified assuming that all holders of rights that potentially have a dilutive effect exercise these rights.

Segment Reporting

An operating segment is defined by IFRS 8 as a component of an entity that: i) undertakes business activities and generates revenues and costs (including revenues and costs that refer to the operations with other components of the same entity); ii) the operating results of which are reviewed periodically at the highest decision-making level of the entity in order to adopt decisions regarding resources to allocate to this segment and measurement of the results; iii) for which separate financial information is available.

The information regarding the business segments was prepared pursuant to the instructions set forth in IFRS 8 "Operating Segments", which provide for presentation of information in line with the procedures adopted at the top management level for assumption of operating decisions. Therefore, identification of the operating segments and the information presented are defined on the basis of internal reports used by the Group for allocation of resources and for analysis of the relative performances.

2.8 New accounting standards

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 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 2.7.1 Changes to the accounting standards.

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

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

- On 18 May 2017, the IASB issued *IFRS 17 Insurance Contracts*. The standard aims to improve understanding by investors, but not only them, of the risk exposure, the profitability and the financial position of the insurers. IFRS 17 replaces IFRS 4 issued in 2004 as interim Standard. The amendments go into effect on 1 January 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 12 February 2021, the IASB published the amendment to IAS 1 Presentation of Financial Statements and to IFRS Practice Statement 2: Disclosure of Accounting policies. The amendments will apply to acquisitions after 1 January 2023.

- On 12 February 2021, the IASB published the amendment to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates. The amendments will apply to acquisitions after 1 January 2023.

- On 31 March 2021, the IASB published the amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021, which extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting of the concessions granted due to Covid-19 to lessees.

Based on the circumstances and cases to which the new documents apply 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 application of these documents. With reference to the amendment IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021, the impacts will be determined according to any agreements that will be signed with the lessors.

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 12 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 15.9% of the Group's revenues as at 28 February 2021, 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

[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.

by reporting with the breakdown of the deadlines and average collection times. There are no significant concentrations of risk. The other receivables are mainly receivables from the tax authorities and public administrations 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.

For details on the impact of Covid-19, see section 12 Coronavirus in the Report on Operations.

The financial structure in its entirety is constantly monitored by the Group to ensure coverage of its liquidity needs. Below is the Group's financial structure by deadline for the year ended 28 February 2021 and for the year ended 29 February 2020:

(In thousands of Euro)	Balance as at 28 February 2021	Within 12M	Between 12M and 60M	Over 60M	Total
Financial liabilities	48,727	9,659	39,068	-	48,727
Other financial liabilities	467,764	68,202	232,368	167,194	467,764
Total	516,491	77,861	271,436	167,194	516,491

(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 29 February 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	28 February 2021	29 February 2020	28 February 2021	29 February 2020
Interest Rate Swaps (IRS)	12/02/2018	09/01/2023	22,500	32,500	(222)	(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 Euro 133 thousand (negative) after tax at 28 February 2021, compared with Euro 353 thousand (negative) after tax at 29 February 2020.

Sensitivity Analysis

The exposure to interest rate risk was measured by means of a sensitivity analysis that indicates the effects on the income statement and on shareholders' equity arising from a hypothetical change in market rates which discount appreciation or depreciation equal to 50 BPS compared to the forward rate curves as at 28 February 2021.

Effect of changes on financial expenses - income statement

To address the risk of changes in interest rates, the Group has stipulated with a pool of banks derivative contracts consisting of interest rate swaps in order to mitigate, under economically acceptable terms and conditions, the potential effect of changes in the interest rates on the economic result. A change in the interest rates, from a hypothetical change in market rates which respectively discount appreciation and depreciation of 50 bps, would have resulted in an effect on financial expenses for 2019 as follows below.

(In thousands of Euro)	- 50 bps	+ 50 bps
At 28 February 2021	1	(22)

Note: the positive sign indicates a higher profit and an increase in equity; the negative sign indicates a lower profit and a decrease in equity.

We note that the sensitivity analysis arising from a hypothetical change in the market rates which respectively discount appreciation and depreciation equal to 50 BPS, takes into account the hedges established by the Group.

We note that for the purposes of this analysis, no hypothesis has been made relative to the effect of the amortised cost.

Effect of a change in the cash flow hedge- shareholders' equity reserve

The impact on the fair value of IRS derivatives arising from a hypothetical change in interest rates is summarized in the table below.

(In thousands of Euro)	- 50 bps	+ 50 bps
Sensitivity analysis as at 28 February 2021	(116)	114

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 28 February 2021 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 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Year ended 28 February 2021			
	Loans and receivables	Fair value of hedging instruments	Other liabilities	Total
Financial assets not designated at fair value				

Cash and cash equivalents	219,366	-	-	219,366
Trade receivables	65,314	-	-	65,314
Other assets	29,151	-	-	29,151
Financial assets designated at fair value				
Other assets		-	-	-
Financial liabilities not designated at fair value				
Financial liabilities	-	-	48,727	48,727
Trade payables	-	-	505,066	505,066
Other liabilities	-	-	261,200	261,200
Other financial liabilities	-	-	467,591	467,591
Financial liabilities designated at fair value				
Other financial liabilities	-	173	-	173

(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	-	-	-	-
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

The items "Other assets" and "Other financial liabilities" include the effects deriving from the application of the accounting standard IFRS 16 (Leases), adopted starting from 1 March 2019 using the modified retrospective application method by virtue of which the comparative information has not been restated. For more details see notes 2.7.1 Changes to accounting standards, 5.6 Other current assets and other non-current assets and 5.14 Other financial liabilities in the consolidated financial statements for the year ended at 29 February 2020.

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"). Furthermore, within the SBU, the management has identified three Cash Generating Units ("CGUs") to which the goodwill was allocated. This approach is supported by the operating control model by the corporate management which considers the entire activity uniformly, disregarding the product lines or geographic locations whose division is not considered significant for the purpose of taking corporate decisions.

The 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)	Year ended	
	28 February 2021	29 February 2020
Revenue	2,685,224	2,444,897
GROSS OPERATING RESULT	163,390	129,385
% of revenues	6.1%	*5.3%*
Amortisation, depreciation and write-downs	(91,186)	(88,802)
NET OPERATING RESULT	72,204	40,583
Financial income	76	91
Financial expenses	(13,365)	(14,299)
PROFIT BEFORE TAX	58,915	26,375
Income taxes	(5,365)	(779)
PROFIT/(LOSS) FOR THE YEAR	53,550	25,596

The incidence of gross operating profit on revenues was 6.1% as at 28 February 2021.

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

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Abroad	7,465	4,001
Italy	2,677,759	2,440,896
Total	2,685,224	2,444,897

The revenues are attributed based on the invoicing in Italy/abroad.

The Group does not have non-current assets in countries where it does not have offices.

5. NOTES TO THE INDIVIDUAL CONSOLIDATED FINANCIAL STATEMENT ITEMS

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 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Amounts as at 28 February 2021			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	144,581	(115,360)	29,221	142,898	(106,091)	36,807
Equipment	22,512	(17,330)	5,182	24,335	(16,175)	8,160
Other assets	185,261	(157,271)	27,990	184,440	(149,680)	34,759
Tangible assets under construction	9,133	-	9,133	4,969	-	4,969
Total plant, machinery, equipment and other assets	361,487	(289,961)	71,526	356,642	(271,946)	84,696

The change in the item "Plant, machinery, equipment and other assets" for the period from 28 February 2019 to 28 February 2021 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	5,837	1,807	8,231	4,394	20,269
First consolidation Carini Retail	940	26	1,013	-	1,979
Decreases	(121)	-	(99)	(1,276)	(1,496)
Amortisation, depreciation and write downs/(write backs)	(9,417)	(1,053)	(10,561)	-	(21,030)
Decreases in Amortisation, Depreciation Provision	25	-	7	-	31
Balance as at 29 February 2020	36,807	8,160	34,759	4,969	84,696
Increases	3,523	1,963	8,956	7,321	21,763
Decreases	(1,840)	(3,786)	(8,135)	(3,157)	(16,918)
Amortisation, depreciation and write downs/(write backs)	(9,352)	(1,155)	(11,399)	-	(21,906)
Decreases in Amortisation, Depreciation Provision	83	-	3,808	-	3,891
Balance as at 28 February 2021	29,221	5,182	27,990	9,133	71,526

In the year ended 28 February 2021, the Company made investments referring to the item plant and machinery, equipment and other assets totalling Euro 14,442 thousand.

In particular, the net investments refer mainly to: (i) interventions related to the restructuring of selected sales outlets through the restyling of the layout and the reduction or expansion of the sales area and investments in the relocation of existing sales outlets in catchment areas deemed more strategic for Euro 2,070 thousand; (ii) investments relating to the opening of new stores in new catchment areas deemed strategic or in areas not sufficiently covered by the current portfolio of stores and the refurbishment of the stores acquired for Euro 7,494 thousand; (iii) minor extraordinary maintenance and renewal of plants in various sales outlets for Euro 1,778 thousand; (iv) investments attributable to the creation of electrified display tables dedicated to the display of specific supplier brands at the sales outlets for Euro 1,326 thousand; (v) additional investments connected to the logistics hub based in Piacenza for Euro 1,774 thousand.

Net assets under construction equal to Euro 9,133 thousand mainly refer to investments relating to the new headquarters in Palazzo Hercolani (Forlì) and the warehouse in Via Zampeschi (Forlì) for Euro 3,650 thousand and investments attributable to the purchase of new hardware for the sales outlets for Euro 2,058 thousand.

The item "Amortisation, depreciation and write-downs/(write backs)" of Euro 21,906 thousand includes Euro 20,915 thousand in depreciation and Euro 991 thousand of write-downs and write backs.

With reference to the year ended 29 February 2020, the Company made investments net, including the assets acquired in the first consolidation of Carini Retail S.r.l. for Euro 20,784 thousand.

In particular, the net investments refer mainly to: (i) interventions related to the restructuring of selected sales outlets through the restyling of the layout and the reduction or expansion of the sales area and investments in the relocation of existing sales outlets in catchment areas deemed more strategic for Euro 3,686 thousand; (ii) investments relating to the opening of new stores in new catchment areas deemed strategic (Gela, Portogruaro, Mistebianco, Savignano, Verona) or in areas not sufficiently covered by the current portfolio of stores and the refurbishment of the stores acquired from the former Pistone S.p.A. business units for Euro 6,361 thousand; (iii) minor extraordinary maintenance and renewal of the anti-theft and electrical systems in various sales outlets for Euro 2,310 thousand; (iv) investments attributable to the creation of electrified display tables dedicated to the display of specific supplier brands at the sales outlets for Euro 1,935 thousand; (v) additional investments connected to the logistics hub based in Piacenza for Euro 1,523 thousand, and (vi) investments relating to the expansion of the Paderno Dugnano sales area for Euro 55 thousand.

Note that the acquisitions of the 12 sales outlets belonging to the former Pistone business unit are configured as business combinations and therefore come under the application scope of IFRS 3. As required by the 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 Euro 1,979 thousand. The amortisation and depreciation was calculated based on the depreciation rates adopted for the respective category.

The values and useful life have been reflected in the financial statements from the date Unieuro acquired control. For further details, see note 5.29 "Business unit combinations" in the Consolidated Financial Statements of the Unieuro Group as at 29 February 2020.

Net non-current assets under construction of Euro 4,969 thousand refer mainly to (i) the opening of new sales outlets and projects in the amount of Euro 2,433 thousand; (ii) investments in restructuring/relocation of Euro 851 thousand; (iii) minor extraordinary maintenance work in various point of sales totalling Euro 619 thousand; (iv) investments related to the creation of electrified display tables dedicated to the display of specific supplier brands inside the points of sale of Euro 279 thousand; and (v) additional investments related to the logistics hub based in Piacenza of Euro 213 thousand.

The item "Amortisation, depreciation and write-downs/(write backs)" of Euro 21,030 thousand includes Euro 20,590 thousand in depreciation and Euro 440 thousand of write-downs and write backs.

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

5.2 Goodwill

The breakdown of the item "Goodwill" as at 28 February 2021 and as at 29 February 2020 is shown below:

(In thousands of Euro)	Year ended	
	28 February 2021	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 28 February 2021 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 28 February 2021	195,238

Goodwill as at 28 February 2021 and 29 February 2020 can be broken down as follows:

(In thousands of Euro)	Goodwill at 28 February 2021	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

Based on the provisions of international accounting standard IAS 36, the Group should carry out a check, at least once a year, to ensure the recoverability of the value of the goodwill through an impairment test, comparing the carrying amount of the Cash Generating Units ("CGUs") to which the goodwill is allocated with the recoverable value. The value in use has consistently been adopted as the recoverable value in relation to market volatility and the difficulty of collecting information related to determining fair value.

The goodwill impairment test for each CGU was approved by the Company's Board of Directors on 06 May 2021. In the elaboration of the impairment test the Directors used an appropriate report provided by an external expert under specific assignment of the Company.

IAS 36 identifies the CGUs as the smallest groups of assets that generate incoming cash flows. The financial flows resulting from the CGUs identified should be independent of one another, because a single Unit must be able to be autonomous in the realisation of incoming cash flows, but all the assets within the Unit should be interdependent. Pursuant to IAS 36 the correlation that exists between the goodwill acquired during the business combination and the CGUs takes shape. In effect, at the time of the acquisition of the goodwill, it must be allocated to the CGU or the CGUs which are expected to benefit the most from the synergies of the combination. In this sense, the decisions linked to the definition of these synergies strongly depend on the Group's strategic organisation models, the commercial purchase and sales decisions which, specifically, disregard the number of sales points which do not enjoy decision-making autonomy.

The Group has identified an operating segment, which is the entire Group and covers all the services and products provided to customers. The Group's corporate vision as a single omnichannel business ensures that the Group has identified a single Strategic Business Unit (SBU). Within the SBU, the Group has identified three CGUs to which the goodwill was allocated. This approach is supported by the operating control model by the corporate management which considers the entire activity uniformly, disregarding the product lines or geographic locations whose division is not considered significant for the purpose of taking corporate decisions.

The Group identified three CGUs to which the goodwill was allocated:

- *Retail;*
- *Indirect;*
- *B2B.*

The three units benefit from shared resources, like administration, back office and logistics, but each of them features a different expected growth, with different risks and opportunities and with specific features which cannot be provided in the other CGUs.

The Retail CGU relates to all financial flows coming from the Retail, Online and Travel distribution channels. The Online and Travel channels are included in the Retail CGU because the website uses the sales points for the delivery of goods, while the Travel channel includes sales points located at the main public transport hubs.

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

The B2B CGU relates to the wholesale supply of products under the scope of the business-to-business channel.

The allocation of goodwill to the three CGUs took place in line with the specific activity of the individual CGU in order to include the best exploitation of internal and external synergies in the business model used. As described previously, the Group opted for identifying the value in use to determine the recoverable fair value. The value in use is calculated through an estimate of the current value of the future financial flows that the CGUs could generate.

The source of the data on which the assumptions are made for determining the financial flows are the final balances and the business plans.

The Economic/Financial Plan used for the impairment test relating to the goodwill recognised in the Consolidated Financial Statements of the Unieuro Group and referring to the year ended 28

February 2021 is based in the strategic lines of the plan on that approved by the Board of Directors on 12 December 2016 as subsequently updated. The Economic/Financial Plan underlying the impairment test was prepared on a consolidated basis, taking into account recent business performance. Specifically, the stocktaking data referred to the years ending 28 February 2021 have been taken into consideration, and, as a result, the financial data until 28 February 2026 were updated. The impairment test was approved by the Board of Directors on 6 May 2021.

The reference market growth estimates included in the business plan used for the impairment test at 28 February 2021 are based, among other things, on external sources and on the analyses conducted by the Group. Specifically, the Group projects growth, in line with its strategy, thanks to its ability to increase its customer base, promote and foster complementary services and increase its market penetration compared with competitors.

The evaluation assumptions used for determining the recoverable value are based on the above-mentioned business plans and on several main hypotheses:

- the explicit period to be adopted for the business plan is 5 years;

- terminal value: actualisation of the latest plan explicit estimate period. It should be stressed that a long-term growth rate "g" equal to 0% was envisaged because the result that the company will manage to achieve in the last financial year of the business plan was considered stable over a period of time;

- the discount rate applied to the various cash flows (WACC - weighted average cost of capital) for the CGUs analysed is 11.59%.

The discount rate (or actualisation rate) applied is the rate which reflects the current evaluations of the market, the time value of money and the specific risks of the asset. For the purpose of calculating the discount rate there must be consistency between the parameters used and the reference market of the Company and consistency between the Company's operating activities and incoming flows. All the parameters used for calculating the actualisation rate should be used in the corporate context, so that it expresses "normal" conditions over a medium-/long-term time span.

The estimation procedure adopted for defining the parameters determining the WACC is reported below:

- Risk-free rate (r_f) – The risk-free rate adopted is equal to the 6-month average (compared with the reference date) of the returns of the ten-year government bonds (BTP) issued by the Italian government. The adoption of the average figure makes it possible to compensate for possible short-term distorting dynamics.

- Equity risk premium ($r_m - r_f$) – The equity risk premium, which represents the yield spread (historical and long-term) between equity securities and debt securities on financial markets, was determined with reference to the Italian market.

- Beta (β) – The beta, which indicates the regression coefficient of a straight line which represents the relationship between the rate of return offered by the security and that of the overall market, was calculated on the basis of a panel of listed companies operating mainly or exclusively in the sale of consumer electronics, through a combination of sales channels (in store and online sales, in the majority of cases alongside wholesale and/or business-to-business sales).

- Specific risk premium (α) - An additional premium was applied in order to take into account potential risks relating to the implementation of the corporate strategy in the reference market context (execution risk) also taking into consideration the size of the Company compared with comparable businesses identified (size premium).

- Cost of debt capital i_d (1-t) - The cost of debt of a financial nature was estimated as equal to the average 6-month 10-year Euro Swap Rate (compared with the reference date), plus a spread. The corporate tax rate in force in Italy (IRES) was adopted as the tax rate (t).

- *Financial structure* - A debt/equity ratio calculated based on the average figure expressed at the reference date by the panel of comparable companies selected was adopted.

There were no differences in calculating these parameters between the external sources used and the value used for the purpose of the test.

The Group has a well-established history of operating on the market and, to date, there has been no evidence of anything that would suggest an interruption to activities in the medium-/long-term. Based on these considerations it is reasonable to assume the business is a going concern in perpetuity.

The operating cash flow used for the purpose of calculating the terminal value was calculated on the basis of the following main assumptions:

- EBITDA - During the estimation of the terminal value, an amount of revenues equal to the level projected for the last year of the plan was considered. For the purpose of estimating sustainable EBITDA in the medium-/long-term the EBITDA margin equal to the average figure in the plan was applied to the revenues identified in order to reflect the competitive dynamics featured in the reference sector. For the Group overall, this latter figure is located within the current range expressed by the estimates of the analysts relating to the panel of comparable companies used to determining the WACC.

- Investments in fixed assets and amortisation and depreciation - Annual investments were estimated as equal to investments in fixed assets projected for the last year of the plan. Annual amortisation and depreciation were in line with these investments, assuming that the investments were mainly maintenance and/or replacements.

- Net working capital and Funds - In line with the theory of growth in perpetuity at a g rate equal to 0%, there were no theories of variations in the items that make up NWC and the other funds in the long-term.

Below is a summary table containing the basic assumptions (WACC and g) and the percentage value attributed to the terminal value compared with the recoverable value of the Group's three CGUs relating to the analyses of the impairment tests conducted with reference to 28 February 2021.

as at 28 February 2021	WACC	g	Terminal Value (TV)	Recoverable Amount (RA)	% TV over RA
(In millions of Euro)					
CGU Retail	11.59%	0.0%	192.7	320.1	60.2%
CGU Indirect	11.59%	0.0%	32.5	39.0	83.5%
CGU B2B	11.59%	0.0%	18.2	26.9	67.7%

The results of the impairment tests as at 28 February 2021 are given below:

as at 28 February 2021		Carrying Amount (CA)	Recoverable Amount (RA)	RA compared with CA
(In millions of Euro)				
CGU Retail	EUR/mln	(30.3)	320.1	350.4
CGU Indirect	EUR/mln	0.8	39.0	38.1
CGU B2B	EUR/mln	6.0	26.9	20.8

Based on the estimates made there was no need to adjust the value of the goodwill recorded.

Note that the carrying amount of the CGU Retail as at 28 February 2021 was negative as a result of the negative net working capital allocated to the CGU Retail.

The carrying amount does not include entries of a financial nature. Assets and liabilities for deferred taxes are also excluded because the theoretical tax rate was used for the purpose of estimating taxes when calculating the cash flows.

As set out in IAS 36, the appropriate sensitivity analyses were also conducted to test the recoverable value of the goodwill as the main parameters used, as the change in the percentage of EBIT (net operating profit or loss), WACC and the growth rate vary.

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 28 February 2021, the sensitivity analysis conducted assuming a percentage reduction in EBIT, in the years of the explicit forecast and in the terminal value, up to a maximum of -20.0%:

as at 28 February 2021			Terminal plan EBIT		
(In millions of Euro)					
RA Sensitivity Difference compared with CA	0	(5.0%)	(10.0%)	(15.0%)	(20.0%)
CGU Retail	320.1	310.3	282.5	263.8	245.0
CGU Indirect	39.0	36.0	33.0	30.0	27.0
CGU B2B	26.9	25.3	23.8	22.2	20.7

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 28 February 2021, the sensitivity analysis conducted assuming a percentage increase in WACC:

as at 28 February 2021	WACC				
(In millions of Euro)					
RA Sensitivity Difference compared with CA	11.59%	12.09%	12.59%	13.09%	13.59%
CGU Retail	320.1	306.3	293.6	281.9	271.0
CGU Indirect	39.0	36.7	34.7	32.8	31.1
CGU B2B	26.9	25.6	24.5	23.4	22.4

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 28 February 2021, the sensitivity analysis conducted assuming a reduction in the perpetual growth rate (g), in the years of the explicit forecast and in the terminal value, up to a maximum of -2.0%:

as at 28 February 2021		Perpetual growth rate (g)				
(In millions of Euro)	WACC					
RA Sensitivity Difference compared with CA		(2.0%)	(1.5%)	(1.0%)	(0.5%)	(0.0%)
CGU Retail	11.69%	288.4	295.4	303.0	311.2	320.1
CGU Indirect	11.69%	33.6	34.8	36.1	37.5	39.0
CGU B2B	11.69%	23.9	24.5	25.2	26.0	26.9

Lastly, the Group has developed another analysis simulating the impacts on the recoverable amount of the CGU Retail in the event of excluding the planned opening of new sales points over the span of the business plan. The results of the analysis conducted are given below:

as at 28 February 2021		Carrying Amount (CA)	Recoverable Amount (RA)	RA compared with CA
(in millions of Euro)				
CGU Retail	EUR/mln	(30.3)	296.9	327.2

It should be pointed out that the parameters and information used for verifying the recoverability of the goodwill are affected by the macroeconomic, market and regulatory situation, and by the subjectivity of several projections of future events which may not necessarily take place, or which could take place differently from how they were projected, and therefore unforeseen changes could occur. Unfavourable and unpredictable changes to the parameters used for the impairment test could, in future, result in the need to write-down the goodwill with consequences to the results and the operating results, financial position and cash flows of the Group.

5.3 Intangible assets with definite useful life

The balance of the item “Intangible assets with a finite useful life” is given below, broken down by category as at 28 February 2021 and as at 29 February 2020:

(In thousands of Euro)	Amounts as at 28 February 2021			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	76,911	(52,392)	24,519	61,692	(46,119)	15,573
Concessions, licences and brands	13,361	(9,472)	3,889	13,361	(8,621)	4,740
Key Money	1,572	(1,572)	-	1,572	(1,572)	-
Intangible fixed assets under construction	4,519	-	4,519	6,935	-	6,935
Total intangible assets with a finite useful life	96,363	(63,436)	32,927	83,560	(56,313)	27,247

The change in the item "Intangible assets with a finite useful life" for the period from 28 February 2019 to 28 February 2021 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	8,423	-	-	6,792	15,215
Adjustment - application of IFRS 16	-	-	(6,558)	-	(6,558)
Decreases	-	-	-	(3,057)	(3,057)
Amortisation, depreciation and write downs/(write backs)	(5,669)	(995)	-	-	(6,665)
Decreases in Amortisation, Depreciation Provision	-	-	-	-	-
Balance as at 29 February 2020	15,573	4,740	-	6,935	27,247
Increases	15,219	-	-	4,235	19,454
Decreases	-	-	-	(6,650)	(6,650)
Amortisation, depreciation and write downs/(write backs)	(6,273)	(851)	-	-	(7,124)
Decreases in Amortisation, Depreciation Provision	-	-	-	-	-
Balance as at 28 February 2021	24,519	3,889	-	4,519	32,927

With regard to the financial year ended 28 February 2021, the increases net of decreases in the "Assets under construction" category totalled Euro 12,804 thousand and are mainly attributable to the "Software" category in the amount of Euro 15,219 thousand.

The increases relating to the "Software" category of Euro 15,219 thousand, are mainly due to: (i) the transition to the new SAP S/4HANA management software, (ii) new software and licenses, (iii) costs incurred in developing and updating the website http://www.unieuro.it/ and (iv) costs incurred for extraordinary operations on pre-existing management software.

The net increases in assets under construction of Euro 4,235 thousand are due to implementations of new software and existing software.

With regard to the financial year ended 29 February 2020, the increases net of decreases in the "Assets under construction" category totalled Euro 12,258 thousand and are mainly attributable to the "Software" category in the amount of Euro 8,423 thousand.

The increases relating to the "Software" category of Euro 8,423 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 Euro 6,792 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 28 February 2021 and as at 29 February 2020:

(In thousands of Euro)	Amounts as at 28 February 2021			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	562,240	(121,758)	440,482	537,197	(60,308)	476,889
Automobiles	2,777	(1,505)	1,272	2,196	(799)	1,397
Other assets	9,868	-	9,868	-	-	-
Total intangible assets with a finite useful life	574,885	(123,263)	451,622	539,393	(61,107)	478,286

The change in the item "Right-of-use assets" for the period from 29 February 2020 to 28 February 2021 is broken down below:

(In thousands of Euro)	Buildings	Automobiles	Other assets	Total
Balance as at 29 February 2020	476,889	1,397		478,286
Increases / (Decreases)	25,043	581	9,868	35,492
Amortisation, depreciation and write-downs/(write backs)	(61,450)	(706)		(62,156)
Balance as at 28 February 2021	440,842	1,272	9,868	451,622

The increases recorded in the year mainly refer to new leases relating to the opening or relocation of retail stores, the opening of the new Palazzo Hercolani (Forlì) headquarters and the new via Zampeschi (Forlì) warehouse 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 28 February 2019 to 28 February 2021 is given 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 28 February 2019	678	2,337	907	4,281	272	1,456	2,280	12,211	22,968	35,179
Provision/Releases to the Income Statement	55	1,269	1,213	-	-	357	(985)	1,909	1,386	3,295
First consolidation Carini - Comprehensive Income Statement	-	-	-	-	38	-	-	38		38
Provision/Releases to the Comprehensive Income Statement	-	-	-	-	105	-	-	105	-	105
Balance as at 29 February 2020	733	3,606	2,120	4,281	415	1,813	1,295	14,263	24,354	38,617
Provision/Releases to the Income Statement	583	(907)	(371)	(207)		3,080	(1,075)	1,103	1,000	2,103
Provision/Releases to the Comprehensive Income Statement					46			46		46
Balance as at 28 February 2021	1,316	2,699	1,749	4,074	461	4,893	220	15,412	25,354	40,766

The balance as at 28 February 2021 was Euro 40,766 thousand and was mainly composed of: (i) temporary differences mainly attributable to the provision for risks and charges and goodwill for Euro 15,412 thousand and (ii) deferred tax assets recognised on tax losses for Euro 25,354 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 Euro 14,263 thousand and (ii) deferred tax assets recognized on tax losses of Euro 24,354 thousand.

Tax losses, which were still available at 28 February 2021, totalled Euro 298,471 thousand in relation to Unieuro and Euro 6,248 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 28 February 2019	2,587	1,125	3,712
Provision/Releases to the Income Statement	138	(387)	(249)
Provision/Releases to the Comprehensive Income Statement			-
Balance as at 29 February 2020	2,725	738	3,463
Provision/Releases to the Income Statement	142	32	174
Provision/Releases to the Comprehensive Income Statement			-
Balance as at 28 February 2021	2,867	770	3,637

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 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Contract assets	8,012	6,771
Prepaid expenses and accrued income	8204	13,324
Tax credits	801	2,896
Financial receivables from leases - current portion	1,090	1,430
Other current assets	962	910

Advances to suppliers	0	24
Other current assets	**19,069**	**25,355**
Financial receivables from leases - non-current portion	7,184	8932
Deposit assets	2,319	2,373
Deposits to suppliers	571	531
Other non-current assets	8	95
Other non-current assets	**10,082**	**11,931**
Total Other current assets and Other non-current assets	**29,151**	**37,286**

The items "Prepaid expenses" and "Accrued income" equal to Euro 8,204 thousand, mainly include prepaid expenses referring to insurance, condominium expenses and rental of road signs that took place prior to 28 February 2021 and accruals coinciding with the calendar year. The decrease in this item is mainly due to insurance.

The item "Contract assets" amounting to Euro 8,012 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.

Tax receivables as at 28 February 2021 decreased mainly due to the collection during the year of 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. The decrease is essentially due to the recognition of the non-current portion of financial receivables for leases.

5.7 Inventories

Warehouse inventories break down as follows:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Merchandise	382,747	384,246
Consumables	731	640
Gross stock	**383,478**	**384,886**
Warehouse obsolescence provision	(11,425)	(15,098)
Total Inventories	**372,053**	**369,788**

The value of gross inventories went from Euro 384,886 thousand as at 29 February 2020 to Euro 383,478 thousand as at 28 February 2021, substantially in line with the value of the previous year.

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 write-down of the value of the goods with possible obsolescence indicators. The change in the provision for obsolete inventory for the period from 28 February 2019 to 28 February 2021 is broken down below:

(In thousands of Euro)	Warehouse obsolescence provision
Balance as at 28 February 2019	(9,779)
Direct write-down	-
Provisions	(5,319)
Reclassifications	-
Releases to the Income Statement	-
Utilisation	-
Balance as at 29 February 2020	(15,098)
Direct write-down	-
Provisions	-
Reclassifications	-
Releases to the Income Statement	3,673
Utilisation	-
Balance as at 28 February 2021	(11,425)

The decrease of the warehouse obsolescence provision, equal to Euro 3,673 thousand, is attributable to the adjustment of warehouse obsolescence provision that includes the prudential write-down of the value of the goods at 28 February 2021.

5.8 Trade receivables

A breakdown of the item "Trade receivables" as at 28 February 2021 and as at 29 February 2020 is shown below:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Trade receivables from third-parties	68,354	54,426
Trade receivables from related-parties	-	-
Gross trade receivables	68,354	54,426
Bad debt provision	(3,040)	(3,138)
Total Trade receivables	65,314	51,288

The value of receivables, referring mainly to the Indirect and B2B channels, has increased by Euro 14,026 thousand compared to the same period of the previous year. The change in trade receivables is mainly attributable to an increase in volumes following calendar effects.

The change in the bad debt provision for the period from 28 February 2019 to 28 February 2021 is broken down below:

(In thousands of Euro)	Bad debt provision
Balance as at 28 February 2019	(2,491)
Provisions	(747)
Releases to the Income Statement	-
Utilisation	100
Balance as at 29 February 2020	(3,138)
Provisions	
Releases to the Income Statement	98
Utilisation	
Balance as at 28 February 2021	(3,040)

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

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.

5.9 Current tax assets and liabilities

Below is a breakdown of the item "Current tax liabilities" as at 28 February 2021 and as at 29 February 2020:

Current tax liabilities

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020

Payables for IRAP (income tax)	1,703	154
Payables for IRES (income tax)	1,045	255
Taxes payable	1,041	1040
Total Current tax liabilities	3,789	1,449

As at 28 February 2021, the item "Payables for IRAP" and "Payables for IRES" include payables respectively of Euro 1,703 thousand and Euro 1,045 thousand deriving from the estimate of taxes for the year ending on 28 February 2021, and "Payables for tax liabilities" of Euro 1,041 thousand.

5.10 Cash and cash equivalents

A breakdown of the item "Cash and cash equivalents" as at 28 February 2021 and as at 29 February 2020 is shown below:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Bank accounts	206,065	85,690
Petty cash	13,301	11,022
Total cash and cash equivalents	219,366	96,712

Cash and cash equivalents stood at Euro 219,366 thousand as at 28 February 2021 and Euro 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. Instead, for more details of the net financial position, please refer to Note 5.12.

5.11 Shareholders' equity

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

(In thousands of Euro)	Share capital	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for actuarial profits/ (losses) on defined benefits plans	Reserve for share-based payments	Other reserves	Profits/ (losses) carried forward	Total shareholders' equity	Minority interests	Total shareholders' equity

Balance as at 29 February 2020	4,000	800	6,769	(353)	(1,571)	5,727	26,944	53,842	96,158	-	96,158
Profit/(loss) for the period	-	-	-	-	-	-	-	53,550	53,550	-	53,550
Other components of comprehensive income	-	-	-	220	(291)	-			(71)	-	(71)
Total comprehensive income for the period	-	-	-	220	(291)	-	-	53,550	53,479	-	53,479
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	53	-	-	-	-	(1,658)	3,251	2,012	3,658	-	3,658
Total transactions with shareholders	53	-	35,750	-	-	(1,658)	3,251	(33,738)	3,658	-	3,658
Balance as at 28 February 2021	4,053	800	42,519	(133)	(1,862)	4,069	30,195	73,654	153,295	0	153,295

Shareholders' Equity, equal to Euro 153,295 thousand as at 28 February 2021 (equal to Euro 96,158 thousand as at 29 February 2020), increased during the year mainly due to the effect: of the recognition of the consolidated profit for the year and other components of the comprehensive income statement for Euro 53,479 thousand.

The Share capital as at 28 February 2021 stood at Euro 4,053 thousand, broken down into 20,265,000 shares.

The Reserves are illustrated below:

- the legal reserve equal to Euro 800 thousand as at 28 February 2021 (Euro 800 thousand as at 29 February 2020), includes the provisions of profits in the amount of 5% for each year until the limit pursuant to article 2430 of the civil code; there were no increases in this reserve during the period.

- the extraordinary reserve of Euro 42,519 thousand as at 28 February 2021 (Euro 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;

- the cash flow hedge reserve was Euro -133 thousand as at 28 February 2021 (Euro -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 Euro 1,862 thousand as at 28 February 2021 (Euro 1,571 thousand as at 29 February 2020); it changed by Euro 291 thousand following the actuarial valuation relating to severance pay;

- the reserve for share-based payments amounting to Euro 4,069 thousand as at 28 February 2021 (Euro 5,727 thousand as at 29 February 2020); the reserve has changed due to: (i) the recognition of provisions by Euro 325 thousand net of the reclassification to the item "profit carried forward" for Euro 2,140 thousand as a result of the exercise of options, for a negative Euro 1,815 thousand, of the Long Term Incentive Plan 2018-2025 reserved for some managers and employees and (ii) the recognition of provisions for Euro 157 thousand for the 2020-2025 performance share plan. For more details, please see Note 5.28.

- other reserves equal to Euro 30,195 thousand at 28 February 2021 (Euro 26,944 thousand at 29 February 2020); it changed following the formation of the share premium reserve for Euro 3,251 thousand as a result of the exercise of the 2018-2025 Long Term Incentive Plan.

During the year ended 28 February 2021 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 profits/ (losses) on defined benefits plans	Reserve for share-based payments	Other reserves	Profits / (losses) carried forward	Total shareholders' equity	Minority interests	Total shareholders' equity
Balance as at 28 February 2019	5.11	4,000	800	-	(315)	(1,247)	3,376	26,944	57,319	90,877	-	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		-	-	-	-	-	-	-	25,596	25,596	-	25,596
Other components of comprehensive income		-	-	-	(38)	(324)	-			(361)	-	(362)
Total comprehensive income for the period		-	-	-	(38)	(324)	-	-	25,596	25,234	-	25,234
Allocation of prior year result		-	-	6,769	-	-	-	-	(6,769)	-	-	-
Covering retained losses and negative reserves		-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends		-	-	-	-	-	-	-	(21,400)	(21,400)	-	(21,400)
Share-based payment settled with equity instruments		-	-	-	-	-	2,351	-	(904)	1,447	-	1,447
Total transactions with shareholders		-	-	6,769	-	-	2,351	-	(29,073)	(19,953)	-	(19,953)
Balance as at 29 February 2020	5.11	4,000	800	6,769	(353)	(1,571)	5,727	26,944	53,842	96,158	-	96,158

Shareholders' Equity totalled Euro 96,158 thousand as at 29 February 2020 (Euro 90,877 thousand as at 28 February 2019). It increased during the year due to the combined effect of: (i) the recognition of the consolidated profit for the year for Euro 25,596 thousand and the other components of the comprehensive income statement for Euro -362 thousand, (ii) the recognition in the reserve for share-based payments for Euro 1,447 thousand referable to the Long Term Incentive Plan reserved for certain managers and employees and (iii) the distribution of a dividend of Euro 21,400 thousand as resolved on 18 June 2019 by the Shareholders' Meeting.

The Share capital as at 29 February 2020 stood at €4,000 thousand, broken down into 20,000,000 shares.

The Reserves are illustrated below:

- the legal reserve of Euro 800 thousand as at 29 February 2020 (Euro 800 thousand as at 28 February 2019), includes the financial provisions at a rate of 5% for each financial year; there were no increases during the period in this reserve which reached the limit pursuant to Article 2430 of the Italian Civil Code and has maintained it to 29 February 2020;

- the extraordinary reserve of Euro 6,769 thousand as at 29 February 2020 (Euro 0 thousand as at 28 February 2019); this reserve increased during the period as a result of the allocation of the profit by the Shareholders' Meeting at 18 June 2019;

- the cash flow hedge reserve was Euro -353 thousand as at 29 February 2020 (Euro -315 thousand as at 28 February 2019); this reserve was recorded to offset the mark to market of the hedging Interest Rate Swap agreements, taken out as required by the Loan Agreement entered into during the year (for more details, please refer to Note 5.12).

- the reserve for actuarial gains and losses on defined-benefit plans of Euro 1,571 thousand as at 29 February 2020 (Euro 1,247 thousand as at 28 February 2019); it changed by Euro 324 thousand following the actuarial valuation relating to severance pay;

- the reserve for share-based payments equal to Euro 5,727 thousand as at 29 February 2020 (Euro 3,376 thousand as at 28 February 2019); there were changes because of the recognition of Euro 2,351 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.

The reconciliation between the shareholders' equity of the parent company and the consolidated shareholders' equity as at 28 February 2021 is illustrated below:

(In millions of Euro)	Shareholders' equity as at 28 February 2021	Net result as at 28 February 2021
Balances from the Parent Company's Annual Financial Statements	152.5	54.4
Difference between the carrying amount of equity investments and the profit/(loss)	(9.2)	(0.2)
Allocation of goodwill, brand, software and customer list, net of the tax effect	10.0	(0.6)
Consolidated Financial Statements of the Unieuro Group	153.3	53.6

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

(In millions of Euro)	Shareholders' equity as at 29 February 2020	Net result as at 29 February 2020
Balances from the Parent Company's Annual Financial Statements	106.7	39.2
Difference between the carrying amount of equity investments and the profit/(loss)	(21.3)	(13.1)
Allocation of goodwill, brand, software and customer list, net of the tax effect	10.8	(0.6)
Consolidated Financial Statements of the Unieuro Group	96.2	25.6

5.12 Financial liabilities

A breakdown of the item current and non-current "Financial liabilities" as at 28 February 2021 and as at 29 February 2020 is shown below:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Current financial liabilities	9,659	9,520
Non-current financial liabilities	39,068	31,643
Total financial liabilities	48,727	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 existing borrowings relating to the *Euro Term and Revolving Facilities Agreement* were completely settled on 9 January 2018.

The credit lines include Euro 190.0 million in term loan amortising, of which Euro 50.0 million (the "Term Loan") was set up to replace the previous existing lines of credit and Euro 50.0 million (the "Capex Facility") is for acquisitions and restructuring investments on the store network, while there are Euro 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 28 February 2021 the covenant was calculated and complied with.

The Loan Agreement includes Unieuro's right of early repayment, in full or in part (in such a case of minimum amounts equal to Euro 1,000,000.00) and prior notification of the Agent Bank, of both the Term Loan and the Capex Facility. In addition, when certain circumstances and/or events are verified, Unieuro is obliged to repay the Loan early. As at 28 February 2021 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 28 February 2021 and at 29 February 2020 are illustrated below:

(In thousands of Euro)	Maturity	Original amount	Interest rate	At 28 February 2021		
				Total	of which current portion	of which non-current portion
Short-term lines of credit (1)	n.a.	74,500	0.35% - 6.5%	59	59	-
Revolving Credit Facility	jan-23	90,000	Euribor 1m+spread	-	-	-
Current bank payables				59	59	-
Term Loan	jan-23	50,000	Euribor 3m+spread	22,500	10,000	12,500
Capex Facility	jan-23	50,000	Euribor 3m+spread	27,000	-	27,000
Ancillary expenses on loans (2)				(832)	(400)	(432)
Non-current bank payables and current part of non-current debt				48,668	9,600	39,068
Total				48,727	9,659	39,068

(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.

The financial liabilities at 28 February 2021 total Euro 48,727 thousand with an increase of Euro 7,564 thousand compared to 29 February 2020. This change is mainly due to the combined effect of: (i) regular repayment of principal of the Loan of Euro 10,000 thousand, (ii) drawdown of the Capex Facility of additional Euro 17,000 thousand, used to repay the 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 832 thousand as at 28 February 2021 (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)	Year ended	
	28 February 2021	29 February 2020
Within 1 year	9,659	9,520
From 1 to 5 years	39,068	31,643
More than 5 years	-	-
Total	48,727	43,567

A breakdown of the net financial debt as at 28 February 2021 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 millions of Euro)	as at 28 February 2021	*of which with Related-Parties*	as at 29 February 2020	*of which with Related-Parties*
(A) Cash	219.4	-	96.7	-
(B) Other cash and cash equivalents	0.0	-	0.0	-
(C) Securities held for trading	0.0	-	0.0	-
(D) Liquidity (A)+(B)+(C)	**219.4**	**-**	**96.7**	**-**
- of which is subject to a pledge	0.0		0.0	-
(E) Current financial receivables	**0.1**		**0.0**	**-**
(F) Current bank payables	(0.1)	-	(0.0)	-
(G) Current part of non-current debt	(9.6)	-	(9.5)	-
(H) Other current financial payables	(67.2)	-	(68.0)	-
(I) Current financial debt (F)+(G)+(H)	**(76.9)**	**-**	**(77.5)**	**-**
- of which is secured	0.0	-	0.0	-
- of which is unsecured	(76.9)	-	(77.5)	-
(J) Net current financial position (I)+(E)+(D)	**142.6**	**-**	**19.3**	**-**
(K) Non-current bank payables	(39.1)	-	(31.6)	-
(L) Bonds issued	0.0	-	0.0	-
(M) Other non-current financial payables	(392.4)	-	(435.6)	-
(N) Non-current financial debt (K)+(L)+(M)	**(431.4)**	**-**	**(467.2)**	**-**
- of which is secured	0.0	-	0.0	-
- of which is unsecured	(431.4)	-	(467.2)	-
(O) (Net financial debt) / Net cash(J)+(N)	**(288.8)**	**-**	**(448.0)**	**-**

The decrease in net financial debt is mainly due to the combined effect of: (i) cash generation from operating activities of Euro 210,924 thousand, (ii) investments of Euro 32,433 thousand, particularly 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, including costs relating to the project aimed at adopting a new ERP and (iii) drawdowns on the Capex Facility totalling Euro 17,000 thousand.

The table below summarises the breakdown of the items "Other current financial payables" and "Other non-current financial payables" for the periods ending 28 February 2021 and 29 February 2020. See Note 5.14 "Other financial liabilities" for more details.

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Other financial liabilities	68,202	69,419
Other current financial payables	**68,202**	**69,419**
Other financial liabilities	399,562	444,532

Other non-current loans	399,562	444,532
Total financial payables	467,764	513,951

5.13 Employee benefits

The change in the item "Employee benefits" for the year from 28 February 2019 to 28 February 2021 is broken down below:

(In thousands of Euro)	
Balance as at 28 February 2019	10,994
First consolidation Carini Retail	946
First consolidation Carini Retail - Actuarial (Profits)/losses	136
Service cost	77
Interest cost	67
Settlements/advances	(551)
Actuarial (profits)/losses	319
Balance as at 29 February 2020	11,988
Service cost	67
Interest cost	64
Transfers in/(out)	916
Settlements/advances	(463)
Actuarial (profits)/losses	407
Balance as at 28 February 2021	12,979

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 year ended 28 February 2021 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:

	Year ended	
Economic recruitment	28 February 2021	29 February 2020
Inflation rate	0.80%	1.20%
Actualisation rate	0.23%	0.45%

Severance pay increase rate	2.10%	2.40%

	Year ended	
Demographic recruitment	28 February 2021	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 28 February 2021, 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 28 February 2021	
Change to the parameter	UNIEURO	MONCLICK
1% increase in turnover rate	12,455	402
1% decrease in turnover rate	12,700	415
0.25% increase in inflation rate	12,746	417
0.25% decrease in inflation rate	12,399	400
0.25% increase in actualisation rate	12,294	398
0.25% decrease in actualisation rate	12,857	419

5.14 Other financial liabilities

A breakdown of the item current and non-current "Other financial liabilities" as at 28 February 2021 and 29 February 2020 is shown below:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Payables to leasing companies	60,362	59,931
Payables for equity investments and business units	7,758	9,355

Fair value of derivative instruments	82	133
Other current financial liabilities	**68,202**	**69,419**
Payables to leasing companies	398,247	436,420
Payables for equity investments and business units	1,224	7,782
Fair value of derivative instruments	91	330
Other non-current financial liabilities	**399,562**	**444,532**
Total financial liabilities	**467,764**	**513,951**

Payables for equity investments and business units

Payables owed to leasing companies amount to a total of Euro 8,982 thousand at 28 February 2021 and Euro 17,137 thousand at 29 February 2020. The decrease of Euro 8,155 thousand is due to the amounts paid for the acquisition of former Pistone S.p.A., former Cerioni and Monclick.

Lease liabilities

Lease liabilities totalled Euro 458,609 thousand as at 28 February 2021 and Euro 496,351 thousand as 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 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 following the application of the accounting standard IFRS 16. There are no hedging instruments for the interest rates. It is here by noted that at 28 February 2021, 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 2.7.1 "Changes to the accounting standards".

The following table shows the cash flows relating to lease liabilities.

(In thousands of Euro)	Balance as at 28 February 2021	Within 12M	Between 12M and 60M	Over 60M	Total
Payables to leasing companies	458,609	60,362	231,053	167,194	458,609
Total	**458,609**	**60,362**	**231,053**	**167,194**	**458,609**

Fair value of derivative instruments

Financial instruments for hedging, as at 28 February 2021, refer to contracts entered into with Intesa Sanpaolo S.p.A., Banca Popolare di Milano S.p.A. and Crédit Agricole Cariparma S.p.A., hedging the fluctuation of financial expenses related to the Loan Agreement. The financial liability amounted to Euro 173 thousand as at 28 February 2021 (Euro 463 thousand as 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 "Funds" for the period from 28 February 2019 to 28 February 2021 is broken down below:

(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 at the date of the first time adoption of IFRS 16	-	-	*(126)*		808	682
Adjustment - application of IFRIC 23	*(1,040)*	-			-	(1,040)
Provisions	330	1,971	2	280	358	2,941
Draw-downs/releases	(802)	(487)	-	(259)	(177)	(1,725)
Balance as at 29 February 2020	1,897	4,626	-	380	3,021	9,924
- of which current portion	-	849	-	*380*	16	*1,245*
- of which non-current portion	*1,897*	*3,777*	-	-	3,005	*8,679*
Provisions	17	10,071	-	-	3,123	10,548
Draw-downs/releases	-	(1,628)	-	-	-	(1,282)
Balance as at 28 February 2021	1,914	13,069	-	380	6,144	21,507
- of which current portion	-	346	-	380	28	754
- of which non-current portion	1,914	12,723	-	-	6,115	20,752

The "Tax dispute provision", equal to Euro 1,914 thousand as at 28 February 2021 and Euro 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" amounted to Euro 12,273 thousand as at 28 February 2021 and Euro 4,626 thousand as at 29 February 2020. The increase in the year main refers to allocations for suppliers and sub-suppliers of services for which requests have been received in the area of legal and labour law from third parties who hold Unieuro jointly liable. Please also note that in January 2021, proceedings were lodged by the Competition and Market Authority for alleged unfair commercial practices by Unieuro and Monclick; the assessment of the risk that penalties may be imposed after the proceedings was performed with the support of lawyers and the risk was qualified as possible. At 28 February 2021, an allocation of Euro 2,316 thousand was recognised referring to estimated costs expected for the adoption of corrective measures to be applied for the benefit of consumers.

The "Restructuring provision", equal to Euro 380 thousand as at 28 February 2021, unchanged compared to 29 February 2020, refer mainly to the personnel restructuring process of the closing sales outlets.

"Other provisions for risks" totalled Euro 6,144 thousand as at 28 February 2021 and Euro 3,021 thousand as at 29 February 2020. The item mainly includes costs for risks with reference to logistic contracts, 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 28 February 2021 and 29 February 2020 is shown below:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Contract liabilities	187,450	154,835
Payables to personnel	42,945	38,717
Payables for VAT	17,531	16,393
Payables to welfare institutions	4,103	3,051
Payables for IRPEF (income tax)	3,623	3,036
Deferred income and accrued liabilities	3,364	2,656
Long Term Incentive Plan monetary bonus	1,694	2436
Other tax payables	458	236
Other current liabilities	6	68
Total other current liabilities	**261,174**	**221,428**
Deposit liabilities	26	26
Total other non-current liabilities	**26**	**26**
Total other current and non-current liabilities	**261,200**	**221,454**

The item "Other current and non-current liabilities" increased to Euro 39,746 thousand in the year ended 28 February 2021 compared with the year ended 29 February 2020. The increase in the item recorded in the year in question is mainly due to greater contract liabilities relating to the servicing of the extended warranty.

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

- contract liabilities of Euro 187,450 thousand at 28 February 2021 (Euro 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 Euro 42,945 thousand as at 28 February 2021 (Euro 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 Euro 17,531 thousand as at 28 February 2021 (Euro 16,393 thousand as at 29 February 2020) composed of payables resulting from the VAT settlement with regard to February 2021;

- deferred income and accrued expenses of Euro 3,364 thousand as at 28 February 2021 (Euro 2,656 thousand as at 29 February 2020) mainly relating to the recording of deferred income on revenues that were settled during the year, though they fall due later.

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

5.17 Trade payables

A breakdown of the item "Trade payables" as at 28 February 2021 and as at 29 February 2020 is shown below:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Trade payables to third-parties	503,511	477,996
Trade payables to related-parties	0	0
Gross trade payables	**503,511**	**477,996**
Bad debt provision - amount due from suppliers	1,555	1,612
Total Trade payables	**505,066**	**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 increased by Euro 25,515 thousand as at 28 February 2021 compared with 29 February 2020. The increase is correlated with a change in the promotional calendar compared to the previous year and the increase in volumes.

The change in the "Bad debt provision and suppliers account debit balance" for the year from 28 February 2019 to 28 February 2021 is given below:

(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	(248)

Utilisation	(65)
Balance as at 29 February 2020	1,612
Provisions	355
Releases to the Income Statement	(412)
Utilisation	-
Balance as at 28 February 2021	1,555

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)	Year ended				Changes	
	28 February 2021	%	28 February 2020	%	2021 vs. 2020	%
Retail	1,711,560	63.7%	1,708,595	69.9%	2,965	0.2%
Online	525,207	19.6%	297,058	12.2%	228,149	76.8%
Indirect	307,535	11.5%	263,164	10.8%	44,371	16.9%
B2B	116,861	4.4%	136,472	5.6%	(19,611)	(14.4%)
Travel	24,061	0.9%	39,608	1.6%	(15,547)	(39.3%)
Total revenues by channel	2,685,224	100.0%	2,444,897	100.0%	240,327	9.8%

The Retail channel (63.7% of total revenues) - which as at 28 February 2021 included 262 direct sales outlets - recorded sales of Euro 1,711,560 thousand, in line with the previous year. After the criticalities of the first lockdown phase, the significant growth recorded in the second (+10.3%) and third quarters (+9.1%) was also confirmed in the fourth (+8.3%), despite the persistence of limitations to the accessibility of the direct network by customers. The move to direct management of 18 Unieuro by Iper shop-in-shops, previously affiliated and internalised during the year, contributed positively to the performance of the channel.

The Online channel (19.6% of total revenues) posted growth of 76.8%, which pushed revenues to Euro 525,207 thousand, compared to Euro 297,058 thousand in the previous year. The performance, to all intents and purposes exceptional, is the result of the emergency situation that has arisen, which has led customers to favor e-commerce to the detriment of physical stores. 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 by the channel.

The Indirect channel (11.5% 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 254 sales outlets as at 28 February 2021 - recorded revenues of Euro 307,535 thousand, an increase of 16.9% compared with Euro 263,164 thousand in the previous year. In general, the distinctive characteristics of the affiliated stores - small to medium size and focused on proximity service - allowed significant business resilience only marginally impacted by the restrictions and full recovery of lost revenues from the first wave of the pandemic already in the second quarter. In addition to this is the launch in November of the partnership with the Partenope Group, which led to the launch of the Unieuro brand in the city of Naples and which partially offset the passage to the Retail channel of the Unieuro by Iper shop-in-shops previously affiliates.

The B2B channel (4.4% of total revenues) - which targets professional domestic and foreign customers that operate in industries other than those where Unieuro operates, such as hotel chains and banks, as well as operators that need to purchase electronic products to be distributed to their regular customers or to employees to accumulate points or participate in prize competitions or incentive plans (B2B2C segment) - recorded sales of Euro 116,861 thousand, down 14.4% from Euro 136,472 thousand in the previous year. The uncertain nature of revenues in this channel is confirmed, featuring an opportunistic approach influenced by multiple exogenous factors.

Lastly, the Travel channel (0.9% 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 39.3% and sales equal to Euro 24,061 thousand. The performance was inevitably affected by the collapse in air traffic generated by the pandemic and the total or partial closure of some airports, while the decrease in turnover of the stores in Milan San Babila (underground) and Turin Porta Nuova (railway station) was more contained.

Below is a breakdown of revenues by category:

(in millions of Euro and as a percentage of revenues)	Year ended				Changes	
	28 February 2021	%	28 February 2020	%	2021 vs. 2020	%
Grey	1,309,556	48.8%	1,160,174	47.5%	149,382	12.9%
White	728,804	27.1%	683,983	28.0%	44,821	6.6%
Brown	404,426	15.1%	384,494	15.7%	19,932	5.2%
Other products	134,082	5.0%	113,901	4.7%	20,181	17.7%
Services	108,356	4.0%	102,345	4.2%	6,011	5.9%
Total revenues by category	2,685,224	100.0%	2,444,897	100.0%	240,327	9.8%

The Grey category (48.8% of total revenues) - i.e., telephony, tablets, information technology, telephone accessories, cameras, as well as all wearable technological products - generated a turnover of Euro 1,309,556 thousand, an increase of 12.9% compared to Euro 1,160,174 thousand in the previous year, thanks to the ongoing purchasing trends related to smart working, e-learning and communication, which were particularly emphasised during this period. In the fourth quarter, in particular, the Grey continued to grow significantly (+16.6%), driven by smartphones and laptops.

The White category (27.1% of total revenues) - composed of large appliances (MDA) such as washing machines, tumble dryers, refrigerators or freezers and cooktops, small appliances (SDA), such as vacuum cleaners, food processors, coffee machines as well as the climate control segment - recorded sales of Euro 728,804 thousand, up by 6.6% compared with Euro 683,983 thousand in the previous year. In the last quarter, the category grew in particular thanks to the positive results of vacuum and large appliances.

The Brown category (15.1% of revenues) - including televisions and accessories, audio devices, devices for smart TVs, car accessories and memory systems - recorded total revenues of Euro 404,426 thousand, +5.2% compared with Euro 384,494 thousand in the previous year. After the strong performance in the third quarter, the category continued its growth trend in the fourth as well (+13.9%), definitively offsetting the weakness recorded in the first part of the year, also justified by the cancellation of sporting events imposed by Covid-19.

The Other products category (5% 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 revenues of Euro 134,082 million, up 17.7% compared to the previous year. The category benefited mainly from the increase in turnover generated by electric mobility products, as a consequence of the incentives and social distancing rules imposed. There was also significant growth in the entertainment segment, including consoles and video games, driven by the search for utmost home comfort.

The Services category (4% of total revenues) grew by 5.9% to Euro 108,356 thousand: the positive performance in the third and fourth quarters (+13.5% and +12.2% respectively) offset the weakness recorded in the first six months of the year, also thanks to Unieuro's continued focus on providing services to its customers, particularly the extended warranty service.

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

(In thousands of Euro)	Year ended	
	29 February 2021	29 February 2020
Abroad	7,465	4,001
Italy	2,677,759	2,440,896
Total	2,685,224	2,444,897

5.19 Other income

Below is a breakdown of the item "Other income" for the financial years ended 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Insurance reimbursements	109	3,575

Other income	796	1,551
Total Other Income	**905**	**5,126**

The item mainly includes income from the rental of computer equipment to affiliates and insurance reimbursements relating to theft or damage caused to stores. The decrease in the item "Other income" is mainly attributable to the insurance reimbursement obtained in the previous year in relation to the theft that occurred in 2017 at the Piacenza logistics platform for Euro 2,600 thousand.

5.20 Purchases of materials and external services

Below is a breakdown of the item "Purchases of materials and external services" for the financial years ended 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Purchase of goods	2,115,728	1,935,199
Transport	90,878	69,153
Marketing	49,792	52,978
Utilities	13,430	15,075
Maintenance and rental charges	12,921	13,558
General sales expenses	15,770	11,707
Other costs	24,921	20,929
Consulting	9,592	7,335
Purchase of consumables	8,045	6,267
Travel expenses	598	2,527
Payments to administrative and supervisory bodies	699	686
Total Purchases of materials and external services	**2,342,374**	**2,135,414**
Changes in inventory	(2,264)	(7,446)
Total, including the change in inventories	**2,340,110**	**2,127,968**

The item "Purchases of materials and external services", taking into account the item "Change in inventories", rose from Euro 2,127,968 thousand as at 29 February 2020 to Euro 2,343,110 thousand in the year ended 28 February 2021, an increase of Euro 212,142 thousand or 10.0%.

The main increase is attributable to the item "Purchase of goods" and "Change in inventories" for Euro 185,711 thousand, the increase of which is attributable to the increase in volumes and the implementation of the new strategy focused on increasing the turnover of stock and a different planning and mix of purchases compared to the previous year.

The item "Transport" increased by Euro 69,153 thousand at 29 February 2020 to Euro 90,878 thousand at 28 February 2021. 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 Euro 52,978 thousand as at 29 February 2020 to Euro 49,792 thousand as at 28 February 2021. 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 thus obtained to strengthen the visibility of its digital version and to consolidate communication both in the digital channel and in the more traditional communication channels TV and Radio.

The item "Utilities" and "Maintenance and rental charges" decreased by Euro 1,645 thousand and Euro 637 thousand respectively compared to 29 February 2020. 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 "General sales expenses" increased from Euro 11,707 thousand as at 29 February 2020 to Euro 15,770 thousand as at 28 February 2021. 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 rose by Euro 3,992 thousand compared with 29 February 2020 or 19.1%. The increase is mainly attributable to both an increase in the costs incurred in response to the pandemic, such as costs for cleaning and sanitising the sales outlets and for the purchase of personal protective equipment, and to an increase in allocations to the provision for risks and charges mainly relating to suppliers and sub-suppliers of services for which requests have been received in the area of legal and labour law from third parties who hold Unieuro jointly liable and allocations for the commitments undertaken by the Group for the proceeding initiated January 2021, by the AGCM - Competition and Market Authority. This trend was partially offset by the implementation of the practical expedient provided by Covid-19-Related Rent Concessions, which 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 Consolidated Financial Statements, totalling Euro 9.9 million, have been recorded as positive variable lease payments with an impact on the income statement.

The item "Consultancy" went from Euro 7,335 thousand as at 29 February 2020 to Euro 9,592 thousand as at 28 February 2021, up compared to the previous year. The increase is due to strategic, smart working project and privacy project consultancy.

5.21 Personnel costs

Below is a breakdown of the item "Personnel costs" for the financial years ended 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Year ended

	28 February 2021	29 February 2020
Salaries and wages	129,071	133,520
Welfare expenses	37,745	40,763
Severance pay	8,242	8,162
Other personnel costs	766	2,962
Total personnel costs	175,824	185,407

Personnel costs went from Euro 185,407 thousand in the year ended 29 February 2020 to Euro 175,824 thousand in the year ended 28 February 2021, a decrease of Euro 9,583 thousand or 5.2%.

"Salaries and wages" and "Welfare expenses" decreased by Euro 4,449 thousand and Euro 3,018 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 Euro 766 thousand as at 28 February 2021 (Euro 2,962 thousand as at 29 February 2020), mainly includes the cost of the share-based payment plan (the Long Term Incentive Plan) which completed its vesting period on 31 July 2020 and for the 2020-2025 Performance Share plan. Refer to Note 5.28 for more details about the share-based payment agreements.

5.22 Other operating costs and expenses

Below is a breakdown of the item "Other operating costs and expenses" for the financial years ended 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Non-income based taxes	5,445	6,152
Provision/(releases) for supplier bad debts	355	0
Provision/(releases) for the write-down of other assets	0	0
Bad debt provision/(releases)	(52)	322
Other operating expenses	1,057	789
Total other operating costs and expenses	6,805	7,263

"Other operating costs and expenses" went from Euro 7,263 thousand in the year ended 29 February 2020 to Euro 6,805 thousand in the year ended 28 February 2021, a decrease of Euro 458 thousand or 6.3%.

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 "Depreciation, amortisation and write-downs" for the financial years ended 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Amortisation of tangible fixed assets	20915	20590
Amortisation/depreciation of Right-of-use assets	62156	61,107
Intangible Assets Amortisation	7,124	6,665
Write-downs/(write backs) of tangible and intangible non-current assets	991	440
Total depreciation, amortisation and write-downs	**91,186**	**88,802**

The item "Depreciation, amortisation and write-downs" went from Euro 88,802 thousand in the year ended 29 February 2020 to Euro 91,186 thousand in the year ended 28 February 2021, recording an increase of Euro 2,384 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 financial years ended 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Other financial income	75	89
Interest income	1	2
Total financial income	**76**	**91**

"Financial income" went from Euro 91 thousand in the year ended 29 February 2020 to Euro 76 thousand in the year ended 28 February 2021, a decrease of Euro 15 thousand. This item mainly includes exchange gains realised during the year.

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

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Interest expense on bank loans	2,007	2,369
Other financial expense	11,358	11,930
Total Financial Expenses	13,365	14,299

"Financial expenses" went from Euro 14,299 thousand in the year ended 29 February 2020 to Euro 13,365 thousand in the year ended 28 February 2021, a decrease of Euro 934 thousand or -6.5%.

The item "Interest expense on bank loans" decreased as at 28 February 2021 by Euro 362 thousand compared to the same period of the previous year; this is due to improved treasury management.

The item "Other financial expenses" amounted to Euro 11,358 thousand as at 28 February 2021 (Euro 11,930 thousand as at 29 February 2020). The change refers primarily to financial expenses relating to financial liabilities for leases pursuant to IFRS 16.

5.25 Income taxes

Below is a breakdown of the item "Income taxes" for the financial years ended 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Current taxes	(7,270)	(4,308)
Deferred taxes	1,929	3,544
Allocation to tax provision and Taxes payable	(24)	(15)
Total	(5,365)	(779)

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)	Year ended			
	28 February 2021	%	29 February 2020	%
Pre-tax result for the period	58,915		26,375	
Theoretical income tax (IRES)	(14,140)	24.0%	(6,330)	24.0%
IRAP	(4,355)	(7.4%)	(2,620)	(9.9%)
Tax effect of permanent differences and other differences	13,154	22.3%	8,186	31.0%
Taxes for the period	(5,341)		(764)	
(Allocation)/release to tax provision and Taxes payable	(24)		(15)	

Total taxes	(5,365)	(779)
Actual tax rate	(9.1%)	(3.0%)

The impact of taxes on income is calculated considering (accrual to)/release from the tax provision for tax disputes. In the years ended at 28 February 2021 and at 29 February 2020, the effect of taxes on profit before taxes was negative by 9.1% and 3.0%, 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" and "Taxes payable" went from a release of Euro 15 thousand in the financial year ended 29 February 2020 to a provision of Euro 24 thousand in the financial year ended 28 February 2021.

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)	Year ended	
	28 February 2021	29 February 2020
Profit/(loss) for the year [A]	53,550	25,596
Number of shares (in thousands) taken into consideration for the purpose of calculating the basic earnings per share [B] (1)	20,016	20,000
Earnings per share (*in Euro*) [A/B]	**2.68**	**1.28**

(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 as at 28 February 2021.

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

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Profit/(loss) for the year/year [A]	53,550	25,596
Average number of shares (in thousands) [B] (1)	20,016	20,000
Effect of the options on shares upon issuance [C] (2)	-	.

Diluted earnings per share (*in Euro*) [A/(B+C)]	2.68	1.28

(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)	Year ended	
	28 February 2021	29 February 2020
Cash flow from operations		
Consolidated profit/(loss) for the consolidated year	53,550	25,596
Adjustments for:		
Income taxes	5,365	779
Net financial expenses (income)	13,289	14,208
Depreciation, amortisation and write-downs of fixed assets	91,186	88,802
Other changes	354	1,446
	163,744	130,831
Changes in:		
- Inventories	(2,265)	(7,446)
- Trade receivables	(14,026)	(10,000)
- Trade payables	26,333	7,992
- Other changes in operating assets and liabilities	52,039	28,558
Cash flow generated/(absorbed) by operating activities	62,081	19,104
Taxes paid	(2,535)	(3,677)
Interest paid	(12,359)	(13,515)
Net cash flow generated/(absorbed) by operating activities	210,931	132,743

The Consolidated net cash flow generated/(used) by operating activities was Euro 210,931 thousand (Euro +132,743 thousand in the previous year ended 29 February 2020). Cash generation is linked to the good performance of the Group's operating profitability and the careful management of working capital, due to structural and sustainable interventions on the level of stocks and one-off actions taken by management to tackle the epidemic.

Cash flow generated/(absorbed) by investment activities

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Cash flow from investment activities		
Purchases of plant, machinery, equipment and other assets	(17,789)	(16,003)
Purchases of intangible assets	(14,463)	(11,844)
Investments for business combinations and business units	(8,418)	(11,964)
Net cash inflow from acquisition	-	10
Cash flow generated/(absorbed) by investing activities	(40,851)	(39,801)

Investment activities absorbed liquidity of Euro 40,851 thousand and Euro 39,801 thousand, respectively, in the year ended 28 February 2021 and 29 February 2020.

With reference to the year ended 28 February 2021, the Company's main requirements involved:

- Investments in companies and business units totalled Euro 8,418 thousand. These investments refer to the portion paid for the acquisition of former Pistone S.p.A., former Cerioni S.p.A. and Monclick and the advance for the purchase of the former Galimberti store.
- investments in plant, machinery and equipment of Euro 17,557 thousand, mainly relating to interventions at points of sale opened, relocated or renovated during the year;
- investments in intangible assets for Euro 14,876 thousand relating to costs incurred for the purchase of new hardware, software, licenses and development of applications with a view to improving the technological infrastructure, including costs relating to the project - still being implemented - aimed at adopting a new ERP.

Cash flow generated/(absorbed) by financing activities

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020

Cash flow from investment activities[43]		
Increase/(Decrease) in financial liabilities	6,846	(3,223)
Increase/(Decrease) in other financial liabilities	(1,669)	(1,660)
Increase/(Decrease) in financial liabilities - IFRS 16 Leases	(55,907)	(54,435)
Exercise - Long Term Incentive Plan	3,304	-
Distribution of dividends	-	(21,400)
Cash flow generated/(absorbed) by financing activities	(47,426)	(80,718)

Financing absorbed liquidity of Euro 47,426 thousand in the year ended 28 February 2021 and Euro 80,718 thousand in the year ended 29 February 2020.

The cash flow from financing activities as at 28 February 2021 mainly reflects the absence of the distribution of dividends during the year (in the previous year a dividend of Euro 21,400 thousand was distributed).

5.28 Share-based payment agreements

Long-Term Incentive Plan

On 6 February 2017, the Extraordinary Shareholders' Meeting of Unieuro approved the adoption of a stock option plan (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 subscribed to the Plan in October 2017. The parties expressly agreed that the effects of granting rights should be retroactive to 29 June 2017, the date the regulations were approved by the Board of Directors.

[43] 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 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 Euro 206,452, in addition to the share premium, for a total value (capital plus premium) equal to the price at which Unieuro's shares will be placed on the MTA through the issuing of a maximum of 1,032,258 ordinary shares;

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

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

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

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

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

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

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

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

- *Monetary bonus*: the recipient who wholly or partly exercises their subscription rights shall be entitled to receive an extraordinary bonus in cash of an amount equal to the dividends that would have been received at the date of approval of this 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 previous 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 Consolidated Financial Statements as at 28 February 2021 was Euro 0.3 million.

The number of outstanding options as at 28 February 2021 is as follows:

	Number of options 28 February 2021
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	300377
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 was submitted to the Shareholders' Meeting in December 2020 for approval.

Description of the Plan's recipients

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 13 January 2021, 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 January 2021.

The Plan is intended for executive directors and/or managers with strategic responsibilities and/or employees of the Company or Group companies, understood as personnel who have an employment 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.

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.

In the financial statements, the assumptions underlying the calculation were: (i) the exercise term equal to the duration between the grant date and the right assignment date, (ii) the share price at the time of valuation, (iii) the amount of expected dividends. Lastly, consistent with the requirements of IFRS 2, (iv) the probability of Recipients leaving and (v) the probability of achieving performance targets of 100%.

The number of outstanding rights is as follows:

	Number of rights 28 February 2021
In place at the beginning of period	-
Assigned during the period	-
Granted during the period	200,000
Contribution from merger	-
Withdrawn during the period (bad leavers)	-
Outstanding at end of period	200,000
Not allocated at the beginning of period	-
Exercisable at end of period	-
Not allocated at the end of the period	-

6. RELATED-PARTY TRANSACTIONS

The tables below summarise the Group's credit and debt relations with related parties as at 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Credit and debt relations with related parties (as at 28 February 2021)						
Type	Pallacanestro Forlì 2015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
At 28 February 2021							
Other current liabilities	(70)	(61)	(148)	(3,125)	(3,404)	(261,174)	1.3%
Total	(70)	(61)	(148)	(3,125)	(3,404)		

(In thousands of Euro)	Credit and debt relations with related parties (as at 29 February 2020)						
Type	Pallacanestro Forlì 2015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
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 28 February 2021 and as at 29 February 2020:

(In thousands of Euro)	Economic relations with related parties (as at 28 February 2021)						
Type	Pallacanestro Forlì 2015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
At 28 February 2021							
Purchases of materials and external services	(294)	(95)	(571)	-	(960)	(2,342,374)	0.00%
Personnel costs	-	-	-	(5,306)	(5,306)	(175,824)	3.00%
Total	(294)	(95)	(571)	(5,306)	(6,266)		

(In thousands of Euro)	Economic relations with related parties (as at 29 February 2020)						
Type	Pallacanestro Forlì 2015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
At 29 February 2020							
Purchases of materials and external services	(278)	(96)	(524)	-	(898)	(2,135,414)	0.00%
Personnel costs	-	-	-	(5,323)	(5,323)	(185,407)	2.90%
Total	(278)	(96)	(524)	(5,323)	(6,221)		

With reference to the periods considered, the credit/debit and economic relations with related parties mainly refer to relations with Directors and Principal Executives, summarised in the following table:

Main managers	
Year ended 28 February 2021	Year ended 29 February 2020
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 Commercial Officer - Gabriele Gennai	*Chief Operations Officer - Luigi Fusco*
Chief Operations Officer - Luigi Fusco	

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

The table below summarises the Group's cash flows with related parties as at 28 February 2021 and at 29 February 2020:

(In thousands of Euro)	Related parties						
Type	Pallacanestro Forlì 2015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
Period from 1 March 2019 to 29 February 2020							
Net cash flow generated/(absorbed) by operating activities	(278)	(127)	(618)	(3,428)	(4,451)	132,743	(3.4%)
Total	(278)	(127)	(618)	(3,428)			
Period from 1 March 2020 to 28 February 2021							
Net cash flow generated/(absorbed) by operating activities	(224)	(99)	(562)	(4,326)	(5,211)	210,924	(2.5%)
Total	(224)	(99)	(562)	(4,326)	(5,211)		

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)	Year ended	
	28 February 2021	29 February 2020
Guarantees and sureties in favour of:		
Parties and third-party companies	44,143	48,829
Total	44,143	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.

Please note that the Group benefitted from general measures that could be taken advantage of by all companies and which fall within the general structure of the reference system defined by the State, or general aid linked to the economic support measures taken by the government considering the coronavirus epidemiological emergency within the limits and under the conditions set forth in Communication from the European Commission of 19 March 2020 C(2020) 1863 final temporary framework for State aid measures to support the economy in the current COVID-19 outbreak.

In the year ended 28 February 2021, 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.

Payments to the independent auditor

Payments to the independent auditor and its network for statutory audits and other services as at 28 February 2021 are highlighted below:

Type of service	Entity providing the service	Fees (in thousands of Euro)
Audit	KPMG S.p.A.	705
Attestation services	KPMG S.p.A.	46
Other services	KPMG Advisory S.p.A.	215
	Total	966

Significant events after the close of the year

The adoption of the SAP management system

The transition to the new SAP S/4HANA management software began on 1 March 2021. The adoption of the new ERP (Enterprise Resource Planning) has been planned for some time and implemented with the support of the consulting companies EY and Abstract, leaders in the sector, with the aim of radically evolving company information systems, making them technologically advanced and functional to the omnichannel growth strategy of Unieuro.

The acquisition of the Limbiate store

Following the participation in the competitive procedure announced by the Court, Unieuro was awarded the contract and on 01 March 2021, acquired the business unit of Galimberti S.p.A., in an arrangement with creditors consisting of a store located in Limbiate.

The expansion in the metropolitan area of Turin

On 31 March 2021, Unieuro announced a significant strengthening of the network in the Piedmont capital thanks to the acquisition of a business unit consisting of two 2C Srl stores and the signing of an affiliation contract for the third store managed by the same company. The three stores, previously members of the Expert purchasing group, reopened under the Unieuro sign in April.

The entry of iliad in the capital

On 6 April 2021, Unieuro acknowledged the purchase of an interest of approximately 12% of the share capital by iliad Italia, with which a successful commercial relationship is already in place and which declared its intention to accompany the Company in its long-term growth.

The consensual termination of the employment relationship with the CFO

On 9 April 2021, Unieuro and Italo Valenti signed an agreement for the consensual termination of the employment relationship, with effect from 31 May, as a result of which Italo Valenti will leave his role as Chief Financial Officer and the positions of manager in charge of preparing the corporate and accounting documents and investor relator of Unieuro and will pursue other professional opportunities.

Appendix 1

Consolidated Statement of Financial Position as at 28/02/2021 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

(In thousands of Euro)	Year ended					
	28 February 2021	Of which with Related-Parties	% Weighting	29 February 2020	Of which with Related-Parties	% Weighting
Plant, machinery, equipment and other assets	71,526			84,696		
Goodwill	195,238			195,238		
Intangible assets with definite useful life	32,927			27,247		
Right-of-use assets	451,622			478,286		
Deferred tax assets	40,766			38,617		
Other non-current assets	10,082			11,931		
Total non-current assets	802,161	-	0.0%	836,015	-	0.0%
Inventories	372,053			369,788		
Trade receivables	65,314			51,288		
Current tax assets	-			-		
Other current assets	19,069			25,355		
Cash and cash equivalents	219,366			96,712		
Total current assets	675,802	-	0.0%	543,143	-	0.0%
Total Assets	1,477,963	-	0.0%	1,379,158	-	0.0%
Share capital	4,053			4,000		
Reserves	75,588			38,316		
Profit/(loss) carried forward	73,654	(6,266)	(8.5%)	53,842	(6,221)	(11.6%)
Total shareholders' equity	153,295	(6,266)	(4.1%)	96,158	(6,221)	(6.5%)
Financial liabilities	39,068			31,643		
Employee benefits	12,979			11,988		
Other financial liabilities	399,562			444,532		
Provisions	20,752			8,679		
Deferred tax liabilities	3,637			3,463		
Other non-current liabilities	26			26		
Total non-current liabilities	467,024	-	0.0%	500,331	-	0.0%
Financial liabilities	9,659			9,520		
Other financial liabilities	68,202			69,419		
Trade payables	505,066			479,608		
Current tax liabilities	3,789			1,449		

Provisions	754			1,245		
Other current liabilities	261,174	3,404	1.3%	221,428	2,349	1.1%
Total current liabilities	848,644	3,404	0.4%	782,669	2,349	0.3%
Total liabilities and shareholders' equity	1,477,963	(2,862)	(0.2%)	1,379,158	(3,872)	(0.3%)

Appendix 2

Consolidated Income Statement as at 28/02/2021 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

(In thousands of Euro)	Year ended					
	28 February 2021	Of which with Related -Parties	% Weighting	29 February 2020	Of which with Related -Parties	% Weighting
Revenue	2,685,224			2,444,897		
Other income	905			5,126		
TOTAL REVENUE AND INCOME	2,686,129	-	0.0%	2,450,023	-	0.0%
Purchases of materials and external services	(2,342,374)	(960)	0.0%	(2,135,414)	(898)	0.0%
Personnel costs	(175,824)	(5,306)	3.0%	(185,407)	(5,323)	2.9%
Changes in inventory	2,264			7,446		
Other operating costs and expenses	(6,805)			(7,263)		
GROSS OPERATING RESULT	163,390	(6,266)	(3.8%)	129,385	(6,221)	(4.8%)
Depreciation, amortisation and write-downs of fixed assets	(91,186)			(88,802)		
NET OPERATING RESULT	72,204	(6,266)	(8.7%)	40,583	(6,221)	(15.3%)
Financial income	76			91		
Financial expenses	(13,365)			(14,299)		
PROFIT BEFORE TAX	58,915	(6,266)	(10.6%)	26,375	(6,221)	(23.6%)
Income taxes	(5,365)			(779)		
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	53,550	(6,266)	(11.7%)	25,596	(6,221)	(24.3%)

Appendix 3

Consolidated Cash Flows Statement as at 28/02/2021 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

	Year ended					
(In thousands of Euro)	28 February 2021	Of which with Related-Parties	% Weighting	29 February 2020	Of which with Related-Parties	% Weighting
Cash flow from operations						
Consolidated profit/(loss) for the consolidated year	53,550	(6,266)	(11.7%)	25,596	(6,221)	(24.3%)
Adjustments for:						
Income taxes	5,365			779		
Net financial expenses (income)	13,289			14,208		
Depreciation, amortisation and write-downs of fixed assets	91,186			88,802		
Other changes	354			1,446	1,468	101.5%
	163,744	(6,266)	(3.8%)	130,831	(4,753)	(3.6%)
Changes in:						
- Inventories	(2,265)			(7,446)		
- Trade receivables	(14,026)			(10,000)		
- Trade payables	26,333			7,992		
- Other changes in operating assets and liabilities	52,039	1,055	2.0%	28,558	302	1.1%
Cash flow generated/(absorbed) by operating activities	62,081	(5,211)	(8.4%)	19,104	(4,451)	(23.3%)
Taxes paid	(2,535)			(3,677)		
Interest paid	(12,359)			(13,515)		
Net cash flow generated/(absorbed) by operating activities	**210,931**	**(5,211)**	**(2.5%)**	**132,743**	**(4,451)**	**(3.4%)**
Cash flow from investment activities						
Purchases of plant, machinery, equipment and other assets	(17,789)			(16,003)		
Purchases of intangible assets	(14,463)			(11,844)		
Investments for business combinations and business units	(8,418)			(11,964)		
Cash contribution from merger				10		
Cash flow generated/(absorbed) by investment activities	**(40,581)**	**-**	**0.0%**	**(39,801)**	**-**	**0.0%**
Cash flow from investment activities						
Increase/(Decrease) in financial liabilities	6,846			(3,223)		
Increase/(Decrease) in other financial liabilities	(1,669)			(1,660)		
Increase/(Decrease) in financial liabilities - IFRS 16 Leases	(55,907)			(54,435)		
Increase/(Decrease) in shareholder loans	3,304					

Distribution of dividends				(21,400)		
Cash flow generated/(absorbed) by investment activities	(47,426)	-	0.0%	(80,718)	-	0.0%
Net increase/(decrease) in cash and cash equivalents	122,654	(5,211)	(4.2%)	12,224	(4,451)	(36.4%)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	96,712			84,488		
Net increase/(decrease) in cash and cash equivalents	122,654			12,224		
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	219,366			96,712		

Appendix 4

Consolidated Income Statement as at 28/02/2021 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

	Year ended					
(In thousands of Euro)	28 February 2021	Of which non-recurring	% Weighting	29 February 2020	Of which non-recurring	% Weighting
Revenue	2,685,224			2,444,897		
Other income	905			5,126	2,746	53.6%
TOTAL REVENUE AND INCOME	2,686,129			2,450,023	2,746	0.1%
Purchases of materials and external services	(2,342,374)	(9,155)	0.4%	(2,135,414)	(8,412)	0.4%
Personnel costs	(175,824)	(303)	0.2%	(185,407)	(1,329)	0.7%
Changes in inventory	2,264			7,446	(1,589)	(21.3%)
Other operating costs and expenses	(6,805)			(7,263)	(726)	10.0%
GROSS OPERATING RESULT	163,390	(9,458)	(5.8%)	129,385	(9,310)	(7.2%)
Depreciation, amortisation and write-downs of fixed assets	(91,186)			(88,802)		
NET OPERATING RESULT	72,204	(9,458)	(13.1%)	40,583	(9,310)	(22.9%)
Financial income	76			91		
Financial expenses	(13,365)			(14,299)		
PROFIT BEFORE TAX	58,915	(9,458)	(16.1%)	26,375	(9,310)	(35.3%)
Income taxes	(5,365)	823	15.1%	(779)	810	0.0%
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	53,550	(8,635)	(16.1%)	25,596	(8,500)	(33.2%)

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 28 FEBRUARY 2021 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 implementation of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements in 2021.

It is also certified that the 2021 Consolidated Financial Statements of the Unieuro Group:

- were prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the results of the books and accounting records;
- provide a true and accurate representation of the balance sheet, income statement and financial position of the issuer and of all the companies included in the consolidation.

The 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.

06 May 2021

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

SEPARATE FINANCIAL STATEMENTS 28/02/2021

CONTENTS

STATEMENT OF FINANCIAL POSITION

(In thousands of Euro)		Year ended	
	Notes	28 February 2021	29 February 2020
Plant, machinery, equipment and other assets	5.1	71,478	79,959
Goodwill	5.2	188,039	170,767
Intangible assets with definite useful life	5.3	28,606	22,148
Right-of-use assets	5.4	451,520	454,994
Deferred tax assets	5.5	40,766	38,307
Other non-current assets	5.6	22,633	42,250
Total non-current assets		803,042	808,425
Inventories	5.7	371,390	351,109
Trade receivables	5.8	75,287	86,486
Current tax assets	5.9	-	-
Other current assets	5.6	18,804	25,168
Cash and cash equivalents	5.10	203,873	80,191
Total current assets		669,354	542,954
Total assets		1,472,396	1,351,379
Share capital	5.11	4,053	4,000
Reserves	5.11	75,540	38,392
Profit/(loss) carried forward	5.11	72,901	60,831
Total shareholders' equity		152,494	103,223
Financial liabilities	5.12	39,068	31,643
Employee benefits	5.13	12,570	10,551
Other financial liabilities	5.14	399,558	426,675
Provisions	5.15	20,527	8,499
Deferred tax liabilities	5.5	2,475	2,082
Other non-current liabilities	5.16	26	26
Total non-current liabilities		474,224	479,476
Financial liabilities	5.12	9,659	9,520
Other financial liabilities	5.14	68,119	66,227
Trade payables	5.17	503,166	477,250
Current tax liabilities	5.9	3,803	1,473
Provisions	5.15	747	1,238
Other current liabilities	5.16	260,184	212,972
Total current liabilities		845,678	768,680
Total liabilities and shareholders' equity		1,472,396	1,351,379

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

INCOME STATEMENT

(In thousands of Euro)		Year ended	
	Notes	28 February 2021	29 February 2020
Revenue	5.18	2,659,283	2,425,895
Other income	5.19	1,610	5,491
TOTAL REVENUE AND INCOME		2,660,893	2,431,386
Purchases of materials and external services	5.20	(2,318,786)	(2,108,521)
Personnel costs	5.21	(173,865)	(170,157)
Changes in inventory	5.7	2,053	(11,024)
Other operating costs and expenses	5.22	(6,728)	(6,828)
GROSS OPERATING RESULT		163,567	134,856
Amortisation, depreciation and write-downs	5.23	(90,198)	(83,808)
NET OPERATING RESULT		73,369	51,048
Financial income	5.24	74	82
Financial expenses	5.24	(13,367)	(13,879)
PROFIT BEFORE TAX		60,076	37,251
Income taxes	5.25	(5,645)	(1,501)
PROFIT/(LOSS) FOR THE YEAR		54,431	35,750
Basic earnings per share (in Euro) [44]	5.26	2.68	1.79
Diluted earnings per share (in Euro) [49]	5.26	2.68	1.79

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

STATEMENT OF COMPREHENSIVE INCOME

(In thousands of Euro)		Year ended	
	Notes	28 February 2021	29 February 2020
PROFIT/(LOSS) FOR THE YEAR		54,431	35,750
Other components of comprehensive income that are or could be restated under profit/(loss) for the year:			
Gain/(losses) on cash flow hedges	5.14	290	(49)
Income taxes		(70)	12
Total other components of comprehensive income that are or could be restated under profit/(loss) for the year	5.11	220	(37)
Other components of comprehensive income that will not subsequently be restated under profit/(loss) for the year:			
Actuarial gains (losses) on defined benefit plans	5.13	(418)	(313)
Income taxes		116	87
Total other components of comprehensive income that will not subsequently be restated under profit/(loss) for the year:	5.11	(302)	(226)
Total statement of comprehensive income for the year		54,349	35,487

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

[44] The Base Result and diluted per share was computed with reference to the Profit/(Loss) for the year.

CASH FLOWS STATEMENT[45]

(In thousands of Euro)	Notes	Year ended 28 February 2021	Year ended 29 February 2020
Cash flow from operations			
Profit/(loss) for the year	5.11	54,431	35,750
Adjustments for:			
Income taxes	5.25	5,645	1,501
Net financial expenses (income)	5.24	13,293	13,797
Depreciation, amortisation and write-downs of fixed assets	5.23	90,198	83,808
Other changes		354	1,446
		163,921	136,302
Changes in:			
- Inventories	5.7	(2,053)	11,024
- Trade receivables	5.8	13,886	(44,843)
- Trade payables	5.17	23,757	10,146
- Other changes in operating assets and liabilities	5.6-5.15-5.16	23,953	1,515
Cash flow generated/(absorbed) by operating activities		59,543	(22,158)
Taxes paid	5.25	(2,535)	(3,677)
Interest paid	5.24	(12,363)	(13,104)
Net cash flow generated/(absorbed) by operating activities	5.27	208,566	97,363
Cash flow from investment activities			
Purchases of plant, machinery, equipment and other assets	5.1	(17.782)	(12,569)
Purchases of intangible assets	5.3	(14.477)	(11,670)
Investments for business combinations and business units	5.6	(8,417)	(12,062)
Cash flow generated/(absorbed) by investment activities	5.27	(40,677)	(36,301)
Cash flow from investment activities			
Increase/(Decrease) in financial liabilities	5.12	6,846	(3,223)
Increase/(Decrease) in other financial liabilities	5.14	1,366	17,597
Increase/(Decrease) in financial liabilities - IFRS 16 Leases	5.14	(55,723)	(51,257)
Exercise - Long Term Incentive Plan	5.13	3,304	-
Distribution of dividends	5.11	-	(21,400)
Cash flow generated/(absorbed) by financing activities	5.27	(44,207)	(58,283)
Net increase/(decrease) in cash and cash equivalents		123,682	2,779
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		80,191	77,412
Net increase/(decrease) in cash and cash equivalents		123,682	2,779
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		203,873	80,191

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

[45] 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".

STATEMENT OF CHANGES IN 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
Balance as at 28 February 2019	5.11	4,000	800	-	(315)	(1,270)	3,376	26,944	54,156	87,691
Effect of changes in accounting standard IFRS 16		-	-	-	-	-	-	-	-	-
Adjusted balance as at 1 March 2019	5.11	4,000	800	-	(315)	(1,270)	3,376	26,944	54,156	87,691
Profit/(loss) for the year		-	-	-	-	-	-	-	35,750	35,750
Other components of comprehensive income		-	-	-	(37)	(226)	-		-	(263)
Total statement of comprehensive income for the year		-	-	-	(37)	(226)	-	-	35,750	35,487
Allocation of prior year result		-	-	6,769	-	-	-	-	(6,769)	-
Distribution of dividends		-	-	-	-	-	-	-	(21,400)	(21,400)
Share-based payment settled with equity instruments		-	-	-	-	-	2,351	-	(906)	1,445
Total transactions with shareholders		-	-	6,769	-	-	2,351	-	(29,075)	(19,955)
Balance as at 29 February 2020	5.11	4,000	800	6,769	(352)	(1,496)	5,727	26,944	60,831	103,223
Carini Retail merger						(113)	-	-	(8,622)	(8,735)
Adjusted balance as at 1 March 2020		4,000	800	6,769	(352)	(1,609)	5,727	26,944	52,209	94,488
Profit/(loss) for the year		-	-	-	-	-	-	-	54,431	54,431
Other components of comprehensive income		-	-	-	220	(302)	-			(82)
Total statement of comprehensive income for the year		-	-	-	220	(302)	-	-	54,431	54,349
Allocation of prior year result		-	-	35,750	-	-	-	-	(35,750)	-
Share-based payment settled with equity instruments		53	-	-	-	-	(1,658)	3,251	2,011	3,657
Total transactions with shareholders		53	-	35,750	-	-	(1,658)	3,251	(33,739)	3,657
Balance as at 28 February 2021	5.11	4,053	800	42,519	(132)	(1,911)	4,069	30,195	72,901	152,494

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

NOTES

1. INTRODUCTION

Unieuro S.p.A. (hereinafter referred to as the "**Company**" or "**Unieuro**") is a company under Italian law with registered office in Forlì in Via Piero Maroncelli 10, operating in the retail and online distribution of electric appliances and consumer electronics.

On 9 June 2017 On 23 February 2017 Unieuro finalised a contract concerning the acquisition of 100% of the share capital of Monclick S.r.l. (hereinafter also referred to as "**Monclick**"). The price agreed upon between the parties was Euro 10,000 thousand. Through its acquisition of Monclick, Unieuro intends to strengthen its position in the online sales sector (exploiting Monclick's competitive position) and to launch and develop, as the leading specialist operator, the marketing of electronic consumer goods in the B2B2C channel.

On 1 March 2019 Unieuro finalised a contract concerning the acquisition of 100% of the share capital of Carini Retail S.r.l. (hereinafter also referred to as "**Carini Retail**"). The price agreed upon between the parties was Euro 17,400 thousand. With this acquisition, Unieuro announced its entry into Sicily, a region of five million inhabitants with little coverage until that time. The transaction took place through the acquisition of 100% of the share capital of a newly established company owning 12 stores in Sicily which belonged to Pistone S.p.A., one of the largest shareholders of the Expert purchasing group operating in Italy, headquartered in Carini (Palermo).

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 merger transaction was accounted for based on the principle of the continuity of values, with accounting effects backdated to 1 March 2020, the comparative data presented related exclusively to the separate financial statements of Unieuro S.p.A. at 29 February 2020.

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. In April 2020, the telecommunications operator iliad announced the purchase of a stake equal to approximately 12% of the share capital of Unieuro, of which 1.9% through an equity swap contract expiring on 17 September 2021[46].

[46] Ref. Press Release 6 April 2021.

Based on the information available to date, the other major shareholders of Unieuro are[47] the asset management company Amundi Asset Management (6.8% of the capital), some members of the Silvestrini family that overall own 7.3%, Mediolanum Gestione Fondi Sgr (4.9%) and J.P. Morgan Asset Management (3.3%).

[47] Sources: Consob; Minutes of the Shareholders' Meeting of 17 December 2020.

2. CRITERIA ADOPTED FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY AND SUMMARY OF THE ACCOUNTING PRINCIPLES

Below are the preparation criteria, the main accounting principles and valuation criteria adopted for the drafting of the separate financial statements for the year of the company Unieuro S.p.A. (the "Separate Financial Statements"). Said principles and criteria have been applied consistently for all the years presented in this document, taking into account as specified in note 2.6.1 "Changes to accounting standards".

2.1 Basis of preparation of the financial statements

The Separate Financial Statements for the year comprised the statement of financial position and income statement, the statement of comprehensive income, a statement of cash flows and the statement of changes in equity for the years ended 28 February 2021 and 29 February 2020, accompanied by the relative notes.

On 5 August 2020, Unieuro and Carini Retail signed the merger deed relating to the merger by incorporation of the subsidiary Carini Retail into the parent company Unieuro. The merger transaction was accounted for based on the principle of the continuity of values, with accounting effects backdated to 1 March 2020, the comparative data presented relate exclusively to the separate financial statements of Unieuro at 29 February 2020. For further details, please refer to section 2.8 Carini Retail merger.

2.2 Preparation criteria for the financial statements

The Separate Financial Statements were drafted on a going-concern basis, since the directors verified that there were no indicators of a financial, operating or other nature of any critical areas regarding the Company's ability to honour its obligations in the foreseeable future and over the next 12 months; for further details on the impact of the Covid-19 pandemic please see section 12 Coronavirus Epidemic in the Report on Operations.

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

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

The major shareholders of the Company as at 28 February 2021 are listed in the Introduction.

The Separate Financial Statements are presented in Euro, which is the Company's functional currency. 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 Separate Financial Statements as at 28 February 2021, approved by the Company's Board of Directors on 6 May 2021, are audited and will be presented for the approval of the Shareholders' Meeting.

2.3 Statement of compliance with IFRS

The Financial Statements for the year were prepared in compliance with the International Accounting standards (IAS/IFRS) which are issued by the International Accounting Standards Board (IASB) and their relative interpretations (SIC/IFRIC), adopted by the European Union. The year during which the company first adopted the International Accounting standards (IAS/IFRS) was the year ended 28 February 2007.

Furthermore, the annual Financial Statements were prepared in compliance with the provisions adopted by Consob for financial statements in application of article 9 of Legislative Decree 38/2005 and other rules and provisions issued by Consob regarding financial statements. In particular, it is hereby noted that with regard to Consob resolution 15519 of 27 July 2006 and Communication no. DEM6064293 of 28 July 2006 regarding financial statements, specific schedules have been added to the income, balance sheet and cash flow statements indicating significant relations with related parties and specific income statement schedules indicating, for each item, the non-recurring component.

2.4 Financial statement schedules

In addition to these notes, the financial statements consist of the following schedules:

a) Statement of financial position: the company's equity and income is shown by distinctly presenting current and non-current assets and current and non-current liabilities with a description in the notes for each asset and liability items of the amounts that are expected to be recovered or settled within or later than 12 months from the balance sheet date.

b) Income statement: the classification of the costs in the income statement is based on their nature, showing the interim results relative to the gross operating result, the net operating result and the result before taxes.

c) Statement of comprehensive income: this item includes the profit/(loss) for the year as well as the income and expenses recognized directly in equity for transactions other than those with shareholders.

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

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

The annual Financial Statements are shown in comparative form.

2.5 The use of estimates and valuations in the preparation of the financial statements

In application of the IFRS, the preparation of the separate financial statements requires the usage of estimates and assumptions that have an effect on the values of the statement of financial position assets and liabilities and the information regarding the contingent assets and liabilities at the date of reference. Management uses estimates to make provisions for credit risks and the provision for 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, performing asset valuations, testing goodwill and interests 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.

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

Recoverable value of non-current assets

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

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

Recoverability of deferred tax assets

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

Bad debt provision

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

Obsolescence Provision

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

Contract asset related to the sale of warranty extension services

The extension of a product warranty over and above the warranty required of the manufacturer by the law is among the services that Unieuro offers to its customers. This service is sold directly in the sales outlets by recognising an additional amount to that of the product sold. Sales reps are awarded an incentive for each additional sale of extended warranty services.

When warranty services are sold, Unieuro recognises an asset equal to the value of bonuses paid to employees, then recognises this asset as cost throughout the time that the services are being provided. The release of this asset as a cost is determined on the basis of the estimated interventions for repairs under warranty in line with the reversal of the contract liability relating to the sale of warranty extension services.

Trade payables

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

Contract liability related to the sale of warranty extension services

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

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

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

Lease liabilities and right-of-use assets

The Company recognises the right-of-use asset and the lease liability. The right-of-use asset is initially valued at cost, and subsequently at cost, net of amortisation and cumulative impairment losses, and adjusted to reflect the revaluations of the lease liability.

The Company evaluates the lease liability at the present value of the payments due for unpaid leases at the effective date.

The lease liability is subsequently increased by the interest accruing on said liability and decreased by the payments due for the lease made and is revalued in the event of a change in future payments due for the lease deriving from a change in the index or rate, or when the Company changes its valuation with reference to the exercise or otherwise of an extension or termination.

Lease contracts in which the Company acts as lessee may provide for renewal options with effects, therefore, on the duration of the contract. Valuations on the existence of a relative certainty that this option is (or not) exercised can influence, even significantly, the amount of lease liabilities and right-of-use assets.

The Company classifies sub-leases in which it acts as a lessor, as financial leases.

Defined benefit plans and other post-employment benefits

The Company provides a defined benefit plan to its employees (employees severance indemnity).

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

Provisions

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

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

Share based payment plan settled with equity instruments

Long-Term Incentive Plan

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

Performance shares 2020-2025

The fair value measurement is recorded according to an actuarial method. The assumptions underlying the calculation were: (i) the exercise term equal to the duration between the grant date and the assignment date, (ii) the share price at the time of valuation, (iii) the amount of expected dividends. Lastly, consistent with the requirements of IFRS 2, the probability of Recipients leaving and the probability of achieving performance targets of 100%. For more details, please see Note 5.28.

Hedging derivatives

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

2.6 Accounting principles

The accounting criteria and standards adopted for the preparation of these Separate Financial Statements were the same as those applied in preparing the Unieuro 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.

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 Financial Report and recorded as positive variable lease payments in the income statement amount to Euro 9,911 thousand.

It should be noted that on 31 March 2021, the IASB published the amendment to IFRS 16 Leases: *Covid-19-Related Rent Concessions beyond 30 June 2021*, which extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting of the concessions granted to lessees due to Covid-19. The European Union is still in the midst of the process of adopting this measure.

2.6.2 Significant accounting standards

Business combinations and goodwill

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

Every contingent consideration is recognized by the Company at the fair value as at the acquisition date. Fair value gains and losses of the contingent consideration classified as assets or liabilities are recognized in profit or loss as required by IFRS 9. If the contingent liability is classified in shareholders' equity, its initial value will never be subsequently re-determined.

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

- represents the smallest level within the company at which goodwill is monitored for internal operating purposes;
- is not larger than the operating segments that have been identified.

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

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

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

Transactions under common control are recognized at their carrying amount, i.e., without recognising a gain, pursuant to the IFRS and the guidance of OPI 1 (Assirevi's preliminary considerations about the IFRS) about the accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements. According to these guidelines, in the event of business combinations in which the acquired company is controlled by the same entity, whether before or after the acquisition, the net assets must be recognised at their book value recorded in the books of the acquired company prior to the operation. When the transfer values are higher than the historical values, the excess must be eliminated by adjusting the acquiring company's shareholders equity downwards.

Hierarchical levels of fair value measurement

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

- Level 1: the inputs consist of listed prices (not amended) in active markets for identical assets or liabilities which the company can access on the measurement date. A listed price on an active market which is liquid is the most reliable proof for the fair value measurement, and if the market for the asset/liability is not unique it is necessary to identify the most beneficial market for the instrument;

- - Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or the liability has a specific duration, a level 2 input must be observable for the entire duration of the asset or the liability. Some examples of instruments which fall within the second hierarchical level are the following: assets or liabilities in markets which are not active or interest rates and yield curves which are observable at intervals that are commonly listed;

- - Level 3: unobservable inputs for the asset or liability. The non-observable inputs shall be used only if the inputs of level 1 and 2 are not available. Notwithstanding this, the purpose remains the same, that is to determine a closing price on the valuation date, therefore reflecting the assumptions that the market operators would use in determining the price of the asset or the liability, including the assumptions related to the risk.

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

Recognition and measurement

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

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

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

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

Subsequent costs

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

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

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

Depreciation

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

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

The depreciation rates are determined according to economic - technical rates in relation to the estimated useful life of the individual assets established pursuant to the company plans for usage which also consider the physical and technological wear and take into account the presumable realizable value estimated net of costs for scrapping the asset. When the tangible asset consists of several significant components with different useful lives, each component is appreciated separately. When events occur that indicate possible impairment of tangible fixed assets, or when there are significant reductions in the market value of these assets, significant technological changes or significant obsolescence, the net book value, regardless of the depreciation that has already been recognised, is subject to verification based on an estimate of the current value of future cash flows and eventually adjusted. Subsequently if such conditions do not come to pass, the impairment will be written down to the book value that would have existed (net of depreciation) if the impairment of the asset had never been recognised.

Depreciation is calculated on a straight-line basis over the asset's estimated useful life using the following rates:

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

E-MARKET SDIR CERTIFIED

Intangible assets with definite useful life

Initial recognition and measurement

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

Subsequent costs

Costs incurred subsequently to purchase are capitalised only when the expected future economic benefits which are attributable to the asset they refer to are increased. All other subsequent costs are recognised in the income statement once incurred.

Depreciation

Intangible fixed assets are amortized based on their useful life and they are tested for impairment whenever there are indications of a possible loss in their value. The period and method of amortization applied to them are re-examined at the end of each financial year or more frequently if necessary. Any changes to the depreciation schedule are applied prospectively.

The profits or the losses from elimination of an intangible fixed asset are measured from the difference between the net revenue from the sale and the book value of the intangible asset, and they are recognised in profit and loss in the year during which the elimination takes place.

It is recognized in profit or loss when the asset is derecognized. Amortization is calculated on a straight-line basis over the asset's estimated useful life using the following rates:

Category	% used
Software	20%
Software- ERP	10%
Entry rights	Based on the duration of the lease beginning from the date that the shop opens
Brands	5-10%

Leased assets

The right-of-use asset is initially valued at cost, including the amount of the initial valuation of the lease liability, adjusted for the payments due for the lease made on or before the effective date, increased by the initial direct costs incurred and an estimate of the costs that the lessee will have to incur for the dismantling and removal of the underlying asset or for the restoration of the underlying asset or the site where it is located, net of lease incentives received.

The right-of-use asset is subsequently amortised on a straight-line basis from the effective date to the end of the lease term. Furthermore, the asset for the right of use is regularly reduced by any impairment losses and adjusted to reflect any changes deriving from subsequent valuations of the lease liability.

At the effective date of the lease, the Company recognises lease liabilities by measuring them at the present value of the payments due for the lease not yet paid at that date. Payments due include fixed payments (including fixed payments in substance) net of any lease incentives to be received, variable lease payments that depend on an index or rate, and amounts that are expected to be paid as residual value guarantees. The lease payments also include the exercise price of a purchase option if it is reasonably certain that this option will be exercised by the Company and the lease termination penalty payments, if the lease term takes into account the exercise by the Company of the termination option of the lease. Variable lease payments that are not dependent on an index or rate are recognised as costs in the period in which the event or condition that generated the payment occurs.

In calculating the present value of the payments due, the Company uses the marginal borrowing rate. After the effective date, the amount of the lease liability increases to reflect interest on the lease liability and decreases to reflect payments made. Furthermore, the carrying amount of lease payables is restated in the event of any changes to the lease or the revision of the contractual terms for the modification of payments; it is also restated in the presence of changes in future payments resulting from a change in the index or rate used to determine such payments.

The Company applies the exemption for the recognition of leases relating to assets of modest value and to contracts with a duration of 12 months or less.

The Company, in its capacity as intermediate lessor in a sub-lease agreement, classifies the sub-lease as financial with reference to the assets consisting in the right of use deriving from the main lease.

The Company adopted the amendment to IFRS 16 Leases Covid-19-Related Rent Concessions, which 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. 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 section 2.6.1 Changes to the accounting standards.

Financial assets

Unieuro determines the classification of its financial assets on the basis of the business model adopted to manage them and the characteristics of the related cash flows and, where appropriate and permitted, reviews this classification at the end of each year.

a) Financial assets measured at amortised cost

Financial assets for which the following requirements are met are classified in this category:

(i) the asset is held as part of a business model the objective of which is to own the asset aimed at collecting contractual cash flows; and

(ii) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

These are mainly receivables from customers, loans and other receivables.

Trade receivables that do not contain a significant financial component are recognised at the price defined for the related transaction (determined according to the provisions of IFRS 15 Revenue from contracts with customers).

Other receivables and loans are initially recognised in the financial statements at their fair value increased by any accessory costs directly attributable to the transactions that generated them.

Assigned receivables are derecognised if the assignment provides for the total transfer of the connected risks and benefits (contractual rights to receive the flows from a financial asset). The difference between the carrying amount of the asset sold and the consideration received is recognised as financial components of income.

In the subsequent measurement, financial assets at amortised cost, with the exception of receivables that do not contain a significant financial component, use the effective interest rate. The effects of this measurement are recognised as financial components of income.

With reference to the impairment model, Unieuro evaluates receivables by adopting an expected loss logic.

For trade receivables, Unieuro adopts a simplified approach to valuation that does not require the recognition of periodic changes in credit risk, but rather the accounting of an Expected Credit Loss (ECL) calculated over the entire life of the credit (lifetime ECL). In particular, trade receivables are fully written down in the absence of a reasonable expectation of recovery (e.g. bankruptcy situations).

Write-downs made pursuant to IFRS 9 are recognised in the consolidated income statement net of any positive effects associated with releases or write-backs of value and are represented under operating costs.

b) Financial assets at fair value with balancing entry in the comprehensive income statement (FVOCI)

Financial assets for which the following requirements are met are classified in this category:

(i) the asset is held as part of a business model the objective of which is achieved both through the collection of contractual cash flows and through the sale of the asset;

(ii) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

These assets are initially recognised in the financial statements at their fair value increased by any accessory costs directly attributable to the transactions that generated them. In the subsequent measurement, the valuation made at the time of recognition is updated and any changes in fair value are recognised in the comprehensive income statement.

With reference to the impairment model, as described in point a) above is followed.

c) Financial assets at fair value with balancing entry in the consolidated income statement (FVPL)

Financial assets that are not classified in any of the previous categories (i.e. residual category) are classified in this category. These are mainly derivative instruments.

The assets belonging to this category are recognised at fair value at the time of their initial recognition.

The ancillary costs incurred when recording the asset are immediately recognised in the income statement.

In the subsequent measurement, FVPL financial assets are measured at fair value.

Gains and losses deriving from changes in fair value are accounted for in the consolidated income statement in the period in which they are recognised.

Purchases and sales of financial assets are accounted for at the settlement date.

Financial assets are removed from the financial statements when the related contractual rights expire, or when Unieuro transfers all the risks and benefits of ownership of the financial asset.

Equity investments in subsidiary companies

Equity investments in subsidiary companies (not classified as held for sale) are classified under the item "other non-current assets" and they are recorded at cost, adjusted for losses in value.

The positive differences that emerge during the acquisition of equity investments between the price and the corresponding shares of shareholders' equity are maintained in the carrying amount of the actual equity investments. The purchase or sale values of equity investments, business units or corporate assets under joint control are reported in line with the historical carrying amounts of the cost without recording capital gains or capital losses.

If there are indications that the equity investments may have suffered a reduction in value, they are subjected to impairments tests and written down if necessary. For the impairment loss to be debited to the income statement there must be objective evidence that events have occurred which have an impact on the future estimated cash flows of the actual equity investments. Any losses exceeding the carrying amount of the equity investments that may emerge in the presence of legal or implicit obligations for hedging the losses of the investee companies are recorded under provision for risks and charges. The original value is restored in subsequent years if the reasons for the impairment no longer exist.

The related dividends are recorded under financial income from equity investments at the time the right to obtaining them is established, which usually coincides with the shareholders' meeting resolution.

Business combination under common control

The business combination under common control falls within the scope of those which OPI 2 revised defines as "mergers characterised as restructuring", mergers in which one or more subsidiaries are merged into the parent company. Given the elements characterising parent-subsidiary mergers by incorporation (absence of economic exchange with third parties and continuation of control over the acquired entity), these transactions cannot be considered business combinations. Therefore, they are not subject to the application of IFRS 3. These transactions are by their nature lacking in significant influence on the cash flows of the companies merged. The merger is recognised according to the principle of the continuity of values of consolidated financial statement.

Inventories

The inventories are measured at the lower of the cost and net realizable value. The cost of inventories includes all costs required to bring the inventories to their current location and status. This includes in particular the purchase price net of premiums attributable to products and other costs which are directly attributable to the purchase of the merchandise. Commercial discounts, returns and other similar items are deducted when determining the acquisition cost. The method used for the cost of inventories is the average weighted cost method.

The value of the obsolete and slow moving inventories is written down in relation to the possibility of use or realization, through Inventory bad debt provision.

Cash and cash equivalents

The cash and cash equivalents include cash on hand and sight and short term deposits of no more than three months. For the purpose of the cash flow, the cash and cash equivalents are represented as cash on hand as defined above, net of bank overdrafts.

Financial liabilities

The financial liabilities are initially recognized at the fair value of the consideration received net of the transaction costs that are directly attributable to the loan itself. After initial recognition, the financial liabilities are measured using the amortised cost criteria, applying the effective interest rate method. Amortization at the effective interest rate method is included among financial liabilities in the income statement.

If there is a change in expected cash flows, the value of the liabilities is recalculated to reflect that change on the basis of the present value of the new expected cash flows and the internal rate of return determined initially.

Liabilities arising from employee benefits

Post-employment benefits may be offered to employees through defined contribution plans and/or defined benefit plans. These benefits are based on the remuneration and the years of service of the employees.

Defined contribution plans are post-employment benefit plans based on which the company and sometimes its employees pay contributions of a specific amount into a distinct entity (a fund) and the Company does not and will not have a legal or implicit obligation to pay additional contributions if the fund does not have assets that are sufficient to cover the obligations to the employees.

The defined benefit plans are plans for benefits after the end of the employment relationship, which differ from defined contribution plans. Defined benefit plans can be financed either completely or partially by contributions paid by the company, and sometimes by its employees, to a company or a fund, which is legally distinct from the company that provides the benefits to the employees.

The amount which accrues is projected into the future to estimate the amount payable upon termination of the employment relationship and subsequently discounted to take into account the time that has passed prior to the actual payment.

The adjustments to the liabilities regarding employee benefits are determined on the basis of actuarial assumptions, which are based on demographic and financial assumptions and recognised on an accrual basis concurrently with the employment services required in order to obtain the benefit. The amount of the rights accrued during the year by the employees and the portion of the interests on the accrued amount at the beginning of the period and the corresponding movements referring to the same period observed is allocated to the income statement under the item "Personnel expenses" while the financial expense arising from the actuarial calculation is recognised in the comprehensive statement of income under the item "Profit (loss) from restatement of defined benefit plans".

The actuarial valuation is carried out by an actuary who is not employed by the Company.

Following the amendments made to the employee severance indemnity ("TFR") provisions of Law 296 of 27 December 2006 and the subsequent decrees and regulations ("Social Security Reform") issued in the initial months of 2007:

- the TFR accrued up to 31 December 2006 is considered to be a defined benefit plan pursuant to IAS 19. Benefits provided to employees in the form of TFR which are granted upon termination of the employment relationship are recognised in the vesting period;
- TFR which accrues subsequently to 1 January 2007 is considered to be a defined contribution plan and therefore the contributions accrued during the period are recognised as a cost in their entirety and the portion which has not yet been paid is recognised as a liability under "Other current liabilities".

Provisions

The allocations to provisions are made when the Company is required to fulfil an actual obligation (whether legal or implicit) which refers to a past event, when an outlay is possible for discharge of the obligation and it is possible to reliably estimate the amount thereof. When the Company believes that allocation to the provision will be partially or fully refunded, for example in the case of risks covered by insurance policies, the indemnification is recognised distinctly and separately in assets if, and only if, it is practically certain. In this case, the cost of the eventual allocation is shown in the income statement net of the amount recognised for the indemnification. If the effect of discounting the value of money is significant, the non-current portion of the allocations is discounted.

Restructuring provision

A provision is established for restructuring when there is a detailed and official programme for restructuring that has been approved and the restructuring has begun or the main aspects of which have been publicly disclosed to third parties.

Trade payables

Trade payables are recognized at their nominal amount, net of discounts, premiums, returns or invoicing adjustments, which is equal to the fair value of the company's obligation. When a financial transaction takes place based on the terms of payment that have been agreed, the payables are measured at amortised cost through discounting of the nominal value receivable, with a discount recognised as a financial expense.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment of tangible and intangible assets. If there is any such indication, the Company tests the asset for impairment.

The accounting standard does not request formal preparation of an estimate of the recoverable value unless there are indications of impairment. Assets which are not available for use and goodwill acquired in business combinations which must be tested for impairment annually and whenever there is indication of impairment constitute the exception to this principle. The Company has set the balance sheet closing date as the time for testing of impairment of all assets for which annual testing is mandatory.

The impairment test is assigned to an expert who is not employed by the Group.

In evaluating whether there is an indication of impairment of an asset, the Company considers:

- an increase in the market interest rates or other investments that could influence the calculation of the Company's discount rate, thereby diminishing the recoverable value of the asset;

- significant changes in the technological environment and market in which the Company operates;

- physical obsolescence not related to the depreciation that the asset has undergone in a specific period of time;

- any extraordinary plans implemented during the year the impact of which is reflected on the asset constituting the object of the analysis (for example corporate restructuring plans);

- operating losses resulting from interim results.

If the analysis shows that there are potential losses due to impairment, the management will make a preliminary check relative to the useful life, the amortization criterion, and the residual value of the asset and, based on the applicable accounting standard, shall make any amendments to these parameters; specific analysis relative to the impairment of the asset will take place at a later time.

As described in IAS 36, the recoverable value of an asset is the higher of the value in use and the fair value (net of costs to sell) of the asset itself. Furthermore, in the definition provided in the international accounting standard, the instructions are the same whether they refer to a single asset or to cash flow generating units.

In order to better understand the provisions of IAS 36, we provide below some key definitions:

Value in use: the value in use is the current value of all the cash flows of an asset or a generating unit, constituting the object of the valuation, which are expected to originate from it. In particular, an asset generates cash flows, which will be discounted at a pre-tax rate which reflects the market valuations on the current value of money and the specific risks inherent in the asset. These cash flows are determined based on the company's business plan. These plans are constructed on the basis of detailed budgets and separate calculations for each asset/cash generating unit. The budgets used do not include the effects arising from the extraordinary activities (restructuring, sales and acquisitions) and cover a period of time of up to five financial years;

Fair value: it represents the price that could be secured for the sale of an asset or which could be paid for the transfer of a liability in an arm's length transaction on the measurement date. To determine the fair value of an asset, the Company uses valuation models that use listed shares, models with valuation multipliers and other available indicators as a reference;

Cash generating units (or cash flows): a cash generating unit (CGU) is a group of assets which, together, generate cash flows that are incoming or outgoing regardless of the cash flows generated by other assets and activities. A group of assets is the smallest identifiable group able to generate incoming cash flows;

Book value: the book value is the value of assets net of depreciation, write-downs and write backs.

The accounting standard provides the option of selecting either the fair value or the value in use. In fact, if one of the two values is higher than the book value, it is not necessary to identify the other amount as well. It may not be possible to determine fair value of an asset or a cash-generating unit because there is no basis for making a reliable estimate of the amount obtainable from the sale of the asset in an orderly transaction between market operators. In these cases, the value in use can be considered as the recoverable value of the asset.

Once all the useful values have been identified and determined in terms of evaluating the asset or the CGU, the book value is compared with the recoverable value and if the book value is higher than the recoverable value, the company will write down the asset to its recoverable value.

On each balance sheet closing date the company will furthermore measure, in regard to all the assets other than goodwill, eventual existence or non-existence of impairment that has previously been recognised and, should these indications exist, the recoverable value is estimated. The value of an asset that has previously been written down can be written back only if there are changes in the estimates on which the recoverable value calculation which resulted in recognition of the last impairment was based.

The write-back cannot exceed the book value that would have existed, net of depreciation and amortization, if no impairment loss had been recognised in previous years. This write back is recognised in the income statement.

Derivative financial instruments and hedge accounting

The Company holds no derivative financial interests for speculative purposes. However, if the derivative financial instruments do not satisfy all the terms and conditions required for hedge accounting, the changes in fair value of these instruments are recognised in the income statement as financial expenses and/or income.

Therefore, the derivative financial instruments are recognised using hedge accounting rules when:

- the formal designation and documentation of the hedging relation itself exists from the beginning of the hedge;
- it is presumed that the hedge is highly effective;
- the effectiveness can be reliably measured and the hedge itself is highly effective during the periods of designation.

The Company uses the derivative financial instruments to cover their exposure to interest rate and currency risk.

The derivatives are initially measured at fair value; the transaction costs attributable to them are recognised in the income statement at the time that they are incurred. After initial recognition, the derivatives are measured at fair value. The relative changes are recognised as described below.

Cash flow hedges

The changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. For the non-effective portion, the changes in fair value are recognised in the income statement.

Recognition of the hedge, as indicated above, ceases prospectively if the instrument designated as the hedge:

- no longer satisfies the criteria for recognition as a hedge;
- reaches maturity;
- is sold;
- is ceased or exercised.

The accumulated profit or loss is kept in equity until the expected operation takes place. When the hedged element is a non-financial asset, the amount recognised in equity is transferred to the book value of the asset at the time that it is recognised. In other cases, the amount recognised in equity is transferred to the income statement in the same year in which the hedged element has an effect on the income statement.

Share based payment

Key executives and certain managers of the Company may receive a portion of their remuneration in the form of share based payments. Pursuant to IFRS 2, these are equity settled plans. The right to payment accrues over the vesting period during which the managers perform their duties as employees and reach performance targets. Therefore, during the vesting period, the current value of share based payments as at the assignment date is recognized in the income statement at cost with an offsetting entry in a special shareholders' equity reserve. Changes in the current value subsequent to the assignment date have no effect on the initial valuation. In particular, the cost, which corresponds to the current value of the options on the assignment date, is recognised among personnel costs on a straight line basis throughout the period from the date of the assignment and the date of maturity, with an offsetting entry recognised in shareholders' equity.

Cancellation of financial assets and liabilities

A financial asset (or, where applicable, the part of the similar financial asset) is cancelled from the balance sheet when:

- the rights to receive the cash flows from an asset have been extinguished;
- the Company reserves the right to receive cash flows from the asset, but has assumed the contractual obligation to pay them in full and without delay to a third party.

A financial liability is cancelled from the balance sheet when the obligation underlying the liability has been extinguished, or cancelled or fulfilled.

Revenue

Revenues from contracts with customers are recognised in accordance with IFRS 15. On the basis of the five-step model introduced by IFRS 15, Unieuro recognises revenues after identifying the contracts with its customers and the related services to be performed (transfer of goods and/or services), determining the amount to which it considers to be entitled in exchange for the performance of each of these services, and assessing the means of performing these services (fulfilment at a given time versus fulfilment over time).

Revenues are recognised when the performance obligations are met through the transfer of the goods or services promised to the customer. It is probable that the economic benefits will be achieved by the Group and the related amount can be reliably determined, regardless of the collection. The transaction price, which represents the amount of consideration that the entity expects to receive for the supply of goods or services to the customer, is allocated on the basis of separate sales prices (stand-alone selling prices) of the related performance obligations.

Revenues are measured not including discounts, reductions, bonuses or other taxes on sales.

The following specific recognition criteria for revenues must be complied with prior to allocation to the income statement:

Sale of assets

The revenue is recognised when the control of the asset is transferred to the customer and the company has transferred to the buyer all the significant risks and benefits connected to ownership of the asset, generally at the time that the consumer purchases the product at the point of sale, the delivery of the good to customer's home in the event of home delivery, or when the ownership is transferred in the wholesale and B2B channel. Moreover, sales in which delivery is deferred upon request of the purchaser ("bill and hold") are recognised as revenue at the time that the consumer makes the purchase. The revenue is recognised when the asset is available, has been identified and is ready to be delivered and furthermore deferral of the delivery has been requested by the purchaser. In the same way, the sales revenue is recognised at the time of purchase of the goods by the consumer even if the installation of the asset is necessary. The revenue is recognised immediately upon acceptance of the delivery by the buyer when the procedure installation is very simple (for example the installation of an appliance that requires only unpacking, electrical connection and connection).

Unieuro has a customer loyalty program which is based on points, the Unieuro Club, with which customers can accumulate loyalty points when they acquire products in points of sale bearing the Unieuro Brand. Once a specific minimum number of points have been collected, they can be used as a discount on the purchase of another product. The duration of the programme coincides with the fiscal year. Unieuro records an adjustment to the estimated revenues based on the points accrued which had not yet been spent, the value of the discount to be paid as provided by the loyalty programme and the historical information regarding the percentage of loyalty point usage by customers.

Right of return

To account for the transfer of products with right of return, Unieuro records the following elements:

a) adjusts the sales revenues by the amount of the consideration for the products for which the return is expected;

b) recognises a liability for future repayments and

c) recognises an asset (and the corresponding adjustment of the cost of sales) for the right to recover the products from the customer upon settlement of the liability for future repayments.

Provision of services

Revenues and costs deriving from the provision of services (revenues realised over time) are recognised on the basis of the assessment of the entity's progress towards complete fulfillment of the obligation over time. In particular, the transfer over time is assessed on the basis of the input method, or considering the efforts or inputs employed by the Group to fulfill the single performance obligation.

For the sale of warranty extension services over and above the warranty provided by the manufacturer pursuant to the law, Unieuro recognises the revenue throughout the duration that the services are provided, based on the estimated interventions for repairs under warranty. The interventions for repairs that are under guarantee are estimated based on historical information regarding the nature, frequency and costs of the interventions under guarantee, duly interpolated to stimulate future curves of such events occurring.

Unieuro incurs costs for the acquisition of the contract with multi-year duration.

These costs, typically represented by the bonuses paid to employees for each additional sale made and which will be recovered by means of the revenues deriving from the contract, have been capitalised as contract costs and amortised based on the assessment of the entity's progress in transferring the services and goods transferred to the customer over time.

Commissions

The payments received on the sale of specific goods and services such as for example consumer loans, are calculated as a percentage of the value of the service that is carried out or, sometimes on the basis of a fixed consideration and they correspond with the amount of the commission received by Unieuro.

Costs

The costs and other operating expenses are recognised in the income statement when they are incurred on the basis of the accruals principle and the correlation of revenues, when they do not produce future economic benefits or when the latter do not have to be recognised as assets.

The cost to acquire goods is recognized when the company assumes all the risks and rewards of ownership of the good, measured at fair value of the consideration due net of any returns, rebates, trade discounts, contributions and premiums.

Agreements with suppliers involve recognising premiums and contributions. These premiums and contributions are recognised either as a percentage of the quantities purchased, or as a fixed figure on the quantities purchased or sold, or as a defined contribution. For commercial agreements with a maturity date that is later than the end of the financial year, an estimate is made based on the amount of purchase or sale and on valuations that take into account historical data regarding the effective recognition of premiums and contributions by suppliers.

The costs for services are recognised on the basis of the progress of the services at the closing date of the year.

It is hereby specified that the costs relative to the listing of the shares of the Company on Mercato Telematico Azionario of Borsa Italiana S.p.A. are recognised in the income statement when they are incurred pursuant to the accruals principle. This accounting treatment arises from the structure of the offer solely for the placement of the shares sold by Italian Electronics Holdings, which did not generate income for the Company.

The costs arising from operating leases that do not fall within the scope of application of IFRS 16 are recognised on a straight line basis throughout the duration of the reference contracts. Additional costs which depend on and are determined by the revenues achieved in a specific point of sale, are recognised on an accruals basis during the contractual period.

Interest income and interest expense

Interest income and expenses are recognised in the net result for the year on an accruals basis using the effective interest rate method. The effective interest method is the rate that exactly discounts the future expected cash flows to the net book value of the financial asset or liability, based on the expected life of the financial instrument.

Taxes

Current taxes

The current taxes are determined based on a realistic forecasts of tax expenses payable on an accruals basis and in application of the applicable tax laws. The rates and tax laws used to calculate the amount are the applicable rates and laws, or essentially those which are in force, as at the balance sheet closing date. The current taxes which are relative to elements that are not included in the income statement, are allocated directly to the statement of comprehensive income and thereafter to shareholders' equity, in line with the recognition of the element to which they refer.

It is hereby specified that beginning from 29 February 2020, 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 makes it possible to determine IRES (corporate income tax) due on a tax base which corresponds to the algebraic sum of the taxable revenue and tax losses of the individual companies that are included in the Consolidation. The economic relations, responsibilities and reciprocal obligations between the "Consolidating Company" and the "Consolidated Company" have been set out in detail in a specific contract that establishes the operating procedures for management of the tax positions between the various companies that belong to the Domestic Tax Consolidation.

Deferred taxes

Deferred taxes are accounted for using the liability method on temporary differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The deferred tax liabilities are recognised against all taxable temporary differences, except when the deferred taxes arise from initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, has no effect either on the profit for the year calculated for the balance sheet statement purposes or the profit or the loss calculated for tax purposes.

The deferred tax assets are recognised against all the deductible temporary differences and for tax losses brought forward, to the extent that the existence of adequate future taxable profits sufficient for usage of the deductible temporary differences and tax losses brought forward is probable. The value to post in the balance sheet of the deferred tax assets is re-examined on each balance sheet closing date and reduced to the extent that it is no longer probable that there will be sufficient taxable profits in the future for the recovery of these assets. The deferred tax assets which are not recognised are re-examined periodically on the balance sheet closing date and they are recognised to the extent that it has become probable that there will be taxable profit that can absorb these deferred taxes.

The deferred taxes are measured based on the tax rates that are expected will be applicable in the financial year in which these assets will be realised or these liabilities will be extinguished, considering the rates applicable and those already issued or essentially issued on the balance sheet date.

The deferred tax assets and liabilities are offset if they refer to taxes payable to the same tax authority and there exists a legal right that allows offsetting of the assets and liabilities for current taxes.

Effects of the changes in foreign exchange rates

The financial statements are presented in Euro, which is the Company's functional and presentation currency. The transactions in a foreign currency are recognised initially at the exchange rate (which refers to the functional currency) existing as at that transaction date. The monetary assets and liabilities which are denominated in a foreign currency are converted back to the functional currency at the exchange rate applicable on the balance sheet closing date. All foreign exchange differences are recognised in the income statement. The non-monetary items which are measured at their historical cost in a foreign currency are converted using the exchange rate applicable as at the initial date on which the transaction was recorded. The non-monetary items which are measured at their fair value in a foreign currency are converted using the exchange rate applicable as at the initial date the value was recorded.

Earnings per share

Earnings per share - basic

The diluted earnings per share are calculated by dividing the profit of the company by the number of Unieuro S.p.A. shares on the date the financial statements are approved.

Earnings per share - diluted

The diluted earnings per share are calculated by dividing the profit of the company by the number of Unieuro S.p.A. shares on the date the financial statements are approved. For the purpose of calculating the diluted earnings per share, the shares are modified assuming that all holders of rights that potentially have a dilutive effect exercise these rights.

Segment Reporting

An operating segment is defined by IFRS 8 as a component of an entity that: i) undertakes business activities and generates revenues and costs (including revenues and costs that refer to the operations with other components of the same entity); ii) the operating results of which are reviewed periodically at the highest decision-making level of the entity in order to adopt decisions regarding resources to allocate to this segment and measurement of the results; iii) for which separate financial information is available.

The information regarding the business segments was prepared pursuant to the instructions set forth in IFRS 8 "Operating Segments", which provide for presentation of information in line with the procedures adopted at the top management level for assumption of operating decisions. Therefore, identification of the operating segments and the information presented are defined on the basis of internal reports used by the companies for allocation of resources and for analysis of the relative performances.

2.7 New accounting standards

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 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.

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

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

- On 18 May 2017, the IASB issued *IFRS 17 Insurance Contracts*. The standard aims to improve understanding by investors, but not only them, of the risk exposure, the profitability and the financial position of the insurers. IFRS 17 replaces IFRS 4 issued in 2004 as interim Standard. The amendments go into effect on 1 January 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 12 February 2021, the IASB published the amendment to IAS 1 Presentation of Financial Statements and to IFRS Practice Statement 2: Disclosure of Accounting policies The amendments will apply to acquisitions after 1 January 2023.

- On 12 February 2021, the IASB published the amendment to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates. The amendments will apply to acquisitions after 1 January 2023.

- On 31 March 2021, the IASB published the amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021, which extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting of the concessions granted due to Covid-19 to lessees.

Based on the circumstances and cases to which the new documents apply and taking into account the current accounting standards adopted by the Company, it is believed that there will be no significant impact from the first application of these documents. With reference to the amendment IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021, the impacts will be determined according to the agreements that will be signed with the lessors.

2.8 Carini Retail merger

Unieuro and Carini Retail S.r.l. (hereinafter also referred to as "Carini"), in execution of the resolutions passed on 18 March 2020 by the Board of Directors of Unieuro and the Extraordinary Shareholders' Meeting of Carini Retail each signed the deed for the merger by incorporation of the subsidiary Carini Retail into the parent company Unieuro on 5 August 2020 (hereinafter also referred to as the "Merger" or the "Carini 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 merger transactions falls within the scope of those which OPI 2 revised defines as "mergers characterised as restructuring", mergers in which one or more subsidiaries are merged into the parent company. Given the elements characterising parent-subsidiary mergers by incorporation (absence of economic exchange with third parties and continuation of control over the acquired entity), these transactions cannot be considered business combinations. Therefore, they are not subject to the application of IFRS 3. These transactions are by their nature lacking in significant influence on the cash flows of the companies merged. The merger was recognised according to the principle of the continuity of values of financial statemet. Note that Carini drafted its financial statements according to international accounting standards, consistent with the standards adopted by Unieuro.

Below are the pro-forma financial statements of Unieuro SpA, reflecting for the data at 29 February 2020 the contribution of the company Carini Retail S.r.l. as a result of the merger.

STATEMENT OF FINANCIAL POSITION

(In thousands of Euro)	Year ended	
	28 February 2021	PRO FORMA 29 February 2020

Plant, machinery, equipment and other assets	71,478	84,627
Goodwill	188,039	188,039
Intangible assets with definite useful life	28,606	22,298
Right-of-use assets	451,520	477,878
Deferred tax assets	40,766	38,618
Other non-current assets	22,633	24,484
Total non-current assets	803,042	835,944
Inventories	371,390	369,337
Trade receivables	75,287	61,934
Other current assets	18,804	25,725
Cash and cash equivalents	203,873	81,197
Total current assets	669,354	538,193
Total assets	1,472,396	1,374,137
Share capital	4,053	4,000
Reserves	75,540	38,279
Profit/(loss) carried forward	72,901	52,208
Total shareholders' equity	152,494	94,487
Financial liabilities	39,068	31,643
Employee benefits	12,570	11,625
Other financial liabilities	399,558	444,285
Provisions	20,527	8,679
Deferred tax liabilities	2,475	2,082
Other non-current liabilities	26	26
Total non-current liabilities	474,224	498,340
Financial liabilities	9,659	9,520
Other financial liabilities	68,119	69,261
Trade payables	503,166	476,925
Current tax liabilities	3,803	1,473
Provisions	747	1,238
Other current liabilities	260,184	222,893
Total current liabilities	845,678	781,310
Total liabilities and shareholders' equity	1,472,396	1,374,137

INCOME STATEMENT

(In thousands of Euro)	Year ended	
	28 February 2021	PRO FORMA 29 February 2020
Revenue	2,659,283	2,425,365
Other income	1,610	5,450
TOTAL REVENUE AND INCOME	2,660,893	2,430,815

Purchases of materials and external services	(2,318,786)	(2,116,887)
Personnel costs	(173,865)	(183,619)
Changes in inventory	2,053	7,204
Other operating costs and expenses	(6,728)	(7,177)
GROSS OPERATING RESULT	163,567	130,336
Amortisation, depreciation and write-downs	(90,198)	(87,791)
NET OPERATING RESULT	73,369	42,545
Financial income	74	82
Financial expenses	(13,367)	(14,266)
PROFIT BEFORE TAX	60,076	28,361
Income taxes	(5,646)	(1,234)
PROFIT/(LOSS) FOR THE YEAR	54,430	27,127

CASH FLOWS STATEMENT

(In thousands of Euro)	Year ended	
	28 February 2021	PRO FORMA 29 February 2020
Cash flow from operations		
Profit/(loss) for the year	54,431	27,127
Adjustments for:		
Income taxes	5,645	1,234
Net financial expenses (income)	13,293	14,184
Depreciation, amortisation and write-downs of fixed assets	90,198	87,791
Other changes	354	1,446
	163,921	131,782
Changes in:		
- Inventories	(2,053)	(7,204)
- Trade receivables	13,886	(47,530)
- Trade payables	23,757	37,022
- Other changes in operating assets and liabilities	23,953	9,669
Cash flow generated/(absorbed) by operating activities	59,543	(8,014)
Taxes paid	(2,535)	(3,677)
Interest paid	(12,363)	(13,491)
Net cash flow generated/(absorbed) by operating activities	208,566	106,600
Cash flow from investment activities		
Purchases of plant, machinery, equipment and other assets	(17,550)	(15,953)
Purchases of intangible assets	(14,710)	(11,841)
Investments for business combinations and business units	(8,417)	(13,496)
Cash flow generated/(absorbed) by investment activities	(40,677)	(41,290)
Cash flow from investment activities		
Increase/(Decrease) in financial liabilities	6,846	(3,223)
Increase/(Decrease) in other financial liabilities	1,366	17,597

Increase/(Decrease) in financial liabilities - IFRS 16 Leases	(55,723)	(54,499)
Exercise - Long Term Incentive Plan	3,304	-
Distribution of dividends	-	(21,400)
Cash flow generated/(absorbed) by financing activities	(44,207)	(61,525)
Net increase/(decrease) in cash and cash equivalents	123,682	3,785
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	80,191	77,412
Net increase/(decrease) in cash and cash equivalents	123,682	3,785
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	203,873	81,197

STATEMENT OF CAHNGE IN EQUITY

(In thousands of Euro)	Share capital	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for actuarial profits/ (losses) on defined benefits plans	Reserve for share-based payments	Other reserves	Profits/ (losses) carried forward	Total shareholders' equity
Balance as at 28 February 2019	4,000	800	-	(315)	(1,270)	3,376	26,944	54,156	87,691
Effect of changes in accounting standard IFRS 16	-	-	-	-	-	-	-	-	-
Adjusted balance as at 1 March 2019	4,000	800	-	(315)	(1,270)	3,376	26,944	54,156	87,691
Profit/(loss) for the year	-	-	-	-	-	-	-	27,128	27,128
Other components of comprehensive income	-	-	-	(37)	(339)	-		-	-376
Total statement of comprehensive income for the year	-	-	-	(37)	(339)	-	-	27,128	26,752
Allocation of prior year result	-	-	6,769	-	-	-	-	(6,769)	0
Covering retained losses and negative reserves	-	-	-	-	-	-	-	-	0
Distribution of dividends	-	-	-	-	-	-	-	(21,400)	(21,400)
Share-based payment settled with equity instruments	-	-	-	-	-	2,351	-	-906	1,445
Total transactions with shareholders	-	-	6,769	-	-	2,351	-	(29,075)	(19,955)
Balance as at 29 February 2020 PROFORMA	4,000	800	6,769	(352)	(1,609)	5,727	26,944	52,209	94,488

3. INFORMATION ON FINANCIAL RISKS

In terms of business risks, the main risks identified, monitored and, as specified below, actively managed by the Company are as follows:

- credit risk (both in relation to normal trading transactions with customers as well as financing activities);

- liquidity risk (with respect to the availability of financial resources and access to the credit market and financial instruments in general);
- market risk (including currency and interest rate risks).

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

The main financing instruments used are:

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

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

For information regarding the risks from Covid-19, see section 12 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 Company to the risk of default, subjecting it to potential lawsuits. By way of introduction we note that the credit risk which the Company is subject to is minimal since its sales are mainly to the end consumers who pay the consideration upon purchasing the product. Sales to affiliates (*Indirect* channel) and wholesale customers (B2B channel) which represent a total of around 15.5% of the company's revenues as at 28 February 2021, require the Company to use strategies and instruments to reduce this risk. The Company has in place processes for credit monitoring that provide for obtaining bank guarantees to cover a significant amount of the turnover in existence with customers, analyse the reliability of customers, the attribution of a credit line, control of exposures through reporting with separate payment deadlines and average collection times. There are no significant concentrations of risk. The other receivables are mainly receivables from the tax authorities and public administrations and advances paid for services which therefore carry a limited credit risk.

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

3.2 Liquidity risk

Liquidity risk is the risk of failure to fulfil contractual obligations. The contractual obligations consist of discharging financial liabilities within the deadlines that have been set. Liquidity risk management is the management of incoming funds, guaranteeing a balance between cash inflows and outflows and thereby 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 Company until maturity;
- usage of non-committed financial assets only for funding purposes;
- usage of medium/long-term loans able to maintain the Company's ordinary and other operations: the usage of this type of resource requires constant monitoring of expirations of financial debts as well as contingent market terms and conditions.

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

For details on the impact of Covid-19, see section 12 Coronavirus in the Report on Operations.

The financial structure in its entirety is constantly monitored by the Company to ensure coverage of its liquidity needs. Below is the Company's financial structure by deadline for the years and at 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Balance as at 28 February 2021	Within 12M	Between 12M and 60M	Over 60M	Total
Financial liabilities	48,727	9,659	39,068	-	48,727
Other financial liabilities	467,677	68,119	232,364	167,194	467,677
Total	516,404	77,778	271,432	167,194	516,404

(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	492,902	66,227	229,991	196,684	492,902
Total	534,065	75,747	261,634	196,684	534,065

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

To address these risks, the Company has stipulated 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 28 February 2021 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	28 February 2021	29 February 2020	28 February 2021	29 February 2020
Interest Rate Swaps (IRS)	12/02/2018	09/01/2023	22,500	32,500	(222)	(462)

The interest rate swaps, which satisfy the requirements of IFRS 9, are recognised using the hedge accounting method. The amount recognised in shareholders' equity in the cash flow hedge reserve, as an effective component of the hedge, was Euro 132 thousand (negative) after tax at 28 February 2021, compared with Euro 352 thousand (negative) after tax at 29 February 2020.

Sensitivity Analysis

The exposure to interest rate risk was measured by means of a sensitivity analysis that indicates the effects on the income statement and on shareholders' equity arising from a hypothetical change in market rates which discount appreciation or depreciation equal to 50 BPS compared to the forward rate curves as at 28 February 2021.

Effect of changes on financial expenses - income statement

To address the risk of changes in interest rates, the Company has stipulated with a pool of banks derivative contracts consisting of interest rate swaps in order to mitigate, under economically acceptable terms and conditions, the potential effect of changes in the interest rates on the economic result. A change in the interest rates, from a hypothetical change in market rates which respectively discount appreciation and depreciation of 50 BPS, would have resulted in an effect on financial expenses for 2020 as follows below.

(In thousands of Euro)	- 50 bps	+ 50 bps
At 28 February 2021	1	(22)

Note: the positive sign indicates a higher profit and an increase in equity; the negative sign indicates a lower profit and a decrease in equity.

We note that the sensitivity analysis arising from a hypothetical change in the market rates which respectively discount appreciation and depreciation equal to 50 BPS, takes into account the hedges established by the Company.

We note that for the purposes of this analysis, no hypothesis has been made relative to the effect of the amortised cost.

Effect of a change in the cash flow hedge- shareholders' equity reserve

The impact on the fair value of IRS derivatives arising from a hypothetical change in interest rates is summarized in the table below.

(In thousands of Euro)	- 50 bps	+ 50 bps
Sensitivity analysis as at 28 February 2021	(116)	114

3.3.2 Currency risk

The Company 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 Company 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 Company 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 28 February 2021 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 Company 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 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Year ended 28 February 2021			
	Loans and receivables	Fair value of hedging instruments	Other liabilities	Total
Financial assets not designated at fair value				
Cash and cash equivalents	203,873	-	-	203,873
Trade receivables	75,287	-	-	75,287
Other assets	41,437	-	-	41,437
Financial assets designated at fair value				
Other assets	-	-	-	-

Financial liabilities not designated at fair value				
Financial liabilities	-	-	48,727	**48,727**
Trade payables	-	-	503,166	**503,166**
Other liabilities	-	-	260,210	**260,210**
Other financial liabilities	-	-	467,504	**467,504**
Financial liabilities designated at fair value				
Other financial liabilities	-	173	-	**173**

(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	80,191	-	-	**80,191**
Trade receivables	86,486	-	-	**86,486**
Other assets	67,418	-	-	**67,418**
Financial assets designated at fair value				
Other assets	-	-	-	**-**
Financial liabilities not designated at fair value				
Financial liabilities	-	-	41,163	**41,163**
Trade payables	-	-	477,250	**477,250**
Other liabilities	-	-	212,998	**212,998**
Other financial liabilities	-	-	492,439	**492,439**
Financial liabilities designated at fair value				
Other financial liabilities	-	463	-	**463**

The items "Other assets" and "Other financial liabilities" include the effects deriving from the application of the accounting standard IFRS 16 (Leases), adopted starting from 1 March 2019 using the modified retrospective application method by virtue of which the comparative information has not been restated. For more details see notes 2.6.1 Changes to accounting standards, 5.6 Other current assets and other non-current assets and 5.14 Other financial liabilities in the separate financial statements of Unieuro S.p.A. as at 29 February 2020.

4. INFORMATION ON OPERATING SEGMENTS

The operating segment identified by the Company which encompasses all services and products provided to customers, is unique and consists of the entire company. As the Company is a single channel business, there is only one Strategic Business Unit ("SBU"). Furthermore, within the SBU, the management has identified three Cash Generating Units ("CGUs") to which the goodwill was allocated. This approach is supported by the operating control model by the corporate management which considers the entire activity uniformly, disregarding the product lines or geographic locations whose division is not considered significant for the purpose of taking corporate decisions.

The 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)	Year ended	
	28 February 2021	29 February 2020
Revenue	2,659,283	2,425,895
GROSS OPERATING RESULT	163,567	134,856
% of revenues	*6.2%*	*5.6%*
Amortisation, depreciation and write-downs	(90,198)	(83,808)
NET OPERATING RESULT	73,369	51,048
Financial income	74	82
Financial expenses	(13,367)	(13,879)
PROFIT BEFORE TAX	60,076	37,251
Income taxes	(5,645)	(1,501)
PROFIT/(LOSS) FOR THE YEAR	54,431	35,750

The incidence of gross operating profit on revenues was 6.2% as at 28 February 2021.

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

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Abroad	7,465	3,681
Italy	2,651,818	2,422,214
Total	**2,659,283**	**2,425,895**

The revenues are attributed based on the invoicing in Italy/abroad.

Non-current assets in countries other than those in which the Company has branches are not recognised.

5. NOTES TO THE INDIVIDUAL FINANCIAL STATEMENT CAPTIONS

5.1 Plant, machinery, equipment and other assets

Below is the balance of the item "Plant, machinery, equipment and other assets" by category as at 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Amounts as at 28 February 2021			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	144,524	(115,302)	29,222	140,746	(105,745)	35,001
Equipment	22,511	(17,330)	5,181	23,734	(16,124)	7,610
Other assets	184,965	(157,024)	27,941	181,530	(149,067)	32,463
Tangible assets under construction	9,134	-	9,134	4,885	-	4,885
Total plant, machinery, equipment and other assets	**361,134**	**(289,656)**	**71,478**	**350,895**	**(270,936)**	**79,959**

The change in the item "Plant, machinery, equipment and other assets" for the period from 28 February 2018 to 28 February 2021 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	**39,541**	**7,380**	**36,078**	**1,852**	**84,851**
Increases	4,683	1,232	6,617	4,309	16,841
Decreases	(121)		(99)	(1,276)	(1,496)
Amortisation, depreciation and write downs/(write backs)	(9,127)	(1,002)	(10,140)		(20,269)
Decreases in Amortisation, Depreciation Provision	25		7		31
Balance as at 29 February 2020	**35,001**	**7,610**	**32,463**	**4,885**	**79,959**
Carini merger	1,807	550	2,225	86	4,668
Increases	3,523	1,962	8,951	7,321	21,757
Decreases	(1,840)	(3,786)	(8,135)	(3,158)	(16,919)
Amortisation, depreciation and write downs/(write backs)	(9,352)	(1,155)	(11,371)		(21,878)
Decreases in Amortisation, Depreciation Provision	83		3,808		3,891
Balance as at 28 February 2021	29,222	5,181	27,941	9,134	71,478

In the year ended 28 February 2021, the Company made net investments totalling Euro 14,436 thousand.

In particular, the net investments refer mainly to: (i) interventions related to the restructuring of selected sales outlets through the restyling of the layout and the reduction or expansion of the sales area and investments in the relocation of existing sales outlets in catchment areas deemed more strategic for Euro 2,070 thousand; (ii) investments relating to the opening of new stores in new catchment areas deemed strategic or in areas not sufficiently covered by the current portfolio of stores and the refurbishment of the stores acquired for Euro 7,494 thousand; (iii) minor extraordinary maintenance and renewal of plants in various sales outlets for Euro 1,772 thousand; (iv) investments attributable to the creation of electrified display tables dedicated to the display of specific supplier brands at the sales outlets for Euro 1,326 thousand; (v) additional investments connected to the logistics hub based in Piacenza for Euro 1,774 thousand.

The contribution of the Carini merger is Euro 4,668 thousand and primarily refers to the category other assets.

Net assets under construction equal to Euro 9,134 thousand mainly refer to investments relating to the new headquarters in Palazzo Hercolani (Forlì) and the warehouse in Via Zampeschi (Forlì) for Euro 3,650 thousand and investments attributable to the purchase of new hardware for the sales outlets for Euro 2,058 thousand.

The item "Amortisation, depreciation and write-downs/(write backs)" of Euro 21,878 thousand includes Euro 20,887 thousand in depreciation and Euro 991 thousand of write-downs and write backs.

In the year ended 29 February 2020, the Company made net investments totalling Euro 15,377 thousand.

In particular, the net investments refer mainly to: (i) interventions related to the restructuring of selected sales outlets through the restyling of the layout and the reduction or 340 expansion of the sales area and investments in the relocation of existing sales outlets in catchment areas deemed more strategic for Euro 3,686 thousand; (ii) investments relating to the opening of new stores in new catchment areas deemed strategic (Gela, Portogruaro, Mistebianco, Savignano, Verona) or in areas not sufficiently covered by the current portfolio of stores for Euro 3,088 thousand; (iii) minor extraordinary maintenance and renewal of the anti-theft and electrical systems in various sales outlets for Euro 2,285 thousand; (iv) investments attributable to the creation of electrified display tables dedicated to the display of specific supplier brands at the sales outlets for Euro 1,896 thousand; (v) additional investments connected to the logistics hub based in Piacenza for Euro 1,523 thousand, and (vi) investments relating to the expansion of the Paderno Dugnano sales area for Euro 55 thousand.

Net non-current assets under construction of Euro 4,885 thousand refer mainly to (i) the opening of new sales outlets and projects in the amount of Euro 2,358 thousand; (ii) investments in restructuring/relocation of Euro 851 thousand; (iii) minor extraordinary maintenance work in various point of sales totalling Euro 609 thousand; (iv) investments related to the creation of electrified display tables dedicated to the display of specific supplier brands inside the points of sale of Euro 279 thousand; and (v) additional investments related to the logistics hub based in Piacenza of Euro 213 thousand.

The item "Amortisation, depreciation and write-downs/(write backs)" of Euro 20,269 thousand includes Euro 19,829 thousand in depreciation and Euro 440 thousand of write-downs and write backs.

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

5.2 Goodwill

The breakdown of the item “Goodwill” as at 28 February 2021 and as at 29 February 2020 is shown below:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Goodwill	188,039	170,767
Total Goodwill	188,039	170,767

The change in the “Goodwill” item for the period from 28 February 2018 to 28 February 2021 is shown below:

(In thousands of Euro)	Goodwill
Balance as at 28 February 2019	170,767
Acquisitions	-
Write-downs	-
Balance as at 29 February 2020	170,767
Carini merger	17,272
Write-downs	0
Balance as at 28 February 2021	188,039

Goodwill as at 28 February 2021 and 29 February 2020 can be broken down as follows:

(In thousands of Euro)	Goodwill at 28 February 2021	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 the acquisition of business units:		
Andreoli S.p.A.	10,500	10,500
Cerioni S.p.A.	5,749	5,749
Galimberti S.p.A.	1,882	1,882
DPS Group S.r.l.	1,240	1,240
Dixons Travel	194	194
Carini Retail S.r.l.	17,272	-
Total Goodwill	188,039	170,767

5.2.1 Impairment testing

Based on the provisions of international accounting standard IAS 36, the Company should carry out a check, at least once a year, to ensure the recoverability of the value of the goodwill through an impairment test, comparing the carrying amount of the Cash Generating Units ("CGU") to which the goodwill is allocated with the recoverable value. The value in use has consistently been adopted as the recoverable value in relation to market volatility and the difficulty of collecting information related to determining fair value.

The goodwill impairment test prepared by the Company for each CGU was approved by the Company's Board of Directors on 06 May 2021. In the elaboration of the impairment test the Directors used an appropriate report provided by an external expert under specific assignment of the Company.

IAS 36 identifies the CGUs as the smallest groups of assets that generate incoming cash flows. The financial flows resulting from the CGUs identified should be independent of one another, because a single Unit must be able to be autonomous in the realisation of incoming cash flows, but all the assets within the Unit should be interdependent. Pursuant to IAS 36 the correlation that exists between the goodwill acquired during the business combination and the CGUs takes shape. In effect, at the time of the acquisition of the goodwill, it must be allocated to the CGU or the CGUs which are expected to benefit the most from the synergies of the combination. In this sense, the decisions linked to the definition of these synergies strongly depend on the Company's strategic organisation models, the commercial purchase and sales decisions which, specifically, disregard the number of sales points, which do not enjoy decision-making autonomy.

The operating sector identified by the Company into which all the services and products supplied to the customer, converge coincides with the entire Company. The Company's corporate vision as a single omnichannel business ensures that the Company has identified a single Strategic Business Unit (SBU). Within the SBU the Company has identified three CGUs to which the goodwill was allocated. This approach is supported by the operating control model by the corporate management which considers the entire activity uniformly, disregarding the product lines or geographic locations whose division is not considered significant for the purpose of taking corporate decisions.

The Company identified three CGUs to which the goodwill was allocated:

- *Retail;*
- *Indirect;*
- *B2B.*

The three units benefit from shared resources, like administration, back office and logistics, but each of them features a different expected growth, with different risks and opportunities and with specific features which cannot be provided in the other CGUs.

The Retail CGU relates to all financial flows coming from the Retail, Online and Travel distribution channels. The Online and Travel channels are included in the Retail CGU because the website uses the sales points for the delivery of goods, while the Travel channel includes sales points located at the main public transport hubs.

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

The B2B CGU relates to the wholesale supply of products under the scope of the business-to-business channel.

The allocation of goodwill to the three CGUs took place in line with the specific activity of the individual CGU in order to include the best exploitation of internal and external synergies in the business model used.

As described previously, the Company opted for identifying the value in use to determine the recoverable fair value. The value in use is calculated through an estimate of the current value of the future financial flows that the CGUs could generate.

The source of the data on which the assumptions are made for determining the financial flows are the final balances and the business plans.

The Economic/Financial Plan used for the impairment test relating to the goodwill recognised in the Separate Financial Statements of Unieuro S.p.A. and referring to the year ended 28 February 2021 is based in the strategic lines of the plan on that approved by the Board of Directors on 12 December 2016 as subsequently updated. The Economic/Financial Plan underlying the impairment test was prepared taking into account recent business performance. Specifically, the stocktaking data referred to the years ending from 28 February 2017 have been taken into consideration, and, as a result, the financial data until 28 February 2026 were updated. The impairment test was approved by the Board of Directors on 6 May 2021.

The reference market growth estimates included in the business plan used for the impairment test at 28 February 2021 are based, among other things, on external sources and on the analyses conducted by the Company with the support of a leading consulting firm. Specifically, the Company projects growth, in line with its strategy, thanks to its ability to increase its customer base, promote and foster complementary services and increase its market penetration compared with competitors.

The evaluation assumptions used for determining the recoverable value are based on the above-mentioned business plans and on several main hypotheses:

- the explicit period to be adopted for the business plan is 5 years;
- terminal value: actualisation of the latest plan explicit estimate period. It should be stressed that a long-term growth rate "g" equal to 0% was envisaged because the result that the company will manage to achieve in the last financial year of the business plan was considered stable over a period of time;
- the discount rate applied to the various cash flows (WACC - weighted average cost of capital) for the CGUs analysed is 11,59%.

The discount rate (or actualisation rate) applied is the rate which reflects the current evaluations of the market, the time value of money and the specific risks of the asset. For the purpose of calculating the discount rate there must be consistency between the parameters used and the reference market of the Company and consistency between the Company's operating activities and incoming flows. All the parameters used for calculating the actualisation rate should be used in the corporate context, so that it expresses "normal" conditions over a medium-/long-term time span.

The estimation procedure adopted for defining the parameters determining the WACC is reported below:

- Risk-free rate (r_f) – The risk-free rate adopted is equal to the 6-month average (compared with the reference date) of the returns of the ten-year government bonds (BTP) issued by the Italian government. The adoption of the average figure makes it possible to compensate for possible short-term distorting dynamics.
- Equity risk premium (r_m – r_f) – The equity risk premium, which represents the yield spread (historical and long-term) between equity securities and debt securities on financial markets, was determined with reference to the Italian market.
- Beta (β) – The beta, which indicates the regression coefficient of a straight line which represents the relationship between the rate of return offered by the security and that of the overall market, was calculated on the basis of a panel of listed companies operating mainly or exclusively in the sale of consumer electronics, through a combination of sales channels (in store and online sales, in the majority of cases alongside Indirect and/or business-to-business sales).

- Specific risk premium (α) - An additional premium was applied in order to take into account potential risks relating to the implementation of the corporate strategy in the reference market context (execution risk) also taking into consideration the size of the Company compared with comparable businesses identified (size premium).

- Cost of debt capital i_d (1-t) - The cost of debt of a financial nature was estimated as equal to the average 6-month 10-year Euro Swap Rate (compared with the reference date), plus a spread. The corporate tax rate in force in Italy (IRES) was adopted as the tax rate (t).

- *Financial structure* - A debt/equity ratio calculated based on the average figure expressed at the reference date by the panel of comparable companies selected was adopted.

There were no differences in calculating these parameters between the external sources used and the value used for the purpose of the test.

The Company has a well-established history of operating on the market and, to date, there has been no evidence of anything that would suggest an interruption to activities in the medium-/long-term. Based on these considerations it is reasonable to assume the business is a going concern in perpetuity.

The operating cash flow used for the purpose of calculating the terminal value was calculated on the basis of the following main assumptions:

- EBITDA - During the estimation of the terminal value, an amount of revenues equal to the level projected for the last year of the plan was considered. For the purpose of estimating sustainable EBITDA in the medium-/long-term the EBITDA margin equal to the average figure in the plan was applied to the revenues identified in order to reflect the competitive dynamics featured in the reference sector. For the Company overall, this latter figure is located within the current range expressed by the estimates of the analysts relating to the panel of comparable companies used to determining the WACC.

- Investments in fixed assets and amortisation and depreciation - Annual investments were estimated as equal to investments in fixed assets projected for the last year of the plan. Annual amortisation and depreciation were in line with these investments, assuming that the investments were mainly maintenance and/or replacements.

- Net working capital and Funds - In line with the theory of growth in perpetuity at a g rate equal to 0%, there were no theories of variations in the items that make up NWC and the other funds in the long-term.

Below is a summary table containing the basic assumptions (WACC and g) and the percentage value attributed to the terminal value compared with the recoverable value of the Company's three CGUs relating to the analyses of the impairment tests conducted with reference to 28 February 2021.

as at 28 February 2021	WACC	g	Terminal Value (TV)	Recoverable Amount (RA)	% TV over RA
(In millions of Euro)					
CGU Retail	11.59%	0.0%	191.0	314.8	60.7%
CGU Indirect	11.59%	0.0%	32.5	39.0	83.3%
CGU B2B	11.59%	0.0%	17.1	24.5	69.8%

The results of the impairment tests as at 28 February 2021 are given below:

as at 28 February 2021		Carrying Amount (CA)	Recoverable Amount (RA)	RA compared with CA
(In millions of Euro)				
CGU Retail	EUR/mln	(26.7)	314.8	341.5
CGU Indirect	EUR/mln	0.8	39.0	38.2
CGU B2B	EUR/mln	3.4	24.5	21.1

Based on the estimates made there was no need to adjust the value of the goodwill recorded.

Note that the carrying amount of the CGU Retail as at 28 February 2021 was negative as a result of the negative net working capital allocated to the CGU Retail.

The carrying amount does not include entries of a financial nature. Assets and liabilities for deferred taxes are also excluded because the theoretical tax rate was used for the purpose of estimating taxes when calculating the cash flows.

As set out in IAS 36, the appropriate sensitivity analyses were also conducted to test the recoverable value of the goodwill as the main parameters used, as the change in the percentage of EBIT (net operating profit or loss), WACC and the growth rate vary.

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 28 February 2021, the sensitivity analysis conducted assuming a percentage reduction in EBIT, in the years of the explicit forecast and in the terminal value, up to a maximum of -20%:

as at 28 February 2021	Terminal plan EBIT				
(In millions of Euro)					
RA Sensitivity Difference compared with CA	0	(5.0%)	(10.0%)	(15.0%)	(20.0%)
CGU Retail	314.8	296.0	277.3	258.5	239.8
CGU Indirect	39.0	36.0	33.0	30.0	27.0
CGU B2B	24.5	23.1	21.6	20.1	18.6

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 28 February 2021, the sensitivity analysis conducted assuming a percentage increase in WACC:

as at 28 February 2021	WACC				
(In millions of Euro)					
RA Sensitivity Difference compared with CA	11.59%	12.09%	12.59%	13.09%	13.59%
CGU Retail	314.8	301.2	288.6	277.0	266.3
CGU Indirect	39.0	36.7	34.7	32.8	31.1
CGU B2B	24.5	23.4	22.3	21.3	20.4

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 28 February 2021, the sensitivity analysis conducted assuming a reduction in the perpetual growth rate (g), in the years of the explicit forecast and in the terminal value, up to a maximum of -2.0%:

as at 28 February 2021		Perpetual growth rate (g)				
(In millions of Euro)	WACC					
RA Sensitivity Difference compared with CA		(2.0%)	(1.5%)	(1.0%)	(0.5%)	(0.0%)
CGU Retail	11.59%	283.4	290.4	297.9	306.0	314.8
CGU Indirect	11.59%	33.6	34.8	36.1	37.5	39.0
CGU B2B	11.59%	21.7	22.4	23.0	23.8	24.5

Lastly, the Company has developed another analysis simulating the impacts on the recoverable amount of the CGU Retail in the event of excluding the planned opening of new sales points over the span of the business plan. The results of the analysis conducted are given below:

as at 28 February 2021		Carrying Amount (CA)	Recoverable Amount (RA)	RA compared with CA
(in millions of Euro)				
CGU Retail	EUR/mln	(26.7)	291.5	318.2

It should be pointed out that the parameters and information used for verifying the recoverability of the goodwill are affected by the macroeconomic, market and regulatory situation, and by the subjectivity of several projections of future events which may not necessarily take place, or which could take place differently from how they were projected, and therefore unforeseen changes could occur. Unfavourable and unpredictable changes to the parameters used for the impairment test could, in future, result in the need to write-down the goodwill with consequences to the results and the operating results, financial position and cash flows of the Company.

5.3 Intangible assets with definite useful life

The balance of the item “Intangible assets with a finite useful life” is given below, broken down by category as at 28 February 2021 and as at 29 February 2020:

(In thousands of Euro)	Amounts as at 28 February 2021			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	75,497	(51,408)	24,089	60,227	(45,382)	14,845
Concessions, licences and brands	7,407	(7,364)	43	7,407	(7,039)	368
Key Money	1,572	(1,572)	-	1,572	(1,572)	-
Intangible fixed assets under construction	4,474	-	4,474	6,935	-	6,935
Total intangible assets with a finite useful life	88,950	(60,344)	28,606	76,141	(53,993)	22,148

The change in the item "Intangible assets with a finite useful life" for the period from 28 February 2019 to 28 February 2021 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	11,989	788	6,557	3,200	22,534
Increases	8,248	-	-	6,792	15,040
Adjustment - application of IFRS 16	-	-	(6,557)	-	(6,557)
Decreases	-	-	-	(3,057)	(3,057)
Amortisation, depreciation and write downs/(write backs)	(5,392)	(420)	-	-	(5,812)
Decreases in Amortisation, Depreciation Provision	-	-	-	-	-
Balance as at 29 February 2020	14,845	368	-	6,935	22,148
Carini merger	150				150
Increases	15,099			4,189	19,288
Decreases				(6,650)	(6,650)
Amortisation, depreciation and write downs/(write backs)	(6,005)	(325)			(6,330)
Decreases in Amortisation, Depreciation Provision					
Balance as at 28 February 2021	24,089	43		4,474	28,606

With regard to the financial year ended 28 February 2021, the increases net of decreases in the "assets under construction" category totalled Euro 12,638 thousand and are mainly attributable to the "Software" category in the amount of Euro 15,099 thousand.

The increases relating to the "Software" category of Euro 15,099 thousand, are mainly due to: (i) the transition to the new SAP S/4HANA management software, (ii) new software and licenses, (iii) costs incurred in developing and updating the website www.unieuro.it and (iv) costs incurred for extraordinary operations on pre-existing management software.

The net increases in assets under construction of Euro 4,189 thousand are due to implementations of new software and existing software.

The contribution of the Carini merger is Euro 150 thousand and primarily refers to the category software.

For the year ended 29 February 2020, the increases amount to Euro 15,040 thousand and are mainly due to the "Software" category for Euro 8,248 thousand.

The increases relating to the "Software" category of Euro 8,248 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 Euro 6,792 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 28 February 2021 and as at 29 February 2020:

(In thousands of Euro)	Amounts as at 28 February 2021			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	558,629	(118,212)	440,417	510,562	(56,928)	453,634
Automobiles	2,740	(1,505)	1,235	2,159	(799)	1,360
Other assets	9,868	-	9,868	-	-	-
Total intangible assets with a finite useful life	**571,237**	**(119,717)**	**451,520**	**512,721**	**(57,727)**	**454,994**

The change in the item "Right-of-use assets" for the period from 29 February 2020 to 28 February 2021 is broken down below:

(In thousands of Euro)	Buildings	Automobiles	Other assets	Total
Balance as at 28 February 2019	-	-	-	-
Adjustment - application of IFRS 16	445,605	1,551		447,156
Carini Retail acquisition	8,805	-	-	8,805
Increases / (Decreases)	56,152	608	-	56,760
Amortisation, depreciation and write-downs/(write backs)	(56,928)	(799)	-	(57,727)
Balance as at 29 February 2020	**453,634**	**1,360**	**-**	**454,994**
Carini merger	22,884	-	-	22,884

Increases / (Decreases)	25,183	581	9,868	35,633
Amortisation, depreciation and write-downs/(write backs)	(61,284)	(706)	-	(61,990)
Balance as at 28 February 2021	440,417	1,235	9,868	451,520

The increases recorded in the year mainly refer to new leases relating to the opening or relocation of retail stores, the new Palazzo Hercolani (Forlì) headquarters, the new via Zampeschi (Forlì) warehouse and the renewal of existing operating lease contracts.

The contribution of the Carini merger is Euro 22,884 thousand.

5.5 Deferred tax assets and deferred tax liabilities

The change in the item "Deferred tax assets" and the item "Deferred tax liabilities" for the period from 28 February 2019 to 28 February 2021 is given 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 28 February 2019	678	2,337	907	4,281	272	1,456	2,280	12,211	22,968	35,179
Provision/Releases to the Income Statement	55	1,003	1,213	-	-	357	(985)	1,643	1,386	3,029
First consolidation Carini	-	-	-	-	-	-	-	-	-	-
Provision/Releases to the Comprehensive Income Statement	-	-	-	-	99	-	-	99	-	99
Balance as at 29 February 2020	733	3,340	2,120	4,281	371	1,813	1,295	13,953	24,354	38,307
Carini merger		267	-	-	44	-	-	311	-	311
Provision/Releases to the Income Statement	583	(907)	(371)	(207)	-	3,079	(1,075)	1,102	1,000	2,102
Provision/Releases to the Comprehensive Income Statement	-	-	-	-	46	-	-	46	-	46
Balance as at 28 February 2021	1,316	2,700	1,749	4,074	461	4,892	220	15,412	25,354	40,766

The balance as at 28 February 2021 was Euro 40,766 thousand and was mainly composed of: (i) deferred tax assets recognised on tax losses for Euro 25,354 thousand, (ii) temporary differences mainly attributable to the provision for risks and charges and goodwill for Euro 15,412 thousand.

The balance as at 29 February 2020 was Euro 38,307 thousand and was mainly composed of: (i) deferred tax assets recognised on tax losses for Euro 24,354 thousand, (ii) deferred tax assets recognised on tangible assets and on right-of-use assets for Euro 2,120 thousand relating to temporary differences on leases signed prior to 1 March 2019, the date of application of the new accounting standard IFRS 16, (iii) deferred tax assets recognised on goodwill for Euro 4,281 thousand and (iv) deferred tax assets recognised on other current liabilities for Euro 1,295 thousand, consisting of contract liabilities relating to warranty extension services.

The tax losses still available at 28 February 2021 refer to Unieuro and amount to Euro 298,471 thousand.

In calculating deferred tax assets, the following aspects were taken into consideration:

- the tax regulations of the country in which the Company operates and the impact on the temporary differences, and any tax benefits resulting from the use of tax losses carried over.
- the forecast of the Company's earnings in the medium and long-term.

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

Deferred tax liabilities

(In thousands of Euro)	Intangible assets	Other current assets	Total net deferred taxes
Balance as at 28 February 2019	987	1,125	2,112
Adjustment at the date of the first time adoption of IFRS 15	361	(391)	(30)
Provision/Releases to the Income Statement	-	-	-
Balance as at 29 February 2020	1,348	734	2,082
Provision/Releases to the Income Statement	361	32	393
Provision/Releases to the Comprehensive Income Statement	-	-	-
Balance as at 28 February 2021	1,709	766	2,475

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

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

5.6 Other current assets and other non-current assets

Below is a breakdown of the items “Other current assets” and “Other non-current assets” as at 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Contract assets	8,012	7,063
Prepaid expenses and accrued income	8,129	13,136
Tax credits	764	2,772
Financial receivables from leases - current portion	1,090	1,429
Other current assets	809	744
Advances to suppliers	-	24
Other current assets	**18,804**	**25,168**
Other non-current assets	12,559	30,414
Financial receivables from leases - non-current portion	7,184	8,933
Deposit assets	2,319	2,372
Deposits to suppliers	571	531
Other non-current assets	**22,633**	**42,250**
Total Other current assets and Other non-current assets	**41,437**	**67,418**

The items "Prepaid expenses" and "Accrued income" equal to Euro 8,129 thousand, mainly include prepaid expenses referring to insurance, condominium expenses and rental of road signs that took place prior to 28 February 2021 and accruals coinciding with the calendar year. The decrease in this item is mainly due to insurance.

The item "Contract assets" amounting to Euro 8,012 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 item “Other current assets” mainly includes receivables for withholding taxes applied for brokerage activities carried out.

Tax receivables as at 28 February 2021 decreased mainly due to the collection during the year of 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. The decline is essentially linked to the decrease in equity investments due to the Carini merger. The item “Other non-current assets” includes equity investments, deposit assets and deposits to suppliers. The breakdown of the item “Equity Investments" as at 28 February 2021 and as at 29 February 2020 is shown below:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Equity investment in Carini Retail S.r.l.	-	17,855
Equity investment in Monclick S.r.l.	12,551	12,551
Other equity investments	8	8
Equity investments	12,559	30,414

The change in the item "Equity investments" for the period from 28 February 2019 to 28 February 2021 is broken down below:

(In thousands of Euro)	Equity investments
Balance as at 28 February 2019	12,559
Acquisitions	17,855
Increases	-
Write-downs	-
Decreases	-
Balance as at 29 February 2020	30,414
Acquisitions	-
Carini merger	(17,855)
Increases	-
Write-downs	-
Decreases	-
Balance as at 28 February 2021	12,559

Information relating to the equity investments owned in associated companies at 28 February 2021 is given below pursuant to Article 2427 of the Italian Civil Code:

(In thousands of Euro)	Registered office	Carrying amount	Share Capital	Ownership percentage	Shareholders' equity	Profit (loss) for the year
Monclick S.r.l.	Vimercate (MB)	12,551	100	100%	3,191	(328)

Monclick S.r.l.

On 9 June 2017, Unieuro concluded the acquisition from Project Shop Land S.p.A. of 100% of Monclick, one of the leading online operators in Italy, active in the consumer electronics market and in the online B2B2C market.

Monclick represents a "pure player" in the Italian panorama of e-commerce, that is, a company that sells products only through the web channel, without having physical sales or pick-up points.

The investee operates in two business lines that appeal to the same consumers, while reaching them through two different channels: (i) *Online*, which includes online sales of consumer products directly to the final consumer through "Monclick" website, and (ii) *B2B2C,* that is, the channel for products and services sold to the final consumer through partnerships with large companies.

The Subsidiary recorded revenues in the year closed at 28 February 2021 of Euro 92,164 thousand (Euro 61,811 thousand in the year ended at 29 February 2020) and a loss for the year of Euro 328 thousand (loss equal to Euro 956 thousand in the year ended at 29 February 2020).

The reference market was characterised by: (i) the significant growth in the online segment following the Covid-19 pandemic, which made 2020 an atypical year, (ii) growing demand for a more punctual and efficient service on the part of customers, which increased logistics costs throughout the year, (iii) increasing competitive pressure to which pure players are subject, which led the Company to defend its market share by sacrificing pricing policies, especially in the first part of the year. The economic result for the year benefitted from several actions intended to mitigate the impacts on the income statement of the above-mentioned phenomena, including: (i) strengthening of the drop shipping flow from Unieuro, which entails an improvement in purchasing conditions, (ii) the exploitation of synergies generated with the current Unieuro distribution structure enacted through the transfer from a third-party logistics structure to the Unieuro Group logistics structure in Piacenza, (iii) efficiency in administrative services and general expenses.

In the course of the year ending on 28 February 2021, Monclick therefore continued an organisational and structural review process aimed at the gradual rebalancing of operations. Plans were prepared and developed for this process to strengthen business activities and a strategy was implemented to increase revenues and make costs more efficient.

On 29 June 2017, 10 January 2018 and 14 November 2018 the Unieuro Board of Directors approved payments to the provision to cover losses of Euro 1,192 thousand, Euro 1,783 thousand and Euro 1,269 thousand, respectively, and capital contribution payments of Euro 2,808 thousand, Euro 1,217 thousand and Euro 3,731 thousand, respectively.

5.6.1 Impairment test on the value of equity investments

The equity investment in Monclick at 28 February 2021 was subjected to an impairment test by comparing the respective recoverable value with the carrying amount of the equity investment. The recoverable value is represented by the greater of the fair value of the asset excluding sales costs and its value in use.

The value in use was calculated as the current value of future cash flows that are expected to be generated by the Cash Generating Unit "CGU" identified in Monclick, discounted at the rate that reflects the specific risks of the CGU at the valuation date.

The source of the data on which the assumptions made for determining the cash flows are based are the final balances and the business plan for the period from 28 February 2022 to 28 February 2026 of the investee company approved by the Sole Director of Monclick on 21 April 2021.

The impairment test was approved by the Board of Directors on 06 May 2020. In the elaboration of the impairment test the Directors used appropriate reports provided by a consultant under specific assignment of the Company.

The evaluation assumptions used for determining the recoverable value are based on the above-mentioned business plans and on several main hypotheses:

- the explicit period to be adopted for the business plan is 5 years;
- terminal value: actualisation of the latest plan explicit estimate period. It should be stressed that a long-term growth rate "g" of 0% was used;
- the discount rate applied to the various cash flows (WACC - weighted average cost of capital) is 12.63% for Monclick.

The estimation procedure adopted for defining the parameters determining the WACC is reported below:

- Risk-free rate (r_f) – The risk-free rate adopted is equal to the 6-month average (compared with the reference date) of the returns of the ten-year government bonds (BTP) issued by the Italian government. The adoption of the average figure makes it possible to compensate for possible short-term distorting dynamics.
- Equity risk premium *(r_m – r_f)* – The equity risk premium, which represents the yield spread (historical and long-term) between equity securities and debt securities on financial markets, was determined with reference to the Italian market.
- *Beta* (β) – The beta, which indicates the regression coefficient of a straight line which represents the relationship between the rate of return offered by the security and that of the overall market, was calculated on the basis of a panel of listed companies operating mainly or exclusively in the sale of consumer electronics.
- Specific risk premium (α) - An additional premium was applied in order to take into account potential risks relating to the implementation of the corporate strategy in the reference market context also taking into consideration the size of Monclick compared with comparable businesses identified.
- Cost of debt capital i_d (1-t) - The cost of debt of a financial nature was estimated as equal to the average 6-month 10-year Euro Swap Rate (compared with the reference date), plus a spread. The corporate tax rate in force in Italy (IRES) was adopted as the tax rate (t).
- *Financial structure* - A debt/equity ratio calculated based on the average figure expressed at the reference date by the panel of comparable companies selected was adopted.

The results of the impairment tests as at 28 February 2021 are given below:

as at 28 February 2021		Carrying Amount (CA)	Recoverable Amount (RA)	RA compared with CA
(In millions of Euro)				
Monclick S.r.l.	EUR/mln	12.5	22.2	9.7

Based on the estimates made there was no need to adjust the value of the equity investment.

As set out in IAS 36, the appropriate sensitivity analyses were also conducted as the main parameters used, such as the change in the percentage of EBIT and the growth rate, vary.

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the equity investment in Monclick subject to impairment tests as at 28 February 2021, the sensitivity analyses conducted assuming a percentage reduction in EBIT, in the years of the explicit forecast and in the terminal value, up to a maximum of -20.0%:

as at 28 February 2021		Terminal plan EBIT				
(In millions of Euro)	WACC					
RA Sensitivity Difference compared with CA		0.0%	(5.0%)	(10.0%)	(15.0%)	(20.0%)
Monclick S.r.l.	12.57%	22.2	22.0	21.8	21.6	21.5

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 28 February 2021, the sensitivity analyses conducted assuming a reduction in the perpetual growth rate (g), in the years of the explicit forecast and in the terminal value, up to a maximum of -2.0%:

as at 28 February 2021		Perpetual growth rate (g)				
(In millions of Euro)	WACC					
RA Sensitivity Difference compared with CA		(2.0%)	(1.5%)	(1.0%)	(0.5%)	(0.0%)
Monclick S.r.l.	12.57%	21.7	21.8	21.9	22.0	22.2

It should be pointed out that the parameters and information used for the impairment test on the equity investment are affected by the macroeconomic, market and regulatory situation, and by the subjectivity of several projections of future events which may not necessarily take place, or which could take place differently from how they were projected, and therefore unforeseen changes could occur. Unfavourable and unpredictable changes to the parameters used for the impairment test could, in future, result in the need to write down the equity investment in Monclick with consequences on the results and the operating results, financial position and cash flows of the Companies.

5.7 Inventories

Warehouse inventories break down as follows:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Merchandise	381,912	364,388

Consumables	731	640
Gross stock	**382,643**	**365,028**
Warehouse obsolescence provision	(11,253)	(13,919)
Total Inventories	**371,390**	**351,109**

The value of gross inventories went from Euro 365,028 thousand as at 29 February 2020 to Euro 382,643 thousand as at 28 February 2021, an increase of 4.8% in total gross inventories. The increase is primarily linked to the merger of Carini Retail due to the increase in the number of stores. For more details, please refer to section 2.8 Carini Retail merger.

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

The change in the obsolescence fund for the period from 28 February 2018 to 28 February 2021 is broken down below:

(In thousands of Euro)	Warehouse obsolescence provision
Balance as at 28 February 2019	**(9,737)**
Provisions	(4,182)
Balance as at 29 February 2020	**(13,919)**
Carini merger	(1,109)
Releases to the Income Statement	3,775
Balance as at 28 February 2021	**(11,253)**

5.8 Trade receivables

A breakdown of the item "Trade receivables" as at 28 February 2021 and as at 29 February 2020 is shown below:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Trade receivables from third-parties	66,281	49,301
Trade receivables from related-parties	11,843	40,148
Gross trade receivables	**78,124**	**89,449**
Bad debt provision	(2,837)	(2,963)
Total Trade receivables	**75,287**	**86,486**

The value of trade receivables from third parties, referring to the *Indirect* and *B2B* channels, has increased by Euro 16,980 thousand compared to the previous year. The item trade receivables from third parties rose primarily as a result of the increase in volumes due to calendar effects.

Trade receivables from related parties declined mainly due to the Carini Merger.

The change in the bad debt provision for the period from 28 February 2019 to 28 February 2021 is broken down below:

(In thousands of Euro)	Bad debt provision
Balance as at 28 February 2019	(2,343)
Provisions	(719)
Releases to the Income Statement	-
Utilisation	99
Balance as at 29 February 2020	(2,963)
Carini merger	(1)
Provisions	-
Releases to the Income Statement	127
Utilisation	-
Balance as at 28 February 2021	(2,837)

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

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 Company 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.

5.9 Current tax assets and liabilities

Below is a breakdown of the item "Current tax liabilities" as at 28 February 2021 and as at 29 February 2020:

Current tax liabilities

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Payables for IRAP (income tax)	1,695	156
Payables for IRES (income tax)	1,068	277
Taxes payable	1,040	1,040
Total Current tax liabilities	3,803	1,473

As at 28 February 2021, the item "Payables for IRAP" and "Payables for IRES" include payables respectively of Euro 1,695 thousand and Euro 1,068 thousand deriving from the estimate of taxes for the year ending on 28 February 2021, and "Payables for tax liabilities" of Euro 1,040 thousand.

5.10 Cash and cash equivalents

A breakdown of the item "Cash and cash equivalents" as at 28 February 2021 and as at 29 February 2020 is shown below:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Bank accounts	190,571	69,715
Petty cash	13,302	10,476
Total cash and cash equivalents	203,873	80,191

Cash and cash equivalents stood at Euro 203,873 thousand as at 28 February 2021 and Euro 80,191 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. Instead, for more details of the net financial position, please refer to Note 5.12.

5.11 Shareholders' equity

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

(In thousands of Euro)	Share capital	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for actuarial profits/ (losses) on defined benefits plans	Reserve for share-based payments	Other reserves	Profits/ (losses) carried forward	Total shareholders' equity
Balance as at 29 February 2020	4,000	800	6,769	(352)	(1,496)	5,727	26,944	60,831	103,223
Carini Retail merger					(113)	-	-	(8,622)	(8,735)
Adjusted balance as at 1 March 2020	4,000	800	6,769	(352)	(1,609)	5,727	26,944	52,209	94,488
Profit/(loss) for the year	-	-	-	-	-	-	-	54,431	54,431
Other components of comprehensive income	-	-	-	220	(302)	-			(82)
Total statement of comprehensive income for the year	-	-	-	220	(302)	-	-	54,430	54,348
Allocation of prior year result	-	-	35,750	-	-	-	-	(35,750)	-
Share-based payment settled with equity instruments	53	-	-	-	-	(1,658)	3,251	2,011	3,657
Total transactions with shareholders	53	-	35,750	-	-	(1,658)	3,251	(33,739)	3,657
Balance as at 28 February 2021	4,053	800	42,519	(132)	(1,911)	4,069	30,195	72,901	152,494

Shareholders' Equity totalled Euro 152,494 thousand as at 28 February 2021 (Euro 103,223 thousand as at 29 February 2020). It increased during the year due to the combined effect of: (i) the recognition of the profit for the year for Euro 54,431 thousand and the other components of the comprehensive income statement for Euro -82 thousand; (ii) negative effect deriving from the merger of Carini Retail S.r.l. equal to Euro 8,735 thousand; and (iii) the recognition in the reserve for share-based payments for Euro 3,657 thousand referable to the 2018-2025 Long Term Incentive Plan reserved for certain managers and employees and the 2020-2025 performance share plan. For more details, please see Note 5.28.

The Share capital as at 28 February 2021 stood at Euro 4,053 thousand, broken down into 20,265,000 shares.

The Reserves are illustrated below:

- the legal reserve equal to Euro 800 thousand as at 28 February 2021 (Euro 800 thousand as at 29 February 2020), includes the provisions of profits in the amount of 5% for each year until the limit pursuant to article 2430 of the civil code; there were no increases in this reserve during the period.

– the extraordinary reserve of Euro 42,519 thousand as at 28 February 2021 (Euro 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;

– the cash flow hedge reserve was Euro -132 thousand as at 28 February 2021 (Euro -352 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 for a negative Euro 1,909 thousand as at 28 February 2021 (negative Euro 1,496 thousand as at 29 February 2020); it changed by Euro 302 thousand following the actuarial valuation relating to severance pay and Euro 113 thousand due to the Carini merger;

– the reserve for share-based payments amounting to Euro 4,069 thousand as at 28 February 2021 (Euro 5,727 thousand as at 29 February 2020); the reserve has changed due to: (i) the recognition of provisions by Euro 325 thousand net of the reclassification to the item "profit carried forward" for Euro 2,140 thousand as a result of the exercise of options, for a negative Euro 1,815 thousand, of the Long Term Incentive Plan 2018-2025 reserved for some managers and employees and (ii) the recognition of provisions for Euro 157 thousand for the 2020-2025 performance share plan. For more details, please see Note 5.28.

– other reserves equal to Euro 30,195 thousand at 28 February 2021 (Euro 26,944 thousand at 29 February 2020); it changed following the formation of the share premium reserve for Euro 3,251 thousand as a result of the exercise of the 2018-2025 Long Term Incentive Plan.

(In thousands of Euro)	Share capital	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for actuarial profits/ (losses) on defined benefits plans	Reserve for share-based payments	Other reserves	Profits/ (losses) carried forward	Total shareholders' equity
Balance as at 28 February 2019	4,000	800	-	(315)	(1,270)	3,376	26,944	54,156	87,691
Effect of changes in accounting standard IFRS 16	-	-	-	-	-	-	-	-	-
Adjusted balance as at 1 March 2019	4,000	800	-	(315)	(1,270)	3,376	26,944	54,156	87,691
Profit/(loss) for the year	-	-	-	-	-	-	-	35,750	35,750
Other components of comprehensive income	-	-	-	(37)	(226)	-		-	(263)
Total statement of comprehensive income for the year	-	-	-	(37)	(226)	-	-	35,750	35,487
Allocation of prior year result	-	-	6,769	-	-	-	-	(6,769)	-
Covering retained losses and negative reserves	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	-	-	-	-	-	(21,400)	(21,400)
Share-based payment settled with equity instruments	-	-	-	-	-	2,351	-	(906)	1,445
Total transactions with shareholders	-	-	6,769	-	-	2,351	-	(29,075)	(19,955)

Balance as at 29 February 2020	4,000	800	6,769	(352)	(1,496)	5,727	26,944	60,831	103,223

Shareholders' Equity totalled Euro 103,223 thousand as at 28 February 2021 (Euro 87,691 thousand as at 29 February 2020). It increased during the year due to the combined effect of: (i) the recognition of the profit for the year for Euro 35,750 thousand and the other components of the comprehensive income statement for Euro -263 thousand; (ii) the distribution of a dividend of Euro 21,400 thousand as resolved on 18 June 2019 by the Shareholders' Meeting; and (iii) the recognition in the reserve for share-based payments for Euro 1,445 thousand referable to the Long Term Incentive Plan reserved for certain managers and employees.

The Share capital as at 28 February 2021 stood at Euro 4,000 thousand, broken down into 20,000,000 shares.

The Reserves are illustrated below:

- the legal reserve of Euro 800 thousand as at 28 February 2021 (Euro 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 and has maintained it to 28 February 2021;

- the extraordinary reserve of Euro 6,769 thousand as at 28 February 2021 (Euro 0 thousand as at 29 February 2020); this reserve increased during the year as a result of the allocation of the profit for the previous year as approved by the Shareholders' Meeting on 18 June 2019;

- the cash flow hedge reserve was Euro -352 thousand as at 28 February 2021 (Euro -315 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 for a negative Euro 1,496 thousand as at 28 February 2021 (negative Euro 1,270 thousand as at 29 February 2020); it decreased by Euro 226 thousand following the actuarial valuation relating to severance pay;

- the reserve for share-based payments equal to Euro 5,727 thousand as at 28 February 2021 (Euro 3,376 thousand as at 29 February 2020); there were changes because of (i) the recognition of Euro 2,351 thousand as a contra-entry to the recognition of the cost of personnel for the share-based payment plan, (ii) the distribution of the dividend approved by the Shareholders' Meeting on 18 June 2019 which involved the reclassification of the item that refers to the monetary bonus earned by managers and employees under the regulation from the item profits (losses) carried forward to the item other non-current liabilities for Euro 906 thousand. For more details, please see Note 5.28.

Pursuant to Article 2424 of the Civil Code, information is provided on the origin, nature and possibility of use of the Shareholders' Equity items at 28 February 2021:

(In thousands of Euro)	Amount

Nature / Description		Possibility for use (*)	Amount Available	Use in the previous 3 financial years to cover losses	Use in the previous 3 financial years for other reasons
Capital	4,053	B	4,053		
Capital Reserves					
Share premium reserve	3,251	A, B, C	3,251	69	
Other capital reserves	26,944	A, B, C	26,944	14,247	20,000 (**)
Reserve for share-based payments	4,069	A, B	4,069		
Suspended tax retained earnings					
Reserve pursuant to Law No. 121/87		A, B, C		75	
Retained Earnings					
Legal Reserve	800	A, B	800		
Extraordinary Reserve	42,519	A, B, C	42,519	46,810	12,293 (**)
Severance Indemnity actuarial reserve	(1,911)		(1,911)		
Cash flow hedge reserve	(132)		(132)		
Profit (losses) carried forward - FTA other Reserves	4,038	A, B	4,038	(3,336)	
Profit (losses) carried forward - FTA other Reserves	23,321	B	23,321		
Profit (losses) carried forward - IAS adjustments				(22,106)	
Profit (losses) carried forward - Call option agreement		A, B, C		7,644	
Profit/(loss) carried forward - Share based payment	(267)		(267)		
Profit (losses) carried forward- other	(8,622)		(8,622)	(51,924)	
Profit (losses) for the period	54,431	A, B, C	54,420	8,521	21,400 (**)
Total	152,494		98,063		53,693
Non-distributable portion			36,281		
Residual distributable portion gross of the results for the year			61,782		

(*) A: for capital increase; B: for covering losses; C: for distribution to shareholders

(**) Distribution of reserves

5.12 Financial liabilities

A breakdown of the item current and non-current "Financial liabilities" as at 28 February 2021 and as at 29 February 2020 is shown below:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Current financial liabilities	9,659	9,520
Non-current financial liabilities	39,068	31,643

Total financial liabilities	48,727	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 existing borrowings relating to the *Euro Term and Revolving Facilities Agreement* were completely settled on 9 January 2018.

The credit lines include Euro 190.0 million in term loan amortising, of which Euro 50.0 million (the "Term Loan") was set up to replace the previous existing lines of credit and Euro 50.0 million (the "Capex Facility") is for acquisitions and restructuring investments on the store network, while there are Euro 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 on a twelve-month basis, which is summarised below:

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

At 28 February 2021 the covenant was calculated and complied with.

The Loan Agreement includes Unieuro's right of early repayment, in full or in part (in such a case of minimum amounts equal to Euro 1,000,000.00) and prior notification of the Agent Bank, of both the Term Loan and the Capex Facility. In addition, when certain circumstances and/or events are verified, Unieuro is obliged to repay the Loan early. As at 28 February 2021 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 28 February 2021 and at 29 February 2020 are illustrated below:

(In thousands of Euro)	Maturity	Original amount	Interest rate	as at 28 February 2021		
				Total	of which current portion	of which non-current portion
Short-term lines of credit (1)	n.a.	74,500	0.35% - 6.5%	59	59	-
Revolving Credit Facility	jan-23	90,000	Euribor 1m+spread	-		-
Current bank payables				59	59	-
Term Loan	jan-23	50,000	Euribor 3m+spread	22,500	10,000	12,500

Capex Facility	jan-23	50,000	Euribor 3m+spread	27,000	-	27,000
Ancillary expenses on loans (2)				(832)	(400)	(432)
Non-current bank payables and current part of non-current debt				48,668	9,600	39,068
Total				48,727	9,659	39,068

(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	as at 29 February 2020		
				Total	of which current portion	of which non-current portion
Short-term lines of credit (1)	n.a.	74,500	0.35% - 6.5%	53	52	-
Revolving Credit Facility	jan-23	90,000	Euribor 1m+spread	-		-
Current bank payables				53	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)	(531)	(857)
Non-current bank payables and current part of non-current debt				41,112	9,469	31,643
Total				41,163	9,520	31,643

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

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

The financial liabilities at 28 February 2021 total Euro 48,727 thousand with an increase of Euro 7,564 thousand compared to 29 February 2020. This change is mainly due to the combined effect of: (i) regular repayment of principal of the Loan of Euro 10,000 thousand, (ii) drawdown of the Capex Facility of additional Euro 17,000 thousand, used to repay the 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 832 thousand as at 28 February 2021 (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)	Year ended	
	28 February 2021	29 February 2020
Within 1 year	9,659	9.250
From 1 to 5 years	39,068	31,643

More than 5 years	-	-
Total	48,727	43,567

A breakdown of the net financial debt as at 28 February 2021 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 million of Euro)	as at 28 February 2021	*of which with Related-Parties*	as at 29 February 2020	*of which with Related-Parties*
(A) Cash	203.9	-	80.2	-
(B) Other cash and cash equivalents	0.0	-	0.0	-
(C) Securities held for trading	0.0	-	0.0	-
(D) Liquidity (A)+(B)+(C)	**203,9**	**-**	**80,2**	**-**
- of which is subject to a pledge	0,0		0,0	-
(E) Current financial receivables	**0,1**	**-**	**0,0**	**-**
(F) Current bank payables	(0,1)	-	(0,1)	-
(G) Current part of non-current debt	(9,6)	-	(9,5)	-
(H) Other current financial payables	(67,1)	-	(64,8)	-
(I) Current financial debt (F)+(G)+(H)	**(76,8)**	**-**	**(74,3)**	**-**
- of which is secured	0,0	-	0,0	-
- of which is unsecured	(76.8)	-	(74.3)	-
(J) Net current financial position (I)+(E)+(D)	**127.2**	**-**	**5.9**	**-**
(K) Non-current bank payables	(39.1)	-	(31.6)	-
(L) Bonds issued	0.0	-	0.0	-
(M) Other non-current financial payables	(392.4)	-	(417.7)	-
(N) Non-current financial debt (K)+(L)+(M)	**(431.4)**	**-**	**(449.4)**	**-**
- of which is secured	0.0	-	0.0	-
- of which is unsecured	(431.4)	-	(449.4)	-
(O) Net financial debt (J)+(N)	**(304.3)**	**-**	**(443.5)**	**-**

The decrease in net financial debt is mainly due to the combined effect of: (i) cash generation from operating activities of Euro 208,566 thousand and (ii) investments of Euro 32,260 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, including costs relating to the project - still being implemented - aimed at adopting a new ERP and (iii) the draw-down on the Capex Facility for Euro 17,000 thousand.

The table below summarises the breakdown of the items "Other current financial payables" and "Other non-current financial payables" for the periods ending 28 February 2021 and 29 February 2020. See Note 5.14 "Other financial liabilities" for more details.

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Other financial liabilities	68,119	66,227
Other current financial payables	68,119	66,227
Other financial liabilities	399,558	426,675
Other non-current loans	399,558	426,675
Total financial payables	467,677	492,902

5.13 Employee benefits

The change in the item "Employee benefits" for the period from 28 February 2018 to 28 February 2021 is broken down below:

(In thousands of Euro)	
Balance as at 28 February 2019	10,660
Interest cost	59
Settlements/advances	(482)
Actuarial (profits)/losses	314
Balance as at 29 February 2020	10,551
Carini merger	1,074
Transfers in/(out)	916
Interest cost	66
Settlements/advances	(447)
Actuarial (profits)/losses	418
Balance as at 28 February 2021	12,570

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 year ended 28 February 2021 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:

	Year ended	
Economic recruitment	28 February 2021	29 February 2020
Inflation rate	0.80%	1.20%
Actualisation rate	0.23%	0.45%
Severance pay increase rate	2.10%	2.40%

	Year ended	
Demographic recruitment	28 February 2021	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 28 February 2021, 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)	28 February 2021
Change to the parameter	Impact on DBO
1% increase in turnover rate	12,455
1% decrease in turnover rate	12,700
0.25% increase in inflation rate	12,746
0.25% decrease in inflation rate	12,399
0.25% increase in actualisation rate	12,294
0.25% decrease in actualisation rate	12,857

5.14 Other financial liabilities

A breakdown of the item current and non-current "Other financial liabilities" as at 28 February 2021 and 29 February 2020 is shown below:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Payables to leasing companies	60,279	56,739
Payables for equity investments and business units	7,758	9,355
Fair value of derivative instruments	82	133
Other current financial liabilities	68,119	66,227
Payables to leasing companies	398,243	418,564
Payables for equity investments and business units	1,224	7,781
Fair value of derivative instruments	91	330
Other non-current financial liabilities	399,558	426,675
Total financial liabilities	467,677	492,902

Payables for equity investments and business units

Payables owed to leasing companies amount to a total of Euro 8,982 thousand at 28 February 2021 and Euro 17,136 thousand at 29 February 2020. The decrease of Euro 8,154 thousand is due to the amounts paid for the acquisition of former Pistone S.p.A., former Cerioni and Monclick.

Lease liabilities

Lease liabilities totalled Euro 458,522 thousand as at 28 February 2021 and Euro 475,303 thousand as 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 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 Company has recorded a liability reflecting the obligation to make lease payments and settle lease liabilities following the application of the accounting standard IFRS 16. There are no hedging instruments for the interest rates. It is here by noted that at 28 February 2021, the Company 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 lease liabilities.

(In thousands of Euro)	Balance as at 28 February 2021	Within 12M	Between 12M and 60M	Over 60M	Total
Payables to leasing companies	458,522	60,279	231,049	167,194	458,522

Total	458,522	60,279		231,049	167,194	458,522

Fair value of derivative instruments

Financial instruments for hedging, as at 28 February 2021, refer to contracts entered into with Intesa Sanpaolo S.p.A., Banca Popolare di Milano S.p.A. and Crédit Agricole Cariparma S.p.A., hedging the fluctuation of financial expenses related to the Loan Agreement. The financial liability amounted to Euro 173 thousand as at 28 February 2021 (Euro 463 thousand as 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 "Funds" for the period from 29 February 2020 to 28 February 2021 is broken down below:

(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	3,135	124	359	2,032	9,059
- of which current portion	*-*	*495*	*124*	*359*	*363*	*1,341*
- of which non-current portion	*3,409*	*2,640*	*-*	*-*	*1,669*	*7,718*
Adjustment - application of IFRS 16	-	-	(126)	-	808	682
Adjustment - application of IFRIC 23	(1,040)	-	-	-	-	(1,040)
Provisions	330	1,978	2	280	171	2,761
Draw-downs/releases	(802)	(487)	-	(259)	(177)	(1,725)
Balance as at 29 February 2020	1,897	4,626	-	380	2,834	9,737
- of which current portion	*-*	*849*	*-*	*380*	*9*	*1,238*
- of which non-current portion	*1,897*	*3,777*	*-*	*-*	*2,825*	*8,499*
Carini merger	-	-	-	-	180	180
Provisions	16	9,500	-	-	3,123	12,639
Draw-downs/releases	-	(1,282)	-	-	-	(1,282)
Balance as at 28 February 2021	1,914	12,843	-	380	6,137	21,274
- of which current portion	*-*	*346*	*-*	*380*	*21*	*747*
- of which non-current portion	*1,914*	*12,497*	*-*	*-*	*6,116*	*20,527*

The "Tax dispute provision", equal to Euro 1,914 thousand as at 28 February 2021 and Euro 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" amounted to Euro 12,843 thousand as at 28 February 2021 and Euro 4,626 thousand as at 29 February 2020. The increase in the year main refers to allocations for suppliers and sub-suppliers of services for which requests have been received in the area of legal and labour law from third parties who hold Unieuro jointly liable. Please also note that in January 2021, proceedings were lodged by the Competition and Market Authority for the confirmation of alleged unfair commercial practices by Unieuro and Monclick; the assessment of the risk that penalties will be imposed after the proceedings, was performed with the support of lawyers and the risk was qualified as possible. At 28 February 2021, an allocation of Euro 2,091 thousand was recognised referring to estimated costs expected for the adoption of corrective measures to be applied for the benefit of consumers.

The "Restructuring provision", equal to Euro 380 thousand as at 28 February 2021, unchanged compared to 29 February 2020, refer mainly to the personnel restructuring process of the closing sales outlets.

"Other provisions for risks" totalled Euro 6,137 thousand as at 28 February 2021 and Euro 2,834 thousand as at 29 February 2020. The item mainly includes costs for risks with reference to logistic contracts, 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

Below is a breakdown of the items "Other current liabilities" and "Other non-current liabilities" as at 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Contract liabilities	186,370	148,840
Payables to personnel	42,505	36,044
Payables for VAT	18,140	16,487
Payables to welfare institutions	4,034	2,789
Payables for IRPEF (income tax)	3,578	2,816
Long Term Incentive Plan monetary bonus	1,694	2436
Deferred income and accrued liabilities	3,364	2,406
Other tax payables	455	229
Other current liabilities	44	914
Payments on account from customers	-	11
Total other current liabilities	260,184	212,972
Deposit liabilities	26	26

Total other non-current liabilities	26	26
Total other current and non-current liabilities	260,210	212,998

The item "Other current and non-current liabilities" increased to Euro 47,212 thousand in the year ended 28 February 2021 compared with the year ended 29 February 2020. The increase in the item recorded in the year in question is mainly due to the Carini merger and greater contract liabilities relating to the servicing of the extended warranty due to the increase in volumes and the number of stores.

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

- contract liabilities of Euro 186,370 thousand at 28 February 2021 (Euro 148,840 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 Euro 42,505 thousand as at 28 February 2021 (Euro 36,044 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 Euro 18,140 thousand as at 28 February 2021 (Euro 16,487 thousand as at 29 February 2020) composed of payables resulting from the VAT settlement with regard to February 2021;

- deferred income and accrued expenses of Euro 3,364 thousand as at 28 February 2021 (Euro 2,406 thousand as at 29 February 2020) mainly relating to the recording of deferred income on revenues that were settled during the year, though they fall due later.

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

5.17 Trade payables

A breakdown of the item "Trade payables" as at 28 February 2021 and as at 29 February 2020 is shown below:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Trade payables to third-parties	499,510	474,292
Trade payables to related-parties	2,101	1,346
Gross trade payables	**501,611**	**475,638**
Bad debt provision - amount due from suppliers	1,555	1,612

Total Trade payables	503,166	477,250

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 increased by Euro 25,973 thousand as at 28 February 2021 compared with 29 February 2020. The increase is correlated with the Carini merger as well as an increase in volumes.

The change in the "Bad debt provision and suppliers account debit balance", referring to the receivable supplier items deemed non-recoverable, is shown below for the period from 28 February 2018 to 28 February 2021:

(In thousands of Euro)	Bad debt provision - amount due from suppliers
Balance as at 28 February 2019	1,922
Provisions	-
Releases to the Income Statement	(248)
Utilisation	(62)
Balance as at 29 February 2020	1,612
Provisions	341
Releases to the Income Statement	(398)
Utilisation	-
Balance as at 28 February 2021	1,555

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 operating segment identified by Unieuro which encompasses all services and products provided to customers, is unique and consists of the entire Company. As the Company is a single channel business, there is only one Strategic Business Unit ("SBU"). For further details, please refer to Note 4 Information on operating segments. The Company'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)	Year ended				Changes	
	28 February 2021	%	29 February 2020	%	Δ	%
Retail	1,711,598	64.4%	1,569,080	64.7%	142,518	9.1%
Online	446,618	16.8%	247,648	10.2%	198,970	80.3%
Indirect	307,535	11.6%	263,135	10.9%	44,400	16.9%
B2B	104,159	3.9%	121,993	5.0%	(17,834)	(14.6%)
Travel	24,061	0.9%	39,608	1.6%	(15,547)	(39.3%)
Intercompany	65,311	2.5%	184,431	7.6%	(119,120)	(64.6%)
Total revenues by channel	2,659,283	100.0%	2,425,895	100.0%	233,388	9.6%

The Retail channel (64.4% of total revenues) - which as at 28 February 2021 included 262 direct sales outlets - recorded sales of Euro 1,711,598 thousand. After the criticalities of the first lockdown phase, the significant growth recorded in the second and third quarters was also confirmed in the fourth, despite the persistence of limitations on the accessibility of the direct network by customers. The move to direct management of 18 Unieuro by Iper shop-in-shops, previously affiliated and internalised during the year, contributed positively to the performance of the channel.

The Online channel (16.8% of total revenues) posted growth of 80.3%, which pushed revenues to Euro 446,618 thousand, compared to Euro 247,648 thousand in the previous year. The performance, to all intents and purposes exceptional, is the result of the emergency situation that has arisen, which has led customers to favor e-commerce to the detriment of physical stores.

The Indirect channel (11.6% 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 254 sales outlets as at 28 February 2021 - recorded revenues of Euro 307,535 thousand, an increase of 16.9% compared with Euro 263,135 thousand in the previous year. In general, the distinctive characteristics of the affiliated stores - small to medium size and focused on proximity service - allowed significant business resilience only marginally impacted by the restrictions and full recovery of lost revenues from the first wave of the pandemic already in the second quarter. In addition to this is the launch in November of the partnership with the Partenope Group, which led to the launch of the Unieuro brand in the city of Naples and which partially offset the passage to the Retail channel of the Unieuro by Iper shop-in-shops previously affiliates.

The B2B channel[48] (3.9% of total revenues) - which targets professional domestic and foreign customers that operate in industries other than those where Unieuro operates, such as hotel chains and banks, as well as operators that need to purchase electronic products to be distributed to their regular customers or to employees to accumulate points or participate in prize competitions or incentive plans (B2B2C segment) - recorded sales of Euro 104,159 thousand, down 14.6% from Euro

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

121,993 thousand in the previous year. The uncertain nature of revenues in this channel is confirmed, featuring an opportunistic approach influenced by multiple exogenous factors.

Lastly, the Travel channel (0.9% 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 39.3% and sales equal to Euro 24,061 thousand. The performance was inevitably affected by the collapse in air traffic generated by the pandemic and the total or partial closure of some airports, while the decrease in turnover of the stores in Milan San Babila (underground) and Turin Porta Nuova (railway station) was more contained.

Intercompany revenues were equal to Euro 65,311 thousand in the year ended 28 February 2021 (Euro 184,431 thousand in the year ended at 29 February 2020) and were composed of the sale of products to the subsidiary company Monclick S.r.l.

Below is a breakdown of revenues by category:

(In thousands of Euro and as a percentage of revenues)	Year ended				Changes	
	28 February 2021	%	29 February 2020	%	Δ	%
Grey	1,295,148	48.7%	1,155,198	47.6%	139,950	12.1%
White	721,992	27.1%	675,834	27.9%	46,158	6.8%
Brown	401,754	15.1%	384,176	15.8%	17,578	4.6%
Other products	132,480	5.0%	113,788	4.7%	18,692	16.4%
Services	107,910	4.1%	96,899	4.0%	11,011	11.4%
Total revenues by category	2,659,283	100.0%	2,425,895	100.0%	233,388	9.6%

The Grey category (48.7% of total revenues) - i.e., telephony, tablets, information technology, telephone accessories, cameras, as well as all wearable technological products - generated a turnover of Euro 1,295,148 thousand, an increase of 12.1% compared to Euro 1,155,198 thousand in the previous year, thanks to the ongoing purchasing trends related to smart working, e-learning and communication, which were particularly emphasised during this period. In the fourth quarter, in particular, the Grey continued to grow significantly, driven by smartphones and laptops.

The White category (27.1% of total revenues) - composed of large appliances (MDA) such as washing machines, tumble dryers, refrigerators or freezers and cooktops, small appliances (SDA), such as vacuum cleaners, food processors, coffee machines as well as the climate control segment - recorded sales of Euro 721,992 thousand, up by 6.8% compared with Euro 675,834 thousand in the previous year. In the last quarter, the category grew in particular thanks to the positive results of vacuum and large appliances.

The Brown category (15.1% of revenues) - including televisions and accessories, audio devices, devices for smart TVs, car accessories ad memory systems - recorded total revenues of Euro 401,754 thousand, +4.6% compared with Euro 384,176 thousand in the previous year. After the strong performance in the third quarter, the category continued its growth trend in the fourth as well, definitively offsetting the weakness recorded in the first part of the year, also justified by the cancellation of sporting events imposed by Covid-19.

The Other products category (5% 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 revenues of Euro 132,480 thousand, up 16.4% compared to the previous year. The category benefited mainly from the increase in turnover generated by electric mobility products, as a consequence of the incentives and social distancing rules imposed. There was also significant growth in the entertainment segment, including consoles and video games, driven by the search for utmost home comfort.

The Services category (4.1% of total revenues) grew by 11.4% to Euro 107,910 million: the positive performance in the third and fourth quarters offset the weakness recorded in the first six months of the year, also thanks to Unieuro's continued focus on providing services to its customers, particularly the extended warranty service.

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

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Abroad	7,465	3,681
Italy	2,651,818	2,422,214
Total	2,659,283	2,425,895

5.19 Other income

Below is a breakdown of the item "Other income" for the financial years ended 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Insurance reimbursements	67	3,575
Rental and lease income	81	254
Other income	1,462	1,662
Total Other Income	**1,610**	**5,491**

The item mainly includes income from the rental of computer equipment to affiliates and insurance reimbursements relating to theft or damage caused to stores. The decrease in the item "Other income" is mainly attributable to the insurance reimbursement obtained in the previous year in relation to the theft that occurred in 2017 at the Piacenza logistics platform for Euro 2,600 thousand.

5.20 Purchases of materials and external services

Below is a breakdown of the item "Purchases of materials and external services" for the financial years ended 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Purchase of goods	2,101,874	1,930,844
Transport	86,000	60,469
Marketing	45,147	43,742
Utilities	13,395	14,275
Maintenance and rental charges	12,614	12,755
General sales expenses	14,911	10,694
Other costs	24.624	18.722
Consulting	9,155	6,529
Purchase of consumables	8,046	6,224
Travel expenses	596	2,207
Purchases of materials and intercompany services	1,757	1,407
Payments to administrative and supervisory bodies	667	653
Total Purchases of materials and external services	2,318,786	2,108,521
Changes in inventory	(2,053)	11,024
Total, including the change in inventories	2,316,733	2,119,545

The item “Purchases of materials and external services”, taking into account the item “Change in inventories”, rose from Euro 2,119,545 thousand as at 29 February 2020 to Euro 2,316,733 thousand in the year ended 28 February 2021, an increase of Euro 197,188 thousand or 9.3%.

The main increase is attributable to the item "Purchase of goods" for Euro 171,030 thousand, the increase of which is attributable to the increase in volumes and a different planning and mix of purchases compared to the previous year.

The item “Transport” increased by Euro 60,469 thousand at 29 February 2020 to Euro 86,000 thousand at 28 February 2021. 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” increased from Euro 43,742 thousand as at 29 February 2020 to Euro 45,147 thousand as at 28 February 2021. The change can be attributed to the merger of Carini Retail S.r.l., which caused an increase primarily referring to flyer activities carried out at former Carini stores.

The item "Utilities" and "Maintenance and rental charges" decreased by Euro 880 thousand and Euro 141 thousand respectively compared to 29 February 2020. 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 “General sales expenses” increased from Euro 10,694 thousand as at 29 February 2020 to Euro 14,991 thousand as at 28 February 2021. 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 rose by Euro 5,902 thousand compared with 29 February 2020. The increase is due to the Carini merger and also mainly attributable to both an increase in the costs incurred in response to the pandemic, such as costs for cleaning and sanitising the sales outlets and for the purchase of personal protective equipment, and to an increase in allocations to the provision for risks and charges mainly relating to suppliers and sub-suppliers of services for which requests have been received in the area of legal and labour law from third parties who hold Unieuro jointly liable and allocations for the commitments undertaken by the Group for the proceeding initiated January 2021, by the AGCM - Competition and Market Authority. This trend was partially offset by the implementation of the practical expedient provided by Covid-19-Related Rent Concessions, which 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 financial statements, totalling Euro 9,911 thousand, have been recorded as positive variable lease payments with an impact on the income statement.

The item "Consultancy" went from Euro 6,529 thousand as at 29 February 2020 to Euro 9,155 thousand as at 28 February 2021, up compared to the previous year. The increase is due to strategic, smart working project and privacy project consultancy.

5.21 Personnel costs

Below is a breakdown of the item "Personnel costs" for the financial years ended 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Salaries and wages	127,646	121,960
Welfare expenses	37,317	37,684
Severance pay	8,137	7,550
Other personnel costs	765	2,963
Total personnel costs	173,865	170,157

Personnel costs went from Euro 170,157 thousand in the year ended 29 February 2020 to Euro 173,865 thousand in the year ended 28 February 2021, an increase of Euro 3,708 thousand or 2.2%.

The item “Salaries and wages” rose by Euro 5,686 thousand, equal to around 4.7%, due primarily to an increase in the number of employees following the merger of Carini Retail.

The item "Other personnel costs", which amounted to Euro 765 thousand as at 28 February 2021 (Euro 2,963 thousand as at 29 February 2020), mainly includes the cost of the share-based payment plan (the Long Term Incentive Plan) which completed its vesting period on 31 July 2020 and for the 2020-2025 Performance Share plan. Refer to Note 5.28 for more details about the share-based payment agreements.

5.22 Other operating costs and expenses

Below is a breakdown of the item "Other operating costs and expenses" for the financial years ended 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Non-income based taxes	5,424	5,789
Provision for supplier bad debts	57	(248)
Provision/(releases) for the write-down of other assets	-	(177)
Bad debt provision	217	719
Other operating expenses	1,030	745
Total other operating costs and expenses	6,728	6,828

"Other operating costs and expenses" went from Euro 6,828 thousand in the year ended 29 February 2020 to Euro 6,728 thousand in the year ended 28 February 2021, a decrease of Euro 100 thousand or 1.50%.

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 "Depreciation, amortisation and write-downs of fixed assets" for the financial years ended 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Amortisation/depreciation of Right-of-use assets	61,990	57727
Amortisation of tangible fixed assets	20,887	19,829

Intangible Assets Amortisation	6,330	5,812
Write-downs/(write backs) of tangible and intangible non-current assets	991	440
Write-downs/(write-backs) of equity investments	-	-
Total depreciation, amortisation and write-downs	90,198	83,808

The item "Depreciation, amortisation and write-downs" went from Euro 83,808 thousand in the year ended 29 February 2020 to Euro 90,198 thousand in the year ended 28 February 2021, recording an increase of Euro 6,390 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 financial years ended 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Other financial income	74	82
Interest income	-	-
Total financial income	74	82

"Financial income" went from Euro 82 thousand in the year ended 29 February 2020 to Euro 74 thousand in the year ended 28 February 2021, a decrease of Euro 8 thousand. This item mainly includes exchange gains realised during the year.

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

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Interest expense on bank loans	2,007	2,369
Other financial expense	11,360	11,510
Total Financial Expenses	13,367	13,879

"Financial expenses" went from Euro 13,879 thousand in the year ended 29 February 2020 to Euro 13,367 thousand in the year ended 28 February 2021, a decrease of Euro 512 thousand or 3.7%.

The item "Interest expense on bank loans" decreased as at 28 February 2021 by Euro 362 thousand compared to the same period of the previous year; this is due to improved treasury management.

The item "Other financial expenses" amounted to Euro 11,360 thousand as at 28 February 2021 (Euro 11,510 thousand as at 29 February 2020). The change refers primarily to liabilities for leases pursuant to IFRS 16.

5.25 Income taxes

Below is a breakdown of the item "Income taxes" for the financial years ended 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Current taxes	(7,330)	(4,545)
Deferred taxes	1,709	3,059
Allocation to tax provision and Taxes payable	(24)	(15)
Total	(5,645)	(1,501)

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)	Year ended			
	28 February 2021	%	29 February 2020	%
Pre-tax result for the period	60,076		37,251	
Theoretical income tax (IRES)	(14,418)	24.0%	(8,940)	24.0%
IRAP	(4,345)	(7.2%)	(2,620)	(7.0%)
Tax effect of permanent differences and other differences	13,142	21.9%	10. 074	27.0%
Taxes for the period	(5,621)		(1,486)	
Allocation/(release) to tax provision and Taxes payable	(24)		(15)	
Total taxes	(5,645)		(1,501)	
Actual tax rate		(9.4%)		(4.0%)

The impact of taxes on income is calculated considering (accrual to)/release from the tax provision for tax disputes. In the years ended at 28 February 2021 and at 29 February 2020, the effect of taxes on profit before taxes was negative by 9.4% and positive by 4.0%, 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 and Taxes payable” went from Euro 15 thousand in the financial year ended 29 February 2020 to Euro 24 thousand in the financial year ended 28 February 2021.

5.26 Basic and diluted earnings per share

The basic earnings per share are calculated with reference to the Group result showed in the note 5.26 of the Consolidated Financial Statement.

5.27 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)	Year ended	
	28 February 2021	29 February 2020
Cash flow from operations		
Profit/(loss) for the year	54,431	35,750
Adjustments for:		
Income taxes	5,645	1,501
Net financial expenses (income)	13,293	13,797
Depreciation, amortisation and write-downs of fixed assets	90,198	83,808
(Profits)/losses from the sale of property, plant and machinery		
Other changes	354	1,446
	163,921	136,302
Changes in:		
- Inventories	(2,053)	11,024
- Trade receivables	13,886	(44,843)
- Trade payables	23,757	10,146
- Other changes in operating assets and liabilities	23,953	1,515
Cash flow generated/(absorbed) by operating activities	59,543	(22,158)
Taxes paid	(2,535)	(3,677)
Interest paid	(12,363)	(13,104)
Net cash flow generated/(absorbed) by operating activities	208,566	97,363

The net cash flow generated/(used) by operating activities was a positive Euro 208,566 thousand (positive Euro 97,363 thousand in the previous year ended 29 February 2020). Cash generation is linked to the good performance of the Group's operating profitability and the careful management of working capital, due to structural and sustainable interventions on the level of stocks and one-off actions taken by management to tackle the epidemic.

Cash flow generated/(absorbed) by investment activities

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Cash flow from investment activities		
Purchases of plant, machinery, equipment and other assets	(17.782)	(12,569)
Purchases of intangible assets	(14.477)	(11,670)
Investments for business combinations and business units	(8,417)	(12,062)
Cash flow generated/(absorbed) by investment activities	**(40,677)**	**(36,301)**

Investment activities absorbed liquidity of Euro 40,677 thousand and Euro 36,301 thousand, respectively, in the year ended 28 February 2021 and 29 February 2020.

With reference to the year ended 28 February 2021, the Company's main requirements involved:

- Investments in companies and business units totalled Euro 8,417 thousand. These investments refer to the portion paid for the acquisition of former Pistone S.p.A., former Cerioni S.p.A. and Monclick and the advance for the purchase of the former Galimberti store.
- investments in plant, machinery and equipment of Euro 17,550 thousand, mainly relating to interventions at sales outlets opened, relocated or renovated during the year;
- investments in intangible assets for Euro 14,710 thousand relating to costs incurred for the purchase of new hardware, software, licenses and development of applications with a view to improving the technological infrastructure, including costs relating to the project - still being implemented - aimed at adopting a new ERP.

Cash flow generated/(absorbed) by financing activities

(In thousands of Euro)	Year ended	
	28 February 2021	29 February 2020
Cash flow from investment activities[49]		
Increase/(Decrease) in financial liabilities	6,846	(3,223)
Increase/(Decrease) in other financial liabilities	1,366	17,597
Increase/(Decrease) in financial liabilities - IFRS 16 Leases	(55,723)	(51,257)

[49] 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".

Exercise - Long Term Incentive Plan	3,304	-
Distribution of dividends	-	(21,400)
Cash flow generated/(absorbed) by financing activities	**(44,207)**	**(58,283)**

Financing absorbed liquidity of Euro 44,207 thousand in the year ended 28 February 2021 and Euro 58,283 thousand in the year ended 29 February 2020.

The cash flow from financing activities as at 28 February 2021 mainly reflects the absence of the distribution of dividends during the year (in the previous year a dividend of Euro 21,400 thousand was distributed).

5.28 Share-based payment agreements

Long-Term Incentive Plan

On 6 February 2017, the Extraordinary Shareholders' Meeting of Unieuro approved the adoption of a stock option plan (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 subscribed to the Plan in October 2017. The parties expressly agreed that the effects of granting rights should be retroactive to 29 June 2017, the date 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 Euro 206,452, in addition to the share premium, for a total value (capital plus premium) equal to the price at which Unieuro's shares will be placed on the MTA through the issuing of a maximum of 1,032,258 ordinary shares;

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

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

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

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

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

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

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

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

- *Monetary bonus*: the recipient who wholly or partly exercises their subscription rights shall be entitled to receive an extraordinary bonus in cash of an amount equal to the dividends that would have been received at the date of approval of this 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 previous 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 Consolidated Financial Statements as at 28 February 2021 was Euro 0.3 million.

The number of outstanding options as at 28 February 2021 is as follows:

	Number of options 28 February 2021
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	300377
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 was submitted to the Shareholders' Meeting in December 2020 for approval.

Description of the Plan's recipients

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 13 January 2021, 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 January 2021.

The Plan is intended for executive directors and/or managers with strategic responsibilities and/or employees of the Company or Group companies, understood as personnel who have an employment 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.

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.

In the financial statements, the assumptions underlying the calculation were: (i) the exercise term equal to the duration between the grant date and the right assignment date, (ii) the share price at the time of valuation, (iii) the amount of expected dividends. Lastly, consistent with the requirements of IFRS 2, (iv) the probability of Recipients leaving and (v) the probability of achieving performance targets of 100%.

The number of outstanding rights is as follows:

	Number of rights 28 February 2021
In place at the beginning of period	-
Assigned during the period	-
Granted during the period	200,000
Contribution from merger	-
Withdrawn during the period (bad leavers)	-
Outstanding at end of period	200,000
Not allocated at the beginning of period	-
Exercisable at end of period	-
Not allocated at the end of the period	-

6. RELATED-PARTY TRANSACTIONS

The tables below summarise the Company's credit and debt relations with related-parties as at 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Credit and debt relations with related parties (as at 28 February 2021)							
Type	Pallacanestro Forlì 2015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Monclick	Total	Total balance sheet item	Impact on balance sheet item
At 28 February 2021								
Trade receivables	-	-	-	-	11,843	11,843	75,287	15.7%
Trade payables	-	-	-	-	(2,101)	(2,101)	(503,166)	0.4%
Other current liabilities	(70)	(30)	(148)	(3,125)	(52)	(3,425)	(260,184)	1.3%
Total	(70)	(30)	(148)	(3,125)	9,690	6,317		

(In thousands of Euro)	Credit and debt relations with related parties (as at 29 February 2020)								
Type	Pallacanestro Forlì 2015, s.a r.l.	Statutory Auditors	Carini Retail	Board of Directors	Main managers	Monclick	Total	Total balance sheet item	Impact on balance sheet item
At 29 February 2020									
Trade receivables	-	-	26,511	-	-	13,637	40,148	86,486	46.4%
Trade payables	-	-	(490)	-	-	(856)	(1,346)	477,250	(0.3%)

Other current liabilities	-	(33)	(23)	(139)	(2,145)	(914)	(3,254)	212,972	(1.5%)
Total	-	(33)	25,998	(139)	(2,145)	11,867	35,548		

The following table summarises the Company's related-part income statement positions as at 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Economic relations with related parties (as at 28 February 2021)							
Type	Pallacanestro Forlì 2015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Monclick	Total	Total balance sheet item	Impact on balance sheet item
At 28 February 2021								
Revenue	-	-	-	-	65,314	65,314	2,659,283	2.5%
Other income	-	-	-	-	751	751	1,610	46.6%
Purchases of materials and external services	(294)	(63)	(571)	-	2,383	1,455	(2,318,786)	(0.1%)
Personnel costs	-	-	-	(5,306)	-	(5,306)	(173,865)	3.1%
Income taxes					(52)	(52)	(5,645)	0.9%
Total	(294)	(63)	(571)	(5,306)	68,396	62,162		

(In thousands of Euro)	Economic relations with related parties (as at 29 February 2020)								
Type	Pallacanestro Forlì 2015 s.a r.l.	Statutory Auditors	Carini Retail	Board of Directors	Main managers	Monclick	Total	Total balance sheet item	Impact on balance sheet item
At 29 February 2020									
Revenue	-	-	142,181	-	-	42,249	184,430	2,425,895	7.6%
Other income	-	-	(12)	-	-	468	456	5,491	8.3%
Purchases of materials and external services	(278)	(63)	2,243	(524)	-	(452)	926	(2,108,521)	0.0%
Personnel costs	-	-	-	-	(5,323)	-	(5,323)	(170,157)	3.1%
Income taxes						(238)	(238)	(1,501)	(15.9%)
Total	(278)	(63)	144,412	(524)	(5,323)	42,027	180,251		

With reference to the periods considered, the credit/debit and economic relations with related parties mainly refer to relations with Directors and Principal Executives, summarised in the following table:

Main managers	
Year ended 28 February 2021	Year ended 29 February 2020

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 Commercial Officer - Gabriele Gennai	*Chief Operations Officer - Luigi Fusco*
Chief Operations Officer - Luigi Fusco	

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

The table below summarises the Company's cash flows with related-parties as at 28 February 2021 and 29 February 2020:

(In thousands of Euro)	Related parties								
Type	Pallacanestro Forlì 2015 s.a r.l.	Statutory Auditors	Carini Retail	Board of Directors	Main managers	Monclick S.r.l.	Total	Total balance sheet item	Impact on balance sheet item
Period from 1 March 2019 to 29 February 2020									
Net cash flow generated/(absorbed) by operating activities	(278)	93)	118,414	(618)	(3,428)	30,973	144,970	97,363	148.90%
Total	(278)	(93)	118,414	(618)	(3,428)	30,973			
Period from 1 March 2020 to 28 February 2021									
Net cash flow generated/(absorbed) by operating activities	(224)	(66)		(562)	(4,633)	70,573	65,088	208,566	31.2%
Total	(224)	(66)		(562)	(4,633)	70,573			

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)	Year ended	
	28 February 2021	29 February 2020
Guarantees and sureties in favour of:		
Parties and third-party companies	44,143	48,829
Total	44,143	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.

Please note that Unieuro benefitted from general measures that could be taken advantage of by all companies and which fall within the general structure of the reference system defined by the State, or general aid linked to the economic support measures taken by the government considering the coronavirus epidemiological emergency within the limits and under the conditions set forth in Communication from the European Commission of 19 March 2020 C(2020) 1863 final temporary framework for State aid measures to support the economy in the current COVID-19 outbreak.

In the year ended 28 February 2021, Unieuro 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.

Payments to the independent auditor

Payments to the independent auditor and its network for statutory audits and other services as at 28 February 2021 are highlighted below:

Type of service	Entity providing the service	Fees (in thousands of Euro)
Audit	KPMG S.p.A.	627
Attestaion services	KPMG S.p.A.	44
Other services	KPMG Advisory S.p.A.	215
	Total	886

Significant events after the close of the year

The adoption of the SAP management system

The transition to the new SAP S/4HANA management software began on 1 March 2021. The adoption of the new ERP (Enterprise Resource Planning) has been planned for some time and implemented with the support of the consulting companies EY and Abstract, leaders in the sector, with the aim of radically evolving company information systems, making them technologically advanced and functional to the omnichannel growth strategy of Unieuro.

The acquisition of the Limbiate store

Following the participation in the competitive procedure announced by the Court, Unieuro was awarded the contract and on 01 March 2021, acquired the business unit of Galimberti S.p.A., in an arrangement with creditors consisting of a store located in Limbiate.

The expansion in the metropolitan area of Turin

On 31 March 2021, Unieuro announced a significant strengthening of the network in the Piedmont capital thanks to the acquisition of a business unit consisting of two 2C Srl stores and the signing of an affiliation contract for the third store managed by the same company. The three stores, previously members of the Expert purchasing group, reopened under the Unieuro sign in April.

The entry of iliad in the capital

On 6 April 2021, Unieuro acknowledged the purchase of an interest of approximately 12% of the share capital by iliad Italia, with which a successful commercial relationship is already in place and which declared its intention to accompany the Company in its long-term growth.

The consensual termination of the employment relationship with the CFO

On 9 April 2021, Unieuro and Italo Valenti signed an agreement for the consensual termination of the employment relationship, with effect from 31 May, as a result of which Italo Valenti will leave his role as Chief Financial Officer and the positions of manager in charge of preparing the corporate and accounting documents and investor relator of Unieuro and will pursue other professional opportunities.

Draft resolution of the Board of Directors submitted to the Shareholders' Meeting

Dear Shareholders,

We propose to allocate the net profit for the year 2020-2021, amounting to Euro 54,431,041, as follows:

- to the legal reserve for Euro 10,544;

- for distribution to Shareholders of a gross unit dividend of Euro 2.60 per ordinary share outstanding at the date of payment/the coupon date, to be paid beginning on 23 June 2021, with entitlement to payment, pursuant to article 83-terdecies of Italian Legislative Decree no. 58 of 24 February 1998 and art. 2.6.6, paragraph 2 of the Regulation of the Markets organised and managed by Borsa Italiana S.p.A., on 22 June 2021 (the "record date"), after the detachment of coupon no. 4 of 21 June 2021;

- authorise the Board of Directors, with the right to sub-delegate, to ascertain, in due time, in relation to the exact final number of ordinary shares outstanding at the date of payment/coupon date, the amount to be allocated to the extraordinary reserve of the available and distributable profits".

Forlì 06 May 2021

Giancarlo Nicosanti Monterastelli
Chief Executive Officer

Appendix 1

Statement of financial position as at 28/02/2021 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

(In thousands of Euro)	Year ended					
	28 February 2021	Of which with Related-Parties	% Weighting	29 February 2020	Of which with Related-Parties	% Weighting
Plant, machinery, equipment and other assets	71,478			79,959		
Goodwill	188,039			170,767		
Intangible assets with definite useful life	28,606			22,148		
Right-of-use assets	451,520			454,994		
Deferred tax assets	40,766			38,307		
Other non-current assets	22,633			42,250		
Total non-current assets	803,042	-	0.0%	808,425	-	0.0%
Inventories	371,390			351,109		
Trade receivables	75,287	11,843	15.7%	86,486	40,148	46.4%
Current tax assets	-			-		
Other current assets	18,804			25,168		
Cash and cash equivalents	203,873			80,191		
Total current assets	669,354	11,843	1.8%	542,954	40,148	7.4%
Total Assets	1,472,396	11,843	0.8%	1,351,379	40,148	3.0%
Share capital	4,053			4,000		
Reserves	75,540			38,392		
Profit/(loss) carried forward	72,901	62,162	85.3%	60,831	180,251	296.3%
Total shareholders' equity	152,494	62,162	40.8%	103,223	180,251	174.6%
Financial liabilities	39,068			31,643		
Employee benefits	12,570			10,551		
Other financial liabilities	399,558			426,675		
Provisions	20,527			8,499		
Deferred tax liabilities	2,475			2,082		
Other non-current liabilities	26			26		
Total non-current liabilities	474,224	-	0.0%	479,476	-	0.0%
Financial liabilities	9,659			9,520		
Other financial liabilities	68,119			66,227		
Trade payables	503,166	2,101	0.4%	477,250	1,346	0.3%
Current tax liabilities	3,803			1,473		
Provisions	747			1,238		

Other current liabilities	260,184	3,425	1.3%	212,972	3,254	1.5%
Total current liabilities	845,678	5,526	0.7%	768,680	4,600	0.6%
Total liabilities and shareholders' equity	1,472,396	67,688	4.6%	1,351,379	184,851	13.7%

Appendix 2

Income Statement as at 28/02/2021 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

(In thousands of Euro)	Year ended					
	28 February 2021	Of which with Related-Parties	% Weighting	29 February 2020	Of which with Related-Parties	% Weighting
Revenue	2,659,283	65,314	2.5%	2,425,895	184,430	7.6%
Other income	1,610	751	46.6%	5,491	456	8.3%
TOTAL REVENUE AND INCOME	2,660,893	66,065	2.5%	2,431,386	184,886	7.6%
Purchases of materials and external services	(2,318,786)	1,455	(0.1%)	(2,108,521)	926	0.0%
Personnel costs	(173,865)	(5,306)	3.1%	(170,157)	(5,323)	3.1%
Changes in inventory	2,053			(11,024)		
Other operating costs and expenses	(6,728)			(6,828)		
GROSS OPERATING RESULT	163,567	62,214	38.0%	134,856	180,489	133.8%
Depreciation, amortisation and write-downs of fixed assets	(90,198)			(83,808)		
NET OPERATING RESULT	73,369	62,214	84.8%	51,048	180,489	353.6%
Financial income	74			82		
Financial expenses	(13,367)			(13,879)		
PROFIT BEFORE TAX	60,076	62,214	103.6%	37,251	180,489	484.5%
Income taxes	(5,645)	(52)	0.9%	(1,501)	(238)	15.9%
PROFIT/(LOSS) FOR THE YEAR	54,431	62,162	114.2%	35,750	180,251	504.2%

E-MARKET SDIR CERTIFIED

Appendix 3

Cash Flows Statement as at 28/02/2021 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

	Year ended					
(In thousands of Euro)	28 February 2021	Of which with Related-Parties	% Weighting	29 February 2020	Of which with Related-Parties	% Weighting
Cash flow from operations						
Profit/(loss) for the year	54,431	62,162	114.2%	35,750	180,251	504.2%
Adjustments for:						
Income taxes	5,646			1,501		
Net financial expenses (income)	13,293			13,797		
Depreciation, amortisation and write-downs of fixed assets	90,198			83,808		
Other changes	353	316	89.5%	1,446	1,468	101.5%
	163,921	62,478	38.1%	136,302	181,719	133.3%
Changes in:						
- Inventories	(2,053)			11,024		
- Trade receivables	13,886	1,794	12.9%	(44,843)	(38,341)	85.5%
- Trade payables	23,757	1,245	5.2%	10,146	1,028	10.1%
- Other changes in operating assets and liabilities	23,953	(429)	(1.8%)	1,515	564	37.2%
Cash flow generated/(absorbed) by operating activities	59,543	65,088	109.3%	(22,158)	144,970	(654.3%)
Taxes paid	(2,535)			(3,677)		
Interest paid	(12,363)			(13,104)		
Net cash flow generated/(absorbed) by operating activities	208,566	65,088	31.2%	97,363	144,970	148.9%
Cash flow from investment activities						
Purchases of plant, machinery, equipment and other assets	(17.782)			(12,569)		
Purchases of intangible assets	(14.477)			(11,670)		
Investments for business combinations and business units	(8,417)			(12,062)		
Cash flow generated/(absorbed) by investment activities	(40,677)	-	0.0%	(36,301)	-	0.0%
Cash flow from investment activities						
Increase/(Decrease) in financial liabilities	6,846			(3,223)		
Increase/(Decrease) in other financial liabilities	1,366			17,597		
Increase/(Decrease) in financial liabilities - IFRS 16 Leases	(55,723)			(51,257)		
Increase/(Decrease) in shareholder loans	3,304			-		
Distribution of dividends	-			(21,400)		
Cash flow generated/(absorbed) by financing activities	(44,207)	-	0.0%	(58,283)	-	0.0%

Net increase/(decrease) in cash and cash equivalents	123,682	65,088	52.6%	2,779	144,970	5,216.6%
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	80,191			77,412		
Net increase/(decrease) in cash and cash equivalents	123,682			2,779		
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	203,873			80,191		

Appendix 4

Income Statement as at 28/02/2021 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

(In thousands of Euro)	Year ended					
	28/02/2021	Of which non-recurring	% Weighting	29/02/2020	Of which non-recurring	% Weighting
Revenue	2,659,283			2,425,895		
Other income	1,610			5,491	2,640	48.1%
TOTAL REVENUE AND INCOME	2,660,893			2,431,386	2,640	0.1%
Purchases of materials and external services	(2,318,786)	(8,930)	0.4%	(2,108,521)	(6,122)	0.3%
Personnel costs	(173,865)	(303)	0.2%	(170,157)	(996)	0.6%
Changes in inventory	2,053			(11,024)	(1,502)	13.6%
Other operating costs and expenses	(6,728)			(6,828)	(727)	10.6%
GROSS OPERATING RESULT	163,567	(9,233)	(5.6%)	134,856	(6,707)	(5.0%)
Depreciation, amortisation and write-downs of fixed assets	(90,198)			(83,808)		
NET OPERATING RESULT	73,369	(9,233)	(12.6%)	51,048	(6,707)	(13.1%)
Financial income	74			82		
Financial expenses	(13,367)			(13,879)		
PROFIT BEFORE TAX	60,076	(9,233)	(15.4%)	37,251	(6,707)	(18.0%)
Income taxes	(5,645)	803	(14.2%)	(1,501)	584	(38.9%)
PROFIT/(LOSS) FOR THE YEAR	54,431	(8,430)	(15.5%)	35,750	(6,123)	(17.1%)

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS AS AT 28 FEBRUARY 2021 PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

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

- the adequacy in relation to the company's characteristics; and
- the effective implementation of the administrative and accounting procedures for the preparation of the full-year financial statements of the Company, in financial year 2021.

It is also certified that the full-year Separate Financial Statements of the Company:

- 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 an accurate and fair view of the assets and liabilities, profits and losses and financial position of the issuer.

The Directors' Report contains a reliable analysis of operating performance and results and of the position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Forlì 6 May 2021

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)

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

To the shareholders of
Unieuro S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Unieuro Group (the "group"), which comprise the statement of financial position as at 28 February 2021, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Unieuro Group as at 28 February 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

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

Key audit matters

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

Recoverability of goodwill

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

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 28 February 2021 include goodwill of €195.2 million. The directors determine the recoverable amount of goodwill by calculating its value in use. This method, by its very nature, requires a high level of directors' judgement about the forecast operating cash flows during the calculation period, as well as the discount and growth rates of those cash flows. The directors have forecast the operating cash flows used for impairment testing on the basis of the data included in the 28 February 2022 to 28 February 2026 business plan, which was originally approved by the parent's board of directors on 12 December 2016 and subsequently updated by it, most recently, on 6 May 2021 (the "plan"), and of the revenue's and related profitability's estimated long-term growth rates. The operating cash flow estimate reflects the potential impact of the Covid-19 outbreak. For the above reasons, we believe that the recoverability of goodwill is a key audit matter.	Our audit procedures, which also involved our own specialists, included: — understanding and analysing the process adopted to prepare the impairment tests approved by the parent's board of directors on 6 May 2021; — understanding and analysing the process used to draft the plan; — analysing the reasonableness of the main assumptions used by the directors to determine the recoverable amount of goodwill, including the potential impact of the Covid-19 outbreak. Our analyses included comparing the main assumptions used to the group's historical data and external information, where available; — analysing the valuation models adopted by the directors for reasonableness and consistency with professional practice; — checking the sensitivity analyses disclosed in the notes with reference to the main assumptions used for impairment testing, including the weighted average cost of capital, the long-term growth rate and the sensitivity of gross operating profit; — assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Premiums and contributions from suppliers

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

Key audit matter	Audit procedures addressing the key audit matter
The group has contracts for the supply of goods which include the receipt of premiums and, in certain circumstances, contributions. These premiums and contributions are recognised either as a percentage of the quantities purchased, or as a fixed figure on the quantities purchased or sold, or as a defined contribution. Especially with reference to those agreements whose term falls after the reporting date, which account for a minor share of the premiums and contributions for the year, their calculation is a complex accounting estimate entailing a high level of judgement as it is affected by many factors. The parameters and information used for the estimate are based on the purchased or sold volumes, also affected by the potential impact of the Covid-19 outbreak, and valuations that consider historical figures of premiums and contributions actually paid by suppliers. Despite being a minor share of total premiums and contributions for the year, the estimated premiums and contributions may have a significant impact on the group's profit or loss for the year. For the above reasons, we believe that the measurement of premiums and contributions from suppliers is a key audit matter.	Our audit procedures included: — understanding the process adopted to calculate premiums and contributions from suppliers through meetings and discussions with the group's management; — assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls; — checking, on a sample basis, the existence and accuracy of premiums and contributions from suppliers, including through external confirmations; — checking the accuracy of the premium and contribution calculation database, by tracing the amounts to the general ledger and sample-based checks of supporting documentation; — analysing the reasonableness of the assumptions in the estimate, including the potential impact of the Covid-19 outbreak, through discussions with the relevant internal departments, comparison with historical figures, our knowledge of the group and its operating environment and external information, where available; — assessing the appropriateness of the disclosures provided in the notes about premiums and contributions from suppliers.

Measurement of inventories

Notes to the consolidated financial statements: note 2.6 - The use of estimates and valuations in the preparation of the consolidated financial statements; note 2.7.2 - Significant accounting standards; note 5.7 - Inventories

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 28 February 2021 include inventories of €372.1 million, net of the allowance for inventory write-down of €11.4 million. Determining the allowance for goods write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by many factors, including: — the characteristics of the group's business sector; — the sales' seasonality, with peaks in November and December; — the decreasing price curve due to technological obsolescence of products; — the high number of product codes handled; — the effects of the Covid-19 outbreak. For the above reasons, we believe that the measurement of inventories is a key audit matter.	Our audit procedures included: — understanding the process for the measurement of inventories and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — checking the method used to calculate the allowance for inventory write-down by analysing documents and discussions with the relevant internal departments; — checking the mathematical accuracy of the allowance for inventory write-down; — analysing the reasonableness of the main assumptions used to measure the allowance for inventory write-down, including the potential impact of the Covid-19 outbreak, through discussions with the relevant internal departments and analysis of age bands and write-down rates applied and comparing the assumptions with historical figures, our knowledge of the group and its operating environment and external information, where available; — comparing the estimated realisable value to the inventories' carrying amount by checking management reports on average sales profits; — assessing the appropriateness of the disclosures provided in the notes about inventories.

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

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

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 28 February 2021 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 28 February 2021 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 28 February 2021 and have been prepared in compliance with the applicable law.

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

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

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

Bologna, 20 May 2021

KPMG S.p.A.

(signed on the original)

Andrea Polpettini
Director of Audit

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)

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

To the shareholders of
Unieuro S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Unieuro S.p.A. (the "company"), which comprise the statement of financial position as at 28 February 2021, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Unieuro S.p.A. as at 28 February 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

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

Key audit matters

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

Recoverability of goodwill

Notes to the separate financial statements: note 2.5 - The use of estimates and valuations in the preparation of the financial statements; note 2.6.2 - Significant accounting standards; note 5.2 - Goodwill

Key audit matter	Audit procedures addressing the key audit matter
The company's separate financial statements at 28 February 2021 include goodwill of €188.0 million. The directors determine the recoverable amount of goodwill by calculating its value in use. This method, by its very nature, requires a high level of directors' judgement about the forecast operating cash flows during the calculation period, as well as the discount and growth rates of those cash flows. The directors have forecast the operating cash flows used for impairment testing on the basis of the data included in the 28 February 2022 to 28 February 2026 business plan, which was originally approved by the company's board of directors on 12 December 2016 and subsequently updated by it, most recently, on 6 May 2021 (the "plan"), and of the revenue's and related profitability's estimated long-term growth rates. The operating cash flow estimate reflects the potential impact of the Covid-19 outbreak. For the above reasons, we believe that the recoverability of goodwill is a key audit matter.	Our audit procedures, which also involved our own specialists, included: — understanding and analysing the process adopted to prepare the impairment tests approved by the company's board of directors on 6 May 2021; — understanding and analysing the process used to draft the plan; — analysing the reasonableness of the main assumptions used by the directors to determine the recoverable amount of goodwill, including the potential impact of the Covid-19 outbreak. Our analyses included comparing the main assumptions used to the company's historical data and external information, where available; — analysing the valuation models adopted by the company for reasonableness and consistency with professional practice; — checking the sensitivity analyses disclosed in the notes with reference to the main assumptions used for impairment testing, including the weighted average cost of capital, the long-term growth rate and the sensitivity of gross operating profit; — assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Premiums and contributions from suppliers

Notes to the separate financial statements: note 2.5 - The use of estimates and valuations in the preparation of the financial statements; note 2.6.2 - Significant accounting standards

Key audit matter	Audit procedures addressing the key audit matter
The company has contracts for the supply of goods which include the receipt of premiums and, in certain circumstances, contributions. These premiums and contributions are recognised either as a percentage of the quantities purchased, or as a fixed figure on the quantities purchased or sold, or as a defined contribution. Especially with reference to those agreements whose term falls after the reporting date, which account for a minor share of the premiums and contributions for the year, their calculation is a complex accounting estimate entailing a high level of judgement as it is affected by many factors. The parameters and information used for the estimate are based on the purchased or sold volumes, also affected by the potential impact of the Covid-19 outbreak, and valuations that consider historical figures of premiums and contributions actually paid by suppliers. Despite being a minor share of total premiums and contributions for the year, the estimated premiums and contributions may have a significant impact on the company's profit or loss for the year. For the above reasons, we believe that the measurement of premiums and contributions from suppliers is a key audit matter.	Our audit procedures included: — understanding the process adopted to calculate premiums and contributions from suppliers through meetings and discussions with the company's management; — assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls; — checking, on a sample basis, the existence and accuracy of premiums and contributions from suppliers, including through external confirmations; — checking the accuracy of the premium and contribution calculation database, by tracing the amounts to the general ledger and sample-based checks of supporting documentation; — analysing the reasonableness of the assumptions in the estimate, including the potential impact of the Covid-19 outbreak, through discussions with the relevant internal departments, comparison with historical figures, our knowledge of the company and its operating environment and external information, where available; — assessing the appropriateness of the disclosures provided in the notes about premiums and contributions from suppliers.

Measurement of inventories

Notes to the separate financial statements: note 2.5 - Use of estimates and judgements in the preparation of the financial statements; note 2.6.2 - Significant accounting standards; note 5.7 - Inventories

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 28 February 2021 include inventories of €371.4 million, net of the allowance for inventory write-down of €11.3 million. Determining the allowance for goods write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by many factors, including: — the characteristics of the company's business sector; — the sales' seasonality, with peaks in November and December; — the decreasing price curve due to technological obsolescence of products; — the high number of product codes handled; — the effects of the Covid-19 outbreak. For the above reasons, we believe that the measurement of inventories is a key audit matter.	Our audit procedures included: — understanding the process for the measurement of inventories and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — checking the method used to calculate the allowance for inventory write-down by analysing documents and discussions with the relevant internal departments; — checking the mathematical accuracy of the allowance for inventory write-down; — analysing the reasonableness of the main assumptions used to measure the allowance for inventory write-down, including the potential impact of the Covid-19 outbreak, through discussions with the relevant internal departments and analysis of age bands and write-down rates applied and comparing the assumptions with historical figures, our knowledge of the company and its operating environment and external information, where available; — comparing the estimated realisable value to the inventories' carrying amount by checking management reports on average sales profits; — assessing the appropriateness of the disclosures provided in the notes about inventories.

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

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

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

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

Auditors' responsibilities for the audit of the separate financial statements

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

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

— identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 28 February 2021 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 28 February 2021 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 28 February 2021 and have been prepared in compliance with the applicable law.

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

Bologna, 20 May 2021

KPMG S.p.A.

(signed on the original)

Andrea Polpettini
Director of Audit

Report of the Board of Statutory Auditors to the Shareholders' Meeting of Unieuro S.p.A. pursuant to art. 153 of Legislative Decree 58/1998 ("T.U.F.") and Article 2429, paragraph 2, of the Civil Code

Dear Shareholders,
in compliance with the regulations in force for joint-stock companies with shares listed on regulated markets and in accordance with the provisions of the articles of association, during the financial year ended 28 February 2021, we carried out the supervisory activities for which we are responsible in accordance with the Rules of Conduct for the Board of Statutory Auditors of listed companies issued by the National Council of Chartered Accountants, the Consob recommendations on corporate controls and the activities of the Board of Statutory Auditors and the indications contained in the Self-Governance Code.
The structure and content of this Report comply with the recommendations of standard Q.7.1 of the National Council of Accountants.

Supervising compliance with the Law and the Statute

The Board of Statutory Auditors supervised the Company's activities, through specific audits and participation in Shareholders' Meetings and Board of Directors' meetings. In addition, it participated, at least in the person of its Chairman, in the meetings of the Remuneration and Appointments Committee, the Control and Risks Committee, the Related Parties Committee and the Supervisory Body pursuant to Legislative Decree no. 231/2001.
In particular, 15 meetings of the Board of Directors, 6 meetings of the Control and Risks Committee, 15 meetings of the Remuneration and Appointments Committee, 6 meetings of the Related Parties Committee and 1 meeting of the newly established Sustainability Committee were held during the year. During the financial year to which this Report refers, the Board of Statutory Auditors met 12 times and, as part of its activities, liaised with the Internal Audit Manager, the Supervisory Board, the DPO and the Independent Auditors.
The Board of Statutory Auditors acknowledges that it has obtained from the Directors the information concerning the general performance of operations and its foreseeable evolution, as well as the most important economic, financial and asset-related information carried out by the Company, deeming it to be in compliance with the Law and the Articles of Association.
In particular, the Board of Auditors reports the following transactions and events of particular interest during the year and up to the present date:

- following the worsening of the health situation due to the spread of the Covid-19 ("Coronavirus") epidemic and the extension of the restrictive measures to the entire national territory, the temporary closure to the public, on 14 March 2020, of the entire network of direct shops and the progressive reopening as of 30 March 2020;
- as part of the numerous actions taken by the Company as a result of the pandemic to safeguard the health of its staff, customers and the entire community, the taking out, on 20 March 2020, of insurance cover in the event of infection by the Coronavirus for all its employees;
- in the changed market scenario, the launch, on 19 June 2020, of a wide-ranging and innovative omnichannel project aimed at rethinking the customer experience with the aim of supporting drive-to-store by using the engagement opportunities generated by the e-commerce channel;
- the expansion of the sales network through new distribution models (including the internalisation of Finiper and Conad brand shops);

- on 5 August 2020, the merger by incorporation of the subsidiary Carini Retail S.r.l. into the parent company Unieuro S.p.A., with statutory effects from 1 September 2020 and accounting and fiscal implications from the first day of the financial year (i.e. 1 March 2020);
- due to the resurgence of the Covid-19 outbreak and the resulting restrictive measures imposed by the Government, starting on 4 November 2020 and still in force at the balance sheet date (i.e. 28 February 2021), the closure of around half of the direct shops on public holidays and pre-holidays;
- the constitution, on 12 November 2020, by the Board of Directors of the Sustainability Committee with propositional and advisory functions towards the same Board on sustainability issues, evaluating the processes, initiatives and activities aimed at monitoring the Company's commitment to create value in the long term to the benefit of all its stakeholders;
- the approval by the Shareholders' Meeting of Unieuro S.p.A, convened on 17 December 2020, (i) the new incentive plan called "2020 - 2025 Performance Shares Plan"; (ii) the authorisation to purchase and dispose of treasury shares, also to service the Plan, up to a maximum of 2,000,000 ordinary shares for a maximum period of 18 months; (iii) the authorisation to increase the share capital to service the Plan, up to a maximum of 900,000 shares; and (iv) the consequent amendments and additions to the first section of the Report on remuneration policy and compensation paid, already approved by the Shareholders' Meeting of 12 June 2020, in order to include the aforementioned "Performance Shares Plan 2020 - 2025" among the variable components of the remuneration of the executive directors and managers with strategic responsibilities of the Company and to redefine the *pay-mix* of the related remuneration package, as well as to acknowledge the establishment of the Sustainability Committee and the remuneration of its members;
- the announcement, on 13 January 2021, of the relocation of the company's registered office, as of 1 April 2021, from via Schiapparelli 31 to via Maroncelli 10, also in Forlì, at Palazzo Hercolani, an ancient building located in the historic centre of the city of Forlì, rented as of 14 October 2020;
- the transformation of the corporate structure of Unieuro S.p.A. into a public company following the gradual exit from the capital of the private equity operator Rhône (which in January 2020 reduced its interest to zero, initially equal to 70.5% of the capital), also confirmed following the sale of the share (equal to 7.17%) owned by Dixons Carphone plc through Alfa S.r.l., concluded on 15 January 2021;
- the change in the Company's organisational structure initiated with the establishment, on 17 February 2021, of the General Management entrusted, as of 1 March 2021, to Bruna Olivieri, former Chief Omni-Channel Officer of the Company;
- the beginning of the transaction phase, from 1 March 2021, to the adoption of the new SAP S/4HANA management software;
- the purchase, on 6 April 2021, of interest equal to approximately 12% of the share capital of Unieuro S.p.A., of which 1.9% through an equity swap contract expiring on 17 September 2021, by the telecommunications operator Iliad;
- on 9 April 2021, the consensual termination of the employment relationship, with effect from 31 May, with Italo Valenti, Chief Financial Officer of the Company and Executive Officer for Financial Reporting/the manager responsible for preparing the company's accounting documents;
- the announcement, on 6 May 2021, of the appointment of Marco Pacini to the position of Chief Financial Officer of the Company and Executive Officer for Financial Reporting/the manager responsible for preparing the company's accounting documents, as of 1 June 2021.

The Board of Statutory Auditors acknowledges that it has supervised both the decision-making process that led the Board of Directors to take the aforementioned resolutions and to conclude the other operations resolved upon, and the completion of the same, without finding any critical elements in this respect.

In addition, as mentioned above, it is to be noted that the 2020/2021 financial year was characterised by the resurgence of the Covid-19 epidemic. The social distancing measures taken by the government to stem the spread of the virus have been effective from a health perspective but have significantly affected the economy. In this context, the Company promptly assessed and implemented the organisational and operational measures required by the authorities in order to safeguard the health of all employees and company operations. In particular, the Directors, in paragraph 12, entitled "Coronavirus Epidemic", of the Report on Operations, listed the main actions implemented by the Company to protect not only customers and employees, but also the company's solidity and profitability.

In this respect, the Board of Statutory Auditors has constantly verified that the Company has taken all the necessary precautions to protect its staff, customers, and the community, and has also verified that the measures adopted in the pursuit of its activities comply with regulations.

Monitoring compliance with the principles of good governance

The Board of Statutory Auditors monitored compliance with the principles of proper administration, ensuring that the actions decided and implemented by the Directors were inspired by principles of economic rationality, were not manifestly imprudent, risky, atypical or unusual, in potential conflict of interest or in contrast with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the company's assets.

Supervising the adequacy of the organisational set-up

The Board of Statutory Auditors has supervised the organisational structure of the Company and considers, in light of the supervisory activities carried out and to the extent of its competence, that this structure, as a whole, is adequate and reliable in representing management events. In this context, the Board of Statutory Auditors also examined the adequacy of the new organisational structure launched by the Board of Directors on 17 February 2021, with effect from 1 March, which saw the establishment of the General Management in line with the strategic evolution in progress and, in this regard, has no observations to report.

Monitoring the adequacy of the internal control system

The Board of Statutory Auditors monitored the Company’s internal control system and acknowledges that, on the whole, it appeared to be adequate for the Company’s size and management, as also ascertained during the meetings of the Control and Risks Committee in which at least one member of the Board of Statutory Auditors participated, also taking into account the context resulting from the continuing health emergency linked to Covid-19.

As part of the audit of the adequacy of the internal control system, the Board of Statutory Auditors notes that the Company's Organisational Model is adequate in accordance with the provisions of Legislative Decree no. 231/2001 and which is constantly updated. This model, which concerns the Company's overall activities from a procedural, organisational and control point of view, appears to be adequate and incisive and is supervised by a specially appointed and regularly functioning body made up of an internal member (the Head of Internal Audit) and independent external experts. The Model is constantly monitored and updated with new developments and organisational developments.

The Board of Statutory Auditors has met and maintained a constant flow of information with the Supervisory Board and has examined the half-yearly reports of this body for the financial year 2020/2021 on which it has no observations to make.

The Company also adopted a Code of Ethics as part of the Organisational Model and continued to implement it during the 2020/2021 financial year.
In order to monitor the adequacy of the internal control system, the Board of Statutory Auditors liaised not only with the Control and Risks Committee and the Supervisory Board, but also with the Director in charge of the internal control and risk management system and the Internal Audit Manager.
The Board of Statutory Auditors reviewed the annual report of the Internal Audit function as at 28 February 2021, which was approved at the Board of Directors' meeting on 13 May 2021. The Annual Audit Plan was also approved at the same Council meeting.
The Board of Statutory Auditors acknowledges that the roles and responsibilities of the persons involved in the internal control and risk management system are distinct in order to avoid operational overlaps of their respective areas of activity and competence, as well as duplication of controls.

Supervision of the adequacy of the administrative and accounting system and of the statutory audit activities

The Board of Statutory Auditors monitored, to the extent of its competence, the Company's administrative and accounting system and its reliability in correctly representing management events by collecting information from the managers, examining company documentation and analysing the results of the work carried out by the Independent Auditors. The Board of Statutory Auditors believes that this system is substantially adequate and reliable for the purposes of the correct representation of management events and acknowledges that each body of the Company has fulfilled its disclosure obligations under applicable regulations.
The Board of Statutory Auditors notes that the Company has implemented the provisions of the new accounting standard IFRS 16 that have had an impact on the financial statements, as represented in the Notes to the financial statements, and that it has received analytical information regarding the *impairment tests* performed, in accordance with IAS 36, to confirm the values of the assets recognised in the Company's financial statements at 28 February 2021.
The Board of Statutory Auditors notes that the Manager responsible for preparing the company's financial reports has issued a statement to the effect that the financial statements give a true and fair view of the company's economic, equity and financial position of the Company.
The Board of Statutory Auditors has supervised the adequacy of the provisions given by Unieuro S.p.A. to the subsidiary company Monclick S.r.l., pursuant to Article 114, paragraph 2, of the T.U.F. and the correct flow of information between them and believes that the Company is able to fulfil its disclosure obligations provided for by the Law.
The Board of Statutory Auditors has also periodically met with the Board of Statutory Auditors of Monclick S.r.l. for the usual exchange of data and information. No significant facts or anomalies emerged during these meetings that needed to be reported in this Report.
The Board of Statutory Auditors met with the managers of the Independent Auditors in order to exchange relevant data and information with them and acknowledges that it has not received any communication of facts or anomalies of such importance as to need to be reported in this Report.
The Board of Statutory Auditors acknowledges that the report on the separate and consolidated financial statements, issued by the Auditing Firm on 20 May 2021, does not contain any remarks and/or requests for information and certifies that the separate and consolidated financial statements are clearly prepared and give a true and fair view of the Company's financial position, results of operations and cash flows.
The same report is also in line with the provisions of Art. 123-bis, T.U.F. and contains the relevant information referred to in paragraph 4 of that provision; the Auditing Company has expressed its opinion on the consistency of the information provided for by art. 14 (para.1) (lett. e) of Legislative Decree no. 39/2010.

The Board of Statutory Auditors acknowledges that, during the financial year ended 28 February 2021, Unieuro S.p.A. appointed the auditing firm KPMG S.p.A. and the entities belonging to its network for audit and other non-audit services for a total of euro 966,000 (of which euro 705,000 for audit services and euro 261,000 for other services).
In addition, on 20 May 2021, the Independent Auditors submitted to the Board of Statutory Auditors the Additional Report required by Article 11 of EU Regulation No. 537/2014, from which there are no significant deficiencies in the internal control system in relation to the reporting process, worthy of being brought to the attention of those responsible for governance activities.
In view of the above and having acknowledged the declaration of non-existence of causes of incompatibility attached to the Additional Report, the Board of Statutory Auditors considers that there are no critical issues regarding its independence.

Supervision of non-financial information

The Board of Statutory Auditors, with reference to the consolidated declaration of a non-financial nature (hereinafter "DNF") governed by Legislative Decree 254/2016, monitored compliance with the provisions of the Law provided for on the subject and the adequacy of the organisational, administrative and reporting and control system prepared by the Company in order to allow for a correct and complete representation, in the DNF, of the business activity, its results and its impacts with regard to non-financial issues.
The Board of Statutory Auditors obtained periodic updates on the performance of the activities required for the preparation of the DNF and monitored compliance with the provisions set out in Legislative Decree 254/2016, within the scope of the functions assigned to it by the law.
The DNF was also subject to a conformity assessment by the Independent Auditors, which issued a specific report certifying the conformity of the information provided pursuant to Article 3, paragraph 10, of Legislative Decree no. 254/16.
It should be noted that the DNF was made public together with the documents relating to the Annual Financial Report to 28 February 2021.

Proper implementation of corporate governance rules and initiatives undertaken

The Company's corporate governance structure is characterised by a set of rules, behaviours and processes aimed at ensuring an efficient and transparent corporate governance system and an efficient functioning of its corporate bodies and control systems.
In particular, the corporate governance structure adopted by the Company is based on a "traditional" organisational model, consisting of the following bodies: Shareholders' Meeting, Board of Directors and Board of Auditors. Pursuant to current legislation, the legal audit mandate is entrusted to the above-mentioned auditing company, registered with CONSOB. The governance of the Company is completed by the Organisational Model pursuant to Legislative Decree no. 231/2001, the Remuneration and Appointments Committee, the Control and Risks Committee, the Related Parties Committee and the Sustainability Committee, the structure of powers and delegations. The Company adheres to the Self-Governance Code of listed Italian companies, adapting it to its own characteristics.
The Board of Directors meeting on 13 May 2021, ascertained that each member of the Board of Statutory Auditors met the requirements of professionalism and independence set forth in Article 148, paragraph 4, of the TUF on Finance and in the Self-Governance Code. The Board of Statutory Auditors carried out its self-assessment of composition and independence on 21 April 2021. In addition, the Board of Directors meeting on 19 May 2021 approved the Report on remuneration policy and compensation paid pursuant to Article 123-ter of the TUF on Finance.

Please refer to the Report on Corporate Governance and Ownership Structure for further details on the Company's corporate governance, on which the Board of Statutory Auditors has no issues to report to the Shareholders' Meeting.
The Board of Statutory Auditors also informs that it participated in information sessions addressed to Directors and Auditors that allowed them to improve their knowledge of the sector in which the Company operates, of the main aspects relating to management and of the regulatory framework, and to obtain updates on the progress of the main initiatives.
The Board also acknowledges that it has supervised the activities related to Regulation (EU) 2016/279 on the protection of personal data (GDPR) and, in this respect, has no observations worthy of mention in this Report.

Supervision of transactions with Group companies and related parties

The Board of Statutory Auditors did not detect any atypical and/or unusual transactions with related parties during the financial year ended 28 February 2021. Transactions of an ordinary nature carried out with related parties, described, with evidence of the economic effects, by the Directors in the Report on Operations, to which reference should be made, are consistent and in the Company's interest.
The Board of Statutory Auditors has met and maintained a constant flow of information with the Related Parties Committee and acknowledges that it has not received notification of any facts or anomalies of such significance that they should be reported in this Report.

Indications of opinions issued to the College, omissions and reprehensible facts detected

Since the date of the previous Report and up to the present date, the Board has not issued any opinions as required by current legislation and no complaints have been received pursuant to Article 2408 of the Civil Code.
The Board of Statutory Auditors is not aware of any other complaints to be reported in this Report.

Proposals for the annual accounts

On the basis of the above, and in summary of the supervisory activities carried out during the year, the Board of Statutory Auditors has no observations to make, pursuant to Article 153 of Legislative Decree no. 58/1998, on the matters within its competence concerning the financial statements as at 28 February 2021 and unanimously – considering also that, on 20 May 2021, the Independent Auditors issued their reports without remarks – that there are no reasons to prevent your approval of the same, as per the draft prepared and approved during the meeting of the Board of Directors on 6 May 2021, together with the Report on Operations and the proposal for the allocation of the profit for the year formulated by the Board itself.

Milan, 20 May 2021

BOARD OF STATUTORY AUDITORS

President Dr Giuseppina Manzo Giuseppina Manzo

Statutory auditor Dr Federica Mantini Federica Mantini

Statutory auditor Dr Maurizio Voza Maurizio Voza