



Interim Directors' Report

At 30 November 2018



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Corporate Bodies

BOARD OF DIRECTORS

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

Bernd Erich Beetz
Giancarlo Nicosanti Monterastelli
Robert Frank Agostinelli
Gianpiero Lenza
Uwe-Ernst Bufe
Stefano Meloni
Marino Marin

CONTROL AND RISK COMMITTEE

- Non-executive Director
- Director possessing the requirements of independence indicated by the TUF and the Corporate Governance Code
- Chairman of the Committee and Director possessing the requirements of independence indicated by the TUF (“Consolidated Finance Law”) and the Corporate Governance Code

Gianpiero Lenza
Marino Marin
Stefano Meloni

NOMINATIONS AND REMUNERATION COMMITTEE

- Non-executive Director
- Director possessing the requirements of independence indicated by the TUF and the Corporate Governance Code
- Chairman of the Committee and Director possessing the requirements of independence indicated by the TUF (“Consolidated Finance Law”) and the Corporate Governance Code

Gianpiero Lenza
Marino Marin
Stefano Meloni

RELATED PARTY TRANSACTIONS COMMITTEE

- Independent Director
- Independent Director

Marino Marin
Stefano Meloni

BOARD OF STATUTORY AUDITORS

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

Maurizio Voza
Giorgio Gavelli
Luigi Capitani
Sauro Garavini
Giancarlo De Marchi

SUPERVISORY BODY

- Chairman
- Members:

Giorgio Rusticali
Chiara Tebano
Raffaella Folli

AUDIT COMPANY

KPMG S.p.A.

1. Introduction

The Unieuro Group (hereinafter also the “Group” or “Unieuro Group”) came into existence following the acquisition by Unieuro S.p.A. of the entire share capital of Monclick S.r.l., consolidated from 1 June 2017.

The company Unieuro S.p.A. (hereinafter referred to as the “Company” or “Unieuro” or “UE”) is a company under Italian law with registered office in Forlì in Via V.G. Schiaparelli 31 was founded at the end of the 1930s by Vittorio Silvestrini, and is now the largest Italian chain of consumer electronics and appliances by number of sales outlets, and it operates as an integrated omnichannel distributor in four major product segments: Grey (telephone systems, computers and photos), White (large and small appliances), Brown (consumer electronics and media storage), Other Products (consoles, video games, bicycles) and Services offering parallel ancillary services such as delivery and installation, extended warranties and consumer financing.

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

The 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 proximity.

Since April 2017, Unieuro shares have been listed on the STAR segment of the Milan Stock Exchange.

At the date of the Interim Directors’ Report as at 30 November 2018, the major shareholders, through Monte Paschi Fiduciaria S.p.A., are Italian Electronics Holdings S.à.r.l. (accounting for the funds managed by Rhone Capital) with 33.8%, DSG European Investments Limited (Dixons Carphone plc) with 7.2%, the Silvestrini Family with 4.7% and Unieuro top management with 2.3%. Note that on 24 September 2018, the asset management company Amundi Asset Management disclosed that it owned 5% of Unieuro’s share capital. Please also note that Italian Electronics Holdings, in light of the ownership structure, holds control pursuant to Art. 93 of the Consolidated Law on Finance of the company Unieuro.

2. Basis for preparation of the Interim Directors' Report

This Interim Directors' Report was prepared in accordance with the provisions of Art. 82-ter of the Issuers' Regulation adopted by resolution no. 11971 of 14 May 1999, introduced in accordance with the provisions of Art. 154-ter, paragraphs 5 and 6 of the Consolidated Law on Finance ("TUF"). Therefore, the provisions of the international accounting standard relative to interim financial information, have not been adopted (IAS 34 "Interim Financial Reporting").

The publication of the Interim Directors' Report as at 30 November 2018 is regulated by the provisions of the Stock Market Regulations and, in particular, Art. 2.2.3, paragraph 3 of the Stock Market Regulation.

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.

Starting fiscal year 2019, the adoption has become compulsory of the new accounting standards IFRS 15 - Revenue from Contracts with Customers and IFRS 9 - Financial instruments; therefore, this Interim Directors' Report was prepared in line with the provisions of the new accounting standards.

The new standard IFRS 15 - Revenue from Contracts with Customers has been applied retroactively, booking the cumulative effect of the first time adoption as at the date of initial application, 1 March 2018. The application of the accounting standard IFRS 9 - Financial instruments has not entailed any significant impact.

The Interim Directors' Report as at 30 November 2018 were approved by the Board of Directors on 10 January 2019.

Unless otherwise specified, the data of this document is expressed in millions of euros. Amounts and percentages were calculated on amounts in thousands of Euros, and thus, any differences found in certain tables are due to rounding.

3. Key period indicators

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 derive from the Interim Directors' Report as at 30 November 2018, (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 Interim Directors' Report as at 30 November 2018; (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 Interim Directors' Report as at 30 November 2018.

The APIs reported (consolidated adjusted EBITDA, consolidated adjusted EBITDA margin, consolidated adjusted profit (loss) for the period, net working capital, consolidated adjusted levered free cash flow, net financial debt and consolidated net financial debt/consolidated adjusted EBITDA) have not been identified as IFRS accounting measures, and thus, as noted above, they must not be considered as alternative measures to those provided in the Group's Interim Directors' Report to assess their operating performance and related financial position.

Certain indicators are referred to as "Adjusted", to represent the Group's management and financial performance, net of non-recurring events, non-characteristic events and events related to extraordinary transactions, as identified by Group. The Adjusted indicators shown consist of: Consolidated Adjusted EBITDA, Consolidated Adjusted EBITDA Margin, Consolidated Adjusted profit (loss) for the period, Consolidated Adjusted Levered Free Cash Flow and Net financial debt/Consolidated Adjusted EBITDA. These indicators reflect the main operating and financial measures adjusted for non-recurring income and expenses that are not strictly related to the core business and operations, and for the effect from the change in the business model for extended warranty services (as more fully described below in the API "Consolidated Adjusted EBITDA"), and thus, they make it possible to analyse the Group's performance in a more standardised manner in the periods reported in the Interim Directors' Report.

Main financial indexes¹

| <i>(in millions of Euros)</i> | Period ended | |
|---|------------------|------------------|
| | 30 November 2018 | 30 November 2017 |
| Operating indicators | | |
| Consolidated revenues | 1,527.3 | 1,328.4 |
| Consolidated Adjusted EBITDA ² | 43.7 | 39.7 |
| Consolidated Adjusted EBITDA margin ³ | 2.9% | 3.0% |
| Consolidated Profit/Loss for the Period | 7.9 | (1.5) |
| Adjusted Consolidated Profit/Loss for the Period ⁴ | 21.0 | 19.2 |
| Cash flows | | |
| Consolidated Adjusted Levered Free Cash Flow ⁵ | 55.1 | 37.3 |
| Period investments | (29.2) | (45.3) |

| <i>(in millions of Euros)</i> | At | |
|--|------------------|------------------|
| | 30 November 2018 | 28 February 2018 |
| Indicators from statement of financial position | | |
| Net Working Capital | (244.4) | (205.4) |
| Net financial debt | 13.0 | (4.5) |
| Net financial debt/Consolidated Adjusted LTM EBITDA ⁶ | n.s. | 0.07 |

¹ 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.

² Consolidated Adjusted EBITDA is Consolidated EBITDA adjusted (i) for non-recurring expenses/(income) and (ii) the impact from the adjustment of revenues for extended warranty services net of related estimated future costs to provide the assistance service, as a result of the change in the business model for directly managed assistance services. See paragraph 4.2 for additional details.

³ The Consolidated Adjusted Margin is the ratio of Consolidated Adjusted EBITDA to revenues.

⁴ The Adjusted Consolidated Result for the period is calculated as the Consolidated Profit (Loss) for the period adjusted by (i) the adjustments incorporated in the Consolidated Adjusted EBITDA, (ii) the adjustments of the non-recurring financial expenses/(income) and (iii) the theoretical tax impact of these adjustments.

⁵ Consolidated adjusted levered free cash flow is defined as cash flow generated/absorbed by operating activities net of investment activities adjusted for non-recurring investments and other non-recurring operating flows and including adjustments for non-recurring expenses (income) and net of their non-cash component and the related tax impact. See paragraph 5.1 for additional details.

⁶ In order to guarantee the comparability of the Net financial debt/Adjusted Consolidated LTM EBITDA indicator the Adjusted Consolidated EBITDA figure for the last twelve months was taken into consideration.

Main operative indexes

| <i>(in millions of Euros)</i> | Period ended | |
|---|------------------|------------------|
| | 30 November 2018 | 28 February 2018 |
| Operating indicators for the year | | |
| Like-for-like growth (as a %) ⁷ | 5.1% | 2.7% |
| Direct sales outlets (number) | 238 | 225 |
| of which <i>Pick Up Points</i> ⁸ | 219 | 214 |
| Affiliated sales outlets (number) | 274 | 272 |
| of which <i>Pick Up Points</i> ⁸ | 166 | 181 |
| Total area of direct sales outlets (in square metres) | about 346,000 | about 333,000 |
| Sales density ⁹ (Euros per square metre) | 4,686 | 4,659 |
| Full-time-equivalent employees ¹⁰ (number) | 4,189 | 4,018 |

⁷ Like-for-like growth: method of comparison of sales for the nine-month period ended 30 November 2018 with those of the nine-month period ended as at 30 November 2017 on the basis of a homogeneous business scope, given by the retail and travel stores that have been operational for at least an entire financial year at the closing date of the reference period, net of the sales outlets that had experienced significant operative discontinuity (e.g. temporary closures and major refurbishments) as well as the entire on-line channel. In order to provide a clearer representation, the method for calculating like-for-like KPIs was recalculated based on the methodology adopted by the main reference market players.

⁸ Physical pick-up points for customer orders using the online channel.

⁹ This indicator is obtained from the ratio of sales over twelve months generated by direct sales outlets to the total area devoted to sales in all direct sales outlets.

¹⁰ Average annual number of full-time-equivalent employees.

4. Group financial results

4.1. Consolidated revenues

For the third quarter ending 30 November 2018, consolidated revenues totalled Euro 1,527.3 million, a 15.0% increase over the previous period of the previous year, with an increase of Euro 198.9 million.

The increase in period revenues, in addition to internal and external and internal growth actions can be traced to the increasing relevance of the promotional period of “Black Friday”, which is resulting in a growth of turnover in November, year after year. More specifically, Unieuro has successfully implemented a promotional campaign called “Black Roc Friday” for a considerably long period of time, from 12 to 26 November 2018, guaranteeing both on- and off-line customers extremely competitive purchase prices and conditions. During the course of the fifteen-day campaign, which started by effectively opening the peak season for the entire industry, Unieuro S.p.A. recorded significant growth in revenues on the same period of 2017, achieving record levels on all sales channels, both physical and digital. The positive revenue performance in the nine months is also influenced by acquisitions: the 8 former Cerioni/Euronics stores reopened in December 2017 and January 2018 paved the way for the business units that were formerly DPS Group S.r.l. and Galimberti S.p.A., which accordingly led to an increase of 13 sales outlets starting September 2018. Finally, a positive contribution was made by new projects, currently being implemented in the GDO channel, which has resulted in a rise in the number of affiliates.

Like-for-like growth of the distribution network - i.e. the comparison of sales for the nine-month period closed on 30 November 2018 with those made in the nine-month period ended 30 November 2017 on the basis of a homogeneous business scope¹¹, is positive and comes in at +5.1%. Excluding from analysis sales points near the new stores that had been opened in the meantime, and which did not therefore come under the scope of like-for-like, like-for-like sales record even stronger growth at 7.6%, above all thanks to the drive of Black Friday on the third quarter revenues.

It is noted that starting from the Interim Directors’ Report as at 31 August 2018, the methods used to calculate like-for-like revenues were adjusted with respect to the past, on the basis of the method adopted by the main reference market players, with the aim of offering a better representation of the business performance on equal scope.

4.1.1 Consolidated revenues by channel

| <i>(In millions of Euro and as a percentage of revenues)</i> | Period ended | | | | Change | |
|--|------------------|-------|--------------------------------|-------|--------|-------|
| | 30 November 2018 | % | 30 November 2017 ¹² | % | Δ | % |
| <i>Retail</i> | 1,064.2 | 69.7% | 930.8 | 70.1% | 133.4 | 14.3% |
| <i>Online</i> | 173.2 | 11.3% | 128.7 | 9.7% | 44.5 | 34.6% |
| <i>Indirect¹³</i> | 170.5 | 11.2% | 154.9 | 11.7% | 15.6 | 10.1% |

¹¹ The like-for-like KPI is calculated including: (i) retail and travel stores that have been operative for at least an entire financial year at the closing date of the reference period, net of the sales outlets that had experienced significant operative discontinuity (e.g. temporary closures and major refurbishments) and (ii) the entire on-line channel.

¹² For the purpose of better representation, supplies of goods to an ongoing customer operating in the consumer electronics market without using the Unieuro brand was reclassified from the indirect channel to the B2B channel.

¹³ The Indirect channel, which was previously referred to as the Wholesale channel, includes turnover made with respect to the network of affiliated stores and revenues produced in the large-scale retail chain, through partnerships with major industry operators.

| | | | | | | |
|----------------------------------|----------------|---------------|----------------|---------------|--------------|--------------|
| <i>B2B</i> | 95.7 | 6.3% | 96.4 | 7.3% | (0.7) | (0.7%) |
| <i>Travel</i> | 23.8 | 1.6% | 17.6 | 1.3% | 6.2 | 34.9% |
| Total revenues by channel | 1,527.3 | 100.0% | 1,328.4 | 100.0% | 198.9 | 15.0% |

The Retail channel booked a 14.3% rise in sales, mainly as a result of the increase in the network of direct stores, up on the same period of last year by a total of 19 stores, also thanks to the recent acquisitions of the business units formerly known as DPS Group S.r.l. and Galimberti S.p.A. and the opening of the former DPS Group location in Verona, coupled with the greater sales made on the pre-existing network, also thanks to the increased store entrances as compared with the same period 2017.

The consolidated revenues of the Online channel stand at Euro 173.2 million, growth of 34.6% compared with Euro 128.7 million in the same period of the previous year. The positive performance is attributable to the success of the commercial initiatives, including in particular Black Friday, the positive results of the growth strategy in the high-margins categories, specifically large and small appliances and to the constant release of new functions and improvements to the platform, also aimed at improving the safeguarding of the important mobile segment, vital for increasing the loyalty of existing customers and attracting new ones at the same time. The subsidiary Monclick S.r.l., consolidated from 1 June 2017, also made a positive contribution to revenues bringing them to Euro 34.0 million in the period. Monclick is one of the main Italian pure players specialised in consumer electronics and appliances.

The Indirect channel (previously referred to as the Wholesale channel), which includes turnover made with respect to the network of affiliated stores and revenues produced in the large-scale retail chain, through partnerships with major industry operators, recorded sales of Euro 170.5 million, up 10.1% on the Euro 154.9 million¹² booked the same period of the previous financial year. The new affiliation agreements stipulated during the period resulted in a rise of 3 units in the number of sales outlets as compared with the corresponding period of the previous year, in addition to the positive effect of the commercial strategy adopted by the Group.

The B2B channel recorded sales essentially in line with the same period of the previous financial year (Euro 95.7 million¹²). The subsidiary Monclick S.r.l., consolidated from 1 June 2017, contributed Euro 11.1 million. The B2B channel 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).

Finally, the Travel channel, which includes the sales outlets situated at the main public transport hubs, including airports, railway and underground train stations, recorded 34.9% growth for a value of about Euro 6.2 million. The channel's performance benefited from the opening of the former DPS/Trony sales outlet at the underground train station of Milan San Babila, reopened in October 2018.

4.1.2 Consolidated revenues by category

| (In millions of Euro and as a percentage of consolidated revenues) | Period ended | | | | Change | |
|--|------------------|---------------|--------------------------------|---------------|--------------|--------------|
| | 30 November 2018 | | 30 November 2017 ¹⁴ | | Δ | % |
| | | % | | % | | |
| Grey | 728.8 | 47.7% | 624.5 | 47.0% | 104.3 | 16.7% |
| White | 398.7 | 26.1% | 362.9 | 27.3% | 35.7 | 9.8% |
| Brown | 267.0 | 17.5% | 226.9 | 17.1% | 40.1 | 17.7% |
| Other products | 70.6 | 4.6% | 65.7 | 4.9% | 4.9 | 7.4% |
| Services | 62.3 | 4.1% | 48.3 | 3.6% | 13.9 | 28.8% |
| Total consolidated revenues by category | 1,527.3 | 100.0% | 1,328.4 | 100.0% | 198.9 | 15.0% |

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

The Grey category, namely cameras, video cameras, smartphones, tablets, computers and laptops, monitors, printers, phone system accessories, as well as all wearable technological products, saw an increase in consolidated revenues of 16.7% as a result of the good performance of sales in the Telephone Segment, which benefited from a mix movement towards the top of the range and the good performance of several new models.

The White category, composed of large appliances (MDA) such as washing machines, tumble dryers, refrigerators or freezers and ovens, small appliances (SDA) such as vacuum cleaners, kettles, coffee machines as well as the climate control segment, recorded a 9.8% increase in consolidated revenues thanks to the success of the strategy of focusing on high-margin categories promoted by the Unieuro Group.

The Brown category, including televisions and related accessories, audio devices, devices for smart TVs, car accessories, as well as memory systems, recorded an increase in consolidated revenues of 17.7%. This category benefited from the increasing success of high-end televisions, in particular ultraHD and OLED, the good performance of the audio segment and the effect produced by the 2018 Football World Cup.

The Other products category recorded an increase in consolidated revenues of 7.4%. The grouping includes both sales in the entertainment sector and other products not included in the consumer electronics market. Period growth is mainly attributable to the good performance of gaming consoles.

The Services category recorded growth of 28.8% in consolidated revenues thanks to the expansion of the sales network and the Group's continued focus on the provision of services to its customers, specifically extended warranties and fees from customers signing new consumer credit contracts.

¹⁴ The segmentation of sales by product category takes place on the basis of the classification adopted by the main sector experts. Note therefore that the classification of revenues by category is revised periodically in order to guarantee the comparability of Group data with market data.

4.2. Consolidated operating profit

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

| (In millions and as a percentage of revenues) | Period ended | | | | | | Change | |
|---|------------------|-------------|---------------------------|------------------|-------------|-------------|--------------|--------------|
| | 30 November 2018 | | | 30 November 2017 | | | Δ | % |
| | Adjusted amounts | % | Adjustments ¹⁵ | Adjusted amounts | % | Adjustments | | |
| Revenue | 1,527.3 | | | 1,328.4 | | | 198.9 | 15.0% |
| Sales revenues | 1,527.3 | | | 1,328.4 | | | 198.9 | 15.0% |
| Purchase of goods and Change in inventories | (1,191.5) | (78.0%) | 0.0 | (1,032.2) | (77.7%) | 2.7 | (159.3) | 15.4% |
| Lease and rental expense | (52.8) | (3.5%) | 0.9 | (46.1) | (3.5%) | 0.7 | (6.7) | 14.4% |
| Marketing costs | (37.0) | (2.4%) | 1.1 | (38.4) | (2.9%) | 1.9 | 1.4 | (3.7%) |
| Logistics costs | (38.7) | (2.5%) | 1.5 | (30.8) | (2.3%) | 1.1 | (7.9) | 25.6% |
| Other costs | (43.9) | (2.9%) | 3.5 | (36.3) | (2.7%) | 6.8 | (7.6) | 20.9% |
| Personnel costs | (122.6) | (8.0%) | 2.4 | (107.9) | (8.1%) | 4.7 | (14.7) | 13.7% |
| Other operating income and costs | (3.4) | (0.2%) | (0.1) | (1.9) | (0.1%) | (0.0) | (1.5) | 81.8% |
| Revenues from the sale of warranty extensions netted of future estimated service cost - business model's change related to direct assistance services | 6.2 | 0.4% | 6.2 | 4.9 | 0.4% | 4.9 | 1.3 | 27.5% |
| Consolidated Adjusted EBITDA | 43.7 | 2.9% | 15.5 | 39.7 | 3.0% | 22.6 | 4.0 | 9.9% |

Consolidated Adjusted EBITDA in the first nine months of the current year increased by Euro 4.0 million, standing at Euro 43.7 million. The *Adjusted EBITDA margin* was 2.9%. The growth measures undertaken had a positive impact on the period results, with an expansion of the network of direct and affiliated stores and the digital business of Unieuro.

Profitability is also influenced by the seasonal phenomena typical of the consumer electronics market, which records higher revenues and costs of purchasing goods during the final part of each financial year. On the other hand, operating costs show a more linear trend due to the presence of fixed cost components (staff, rentals and overheads) that have a uniform distribution throughout the year.

During the period costs for the purchase of goods and changes in inventories increased by Euro 159.3 million. The impact on consolidated revenues stood at 78.0% (77.7% in the corresponding period of the previous year ended 30 November 2017).

¹⁵ The item "Adjustments" includes both non-recurring income/(expenses) and the adjustment for the change in the business model for warranties, which was posted in the item "Change in business model for directly managed assistance services." Thus, the adjustment is aimed at reflecting, for each year concerned, the estimated profit from the sale of extended warranty services already sold (and collected) starting with the change in the 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 other current liabilities, 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 the Group on the basis of historical information on the nature, frequency and cost of assistance work.

Rental increased by Euro 6.7 million, equal to around 14.4%, as a result of the increase in stores following the acquisitions made from the second quarter of the previous year and mainly refers to: (i) taking over the rental agreements of 21 sales outlets belonging to the Andreoli S.p.A. business unit from July 2017; (ii) taking over the rental agreements of 19 sales outlets belonging to the Cerioni S.p.A. Group business unit from November 2017; (iii) taking over the rental agreement of the flagship store in the Euroma2 shopping centre from 20 September 2017; and (iv) taking over the rental agreement of 8 sales outlets belonging to the DPS Group S.r.l. business unit from September 2018; and (v) the contribution deriving from the acquisition of Monclick consolidated from 1 June 2017.

Marketing costs were reduced by 3.7% compared with the corresponding period of the previous year ended 30 November 2017. The decline is primarily due to a different promotional calendar between the two periods. Marketing and advertising were structured and planned to direct potential customers to physical sales outlets and to the Online channel. There was a fall in the weighting of traditional marketing activities in the period ended 30 November 2018, partly offset by the increase in the weighting of digital marketing activities.

Logistics costs increased by around Euro 7.9 million. The impact on consolidated revenues stood at 2.5% (2.3% in the first half of the previous year). The performance is mainly attributable to the increase in sales volumes and the ever increasing weighting of home deliveries for online orders as a result of the increase recorded in requests for non-standard delivery services (timed delivery slot, delivery to a specified floor, etc.) and promotional campaigns which include free delivery.

Other costs rose by Euro 7.6 million compared with the corresponding period of the previous year. The trend is attributable to: (i) the increase in operating costs which mainly refer to utilities, maintenance and general sales expenses as a result of the expansion in stores and (iii) the increase in the cost of insurance, particularly following the catastrophic events due to the fire at the Oderzo point of sale which took place on 25 February 2017 and the theft at the Piacenza warehouse which took place in August 2017. A new insurance contract was stipulated in October 2017 with a new syndicate of insurers which led to an increase in the premium.

Personnel costs show an increase of Euro 14.7 million, mainly attributable to: (i) the increase in the number of employees following the opening of new stores, (ii) recognition of the costs of the share-based payment plan the Long Term Incentive Plan assigned in October 2018 and (iii) the strengthening of several strategic functions at head office which took place last year.

The negative impact of Other operating income and costs rose by Euro 1.5 million. The incidence on consolidated revenues was in line with the corresponding period of the previous year and came to 0.4%. The change is due to some insurance reimbursements received in the nine months ended on 30 November 2017.

Below is the reconciliation of Consolidated Adjusted EBITDA and the consolidated Gross Operating Profit recorded in the Consolidated Financial Statements.

| <i>(In millions of Euro and as a percentage of revenues)</i> | Period ended | | | | Change | |
|--|---------------------|--------|---------------------|--------|--------|---------|
| | 30 November 2018 | % | 30 November 2017 | % | Δ | % |
| Consolidated Adjusted EBITDA ¹⁶ | 43.7 | 2.9% | 39.7 | 3.0% | 4.0 | 9.9% |
| Non-recurring expenses /(income) | (9.3) | (0.6%) | (17.8) | (1.3%) | 8.5 | (47.7%) |

¹⁶ See note in the section “Main financial and operating indicators.”

| | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|--------------|
| 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 ¹⁷ | (6.2) | (0.4%) | (4.9) | (0.4%) | (1.3) | 27.5% |
| GROSS OPERATING PROFIT | 28.2 | 1.8% | 17.1 | 1.3% | 11.0 | 64.6% |

Non-recurring expenses/(income) dropped by Euro 8.5 million compared with the corresponding period of the previous year ended 30 November 2017 and are detailed in paragraph 4.3 below.

The adjustment related to the change in business model for directly managed assistance services increased by Euro 1.3 million compared with the same period of the previous year ended 30 November 2017 as a result of the extension of the business model relating to the management of extended warranty services at sales outlets concerned by the acquisition.

¹⁷ The adjustment was for the deferral of extended warranty service revenues already collected, net of the related estimated future costs to provide the assistance service. From the year ended 29 February 2012, for White products sold by Unieuro and from the year ended 28 February 2015 for all extended warranty services sold by Unieuro S.r.l. (hereinafter the “Former Unieuro”) (excluding telephone systems and peripherals) from the year of acquisition for all extended warranty services sold by the business units Andreoli S.p.A., Cerioni S.p.A., DPS S.r.l. and Galimberti S.p.A. (excluding telephone systems and peripherals), Unieuro modified the business model for the management of extended warranty services by insourcing the management of services sold by the Former Unieuro and by Unieuro that were previously outsourced and by extending this model to the sales points acquired from the business units Andreoli S.p.A., Cerioni S.p.A., DPS S.r.l. and Galimberti 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 nine-month periods ended 30 November 2018 and 30 November 2017 only partially report revenues from sales generated starting with the Change in Business Model because Unieuro will gradually record sales revenues from extended warranty services (already collected by it) starting at the end of the legally required two-year warranty period.

Thus, the adjustment is aimed at reflecting, for each period concerned, the estimated profit from the sale of extended warranty services already sold (and collected) starting with the Change in Business Model as if Unieuro had always operated using the current business model. Specifically, the estimate of the profit was reflected in revenues, which were held in suspense in deferred income, to be deferred until those years in which the conditions for their recognition are met, net of future costs for performing the extended warranty service, which were projected by Unieuro on the basis of historical information on the nature, frequency and cost of assistance work. The adjustment will progressively decrease to nil in future income statements when the new business model is fully reflected in our financial statements, which will occur on the last expiry date of warranty extensions sold for all product categories.

4.3. Non-recurring income and expenses

| <i>(in millions of Euros)</i> | Period ended | | Change | |
|---|------------------|------------------|--------------|----------------|
| | 30 November 2018 | 30 November 2017 | Δ | % |
| <i>Mergers&Acquisitions</i> | 5.1 | 8.2 | (3.1) | (38.2%) |
| Sales outlets pre-opening, repositioning and closing costs and the new Piacenza logistics hub | 3.4 | 3.1 | 0.2 | 7.7% |
| Other non-recurring expenses | 0.8 | 0.2 | 0.6 | 290.0% |
| Costs incurred for the listing process | - | 2.7 | (2.7) | (100.0%) |
| Exceptional Accidental Events | - | 2.7 | (2.7) | (100.0%) |
| Costs for the Call Option Agreement | - | 0.7 | (0.7) | (100.0%) |
| Total | 9.3 | 17.8 | (8.5) | (47.7%) |

Non-recurring expenses and income recorded in the year rose by Euro 8.5 million. The fall is mainly due to the lack of: (i) costs incurred for the listing process; (ii) costs for the Call Option Agreement concluded following the positive outcome of the listing process in April 2017; and (iii) costs resulting from the theft that took place at the Piacenza warehouse, as well as the significant reduction in costs for Mergers & Acquisitions of Euro 3.1 million.

The main item of non-recurring costs and income relates to Mergers & Acquisition costs, which comes to Euro 5.1 million in the nine-month period ended on 30 November 2018 (Euro 8.2 million in the same period last year). These costs were mainly incurred for the reorganisation and definition of the new corporate structure of Monclick and for the costs incurred for the acquisition of the business units from DPS Group S.r.l. in bankruptcy (“DPS”) and Galimberti S.p.A. The grouping also includes the Verona opening insofar as it refers to a former DPS location.

Pre-opening, repositioning and closing costs for the sales outlets and the new Piacenza logistics hub equal Euro 3.4 million in the nine-month period ended on 30 November 2018 (Euro 3.1 million in the same period of the previous year). This item includes: rental, personnel, security, travel and transfer costs, for maintenance and marketing operations incurred as part of: i) store openings and the new Piacenza logistics hub (in the months immediately preceding and following the opening of the same) and (ii) store closures.

The new 104,000 square metre Unieuro central distribution hub was opened on 12 October 2018. The new facility, the linchpin of the Unieuro centralised business model, unique in the domestic consumer electronics market, will continue to concentrate its activities on receiving, storing and dispatching all products marketed and sold by Unieuro through each of its five operating channels: direct stores, Indirect channel (previously referred to as the Wholesale channel), e-commerce platforms, the B2B channel, as well as sales outlets located in airports and at railway stations. The pre-opening costs of the new Piacenza logistics hub were Euro 1.9 million.

In the nine-month period closed on 30 November 2018, other non-recurring costs came to Euro 0.8 million, up Euro 0.6 million on the same period of last year, closed 30 November 2017. The costs mainly refer to extraordinary provisions made in respect of disputes involving a bankrupt supplier, for which third parties have made demands, holding Unieuro to be jointly liable.

4.4. Net income

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

| <i>(In millions and as a percentage of revenues)</i> | Period ended | | | | | | Change | |
|--|------------------|-------------|-------------|------------------|-------------|-------------|------------|-------------|
| | 30 November 2018 | | | 30 November 2017 | | | Δ | % |
| | Adjusted amounts | % | Adjustments | Adjusted amounts | % | Adjustments | | |
| Consolidated Adjusted EBITDA | 43.7 | 2.9% | 15.5 | 39.7 | 3.0% | 22.6 | 4.0 | 9.9% |
| Amortisation, depreciation and write-downs of non-current assets | (18.6) | (1.2%) | 0.3 | (14.6) | (1.1%) | 0.0 | (4.0) | 27.7% |
| Financial income and expenses | (3.2) | (0.2%) | (1.5) | (3.8) | (0.3%) | 0.0 | 0.5 | (14.4%) |
| Income taxes ¹⁸ | (0.9) | (0.1%) | (1.3) | (2.2) | (0.2%) | (2.0) | 1.3 | (61.0%) |
| Adjusted Consolidated Profit/Loss for the Period¹⁹ | 21.0 | 1.4% | 13.0 | 19.2 | 1.4% | 20.7 | 1.8 | 9.2% |

Amortisation, depreciation and write-downs of fixed assets in the nine-month period ended 30 November 2018 totalled Euro 18.6 million (Euro 14.6 million in the same period of the previous year). The increase relates to the depreciation and amortisation of investments related to the acquisitions made from the second quarter of the previous year, to asset write-downs relating to sales outlets closed during the period, as well as to the progressive alignment of depreciation and amortisation at the planned level of investments. The adjustments of Euro 0.3 million and refer to the write-down of several assets in the old warehouse disposed of following the completion of the new logistics hub.

Net financial expenses in the nine-month period ended 30 November 2018 totalled Euro 3.2 million (Euro 3.8 million in the same period of the previous year). The decrease is mainly attributable to the savings in financial expenses made following the signing, on 22 December 2017 of the new Loan Agreement²⁰. The adjustments of Euro 1.5 million refer to the income resulting from the removal of the acquisition debt for the subsidiary Monclick S.r.l. as a result of the settlement agreement signed in August 2018.

Income taxes excluding the theoretical tax impact on non-recurring expenses/(income) and the change in business model in the nine-month period ended 30 November 2018, stood at a negative Euro 0.9 million (a positive Euro 2.2 million in the same period of the previous year).

The Adjusted Consolidated Profit/(Loss) for the Period came to Euro 21.0 million (Euro 19.2 million in the same period of the previous year); this positive trend is due to the rise in Adjusted EBITDA and savings on net financial charges and income tax, partially offset by the increase in amortisation.

IRES tax losses resulting from the tax estimate prepared when closing the financial statements as at

¹⁸ The tax impacts of the adjustments were calculated using the theoretical rate deemed appropriate of 8.7%, 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%.

¹⁹ See note in the section "Main financial and operating indicators."

²⁰ The Loan Agreement was signed on 9 January 2018 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 for a total of Euro 190 million.

28 February 2018, which were still available, totalled Euro 399.2 million in relation to Unieuro and Euro 6.3 million in relation to Monclick. These tax losses guarantee a substantial benefit in the payment of taxes in future years. The charge for income taxes referring to the nine-month period ended 30 November 2018 is measured based on the best estimate of the Company Management for the annual weighted average tax rate expected for the full year, applying it to the profit before tax for the period applied to the individual entities.

Below is a reconciliation between the Consolidated Adjusted Net Profit/(Loss) for the year and the Consolidated Net Profit/(Loss) for the period.

| <i>(In millions of Euro and as a percentage of revenues)</i> | Period ended | | | | Change | |
|--|------------------|-------------|------------------|---------------|------------|-----------------|
| | 30 November 2018 | % | 30 November 2017 | % | Δ | % |
| Adjusted Consolidated Profit/Loss for the Period | 21.0 | 1.4% | 19.2 | 1.4% | 1.8 | 9.2% |
| Non-recurring expenses/income | (9.3) | (0.6%) | (17.8) | (1.3%) | 8.5 | (47.7%) |
| 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 | (6.2) | (0.4%) | (4.9) | (0.4%) | (1.3) | 27.5% |
| Non-recurring depreciation, amortisation and write-downs of fixed assets | (0.3) | 0.0% | - | 0.0% | (0.3) | 100.0% |
| Non-recurring financial (expenses)/income | 1.5 | 0.1% | - | 0.0% | 1.5 | 100.0% |
| Theoretical tax impact from taxes on non-recurring expenses/(income), non-recurring financial expenses/(income), non-recurring depreciation, amortisation and write-downs and the change in business model ²¹ | 1.3 | 0.1% | 2.0 | 0.1% | (0.7) | (33.8%) |
| Consolidated profit/(loss) for the period | 7.9 | 0.5% | (1.5) | (0.1%) | 9.4 | (644.5%) |

²¹ The tax impacts of the adjustments were calculated using the theoretical rate deemed appropriate of 8.7%, which incorporates IES at 4.8% (obtained by reducing taxable IRES income by 80% due to the ability to use past tax losses) and IRAP at 3.9%.

5. Group operating and financial results

5.1. Consolidated Adjusted Levered Free Cash Flow²²

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.

| <i>(in millions of Euros)</i> | Period ended | | Change | |
|---|---------------------|---------------------|-------------|--------------|
| | 30 November 2018 | 30 November 2017 | Δ | % |
| Consolidated Gross Operating Profit | 28.2 | 17.1 | 11.1 | 64.7% |
| Cash flow generated /(used) by operating activities ²³ | 40.4 | 35.0 | 5.4 | 15.5% |
| Taxes paid | (0.7) | 0.0 | (0.7) | (100.0%) |
| Interest paid | (2.1) | (5.3) | 3.2 | (59.7%) |
| Other changes | 0.8 | 0.9 | (0.0) | (5.5%) |
| Adjustment for non-monetary item of non-recurring expenses/(income)²⁴ | 66.5 | 47.6 | 18.8 | 39.6% |
| Investments ²⁵ | (23.3) | (30.8) | 7.6 | (24.5%) |
| Investments for business combinations and business units | (5.9) | (14.5) | 8.6 | (59.2%) |
| Net cash inflow from acquisition | 0.0 | 0.2 | (0.2) | (100.0%) |
| Adjustment for non-recurring investments | 12.6 | 21.7 | (9.2) | (42.2%) |
| Non-recurring expenses /(income) | 9.3 | 17.8 | (8.5) | (47.7%) |
| Adjustment for non-cash components of non-recurring expenses/(income) | (2.6) | (3.5) | 0.9 | (24.9%) |
| Other non-recurring cash flows | (0.8) | 0.0 | (0.8) | 100.0% |
| Theoretical tax impact of the above entries ²⁶ | (0.6) | (1.2) | 0.7 | (53.3%) |
| Consolidated Adjusted Levered Free Cash Flow | 55.1 | 37.3 | 17.8 | 47.8% |

The consolidated net cash flow generated/(used) by operating activities was positive by Euro 66.5 million (positive by Euro 47.6 million in the same period the previous year). The positive cash flow generation is partly linked to the good performance of revenues in the Black Friday period, which led to a partial different timing of incoming cash flows with respect to outgoing, which will be seen in the next quarter. This performance is partially offset by a rise in trade receivables generated by the Indirect channel, as a result of new affiliation agreements stipulated and characterised by considerable initial orders connected with the fitting out of the sales outlets with collection conditions that were longer than average.

Investments made and paid for in the period stood at Euro 23.3 million in the nine-month period ended 30 November 2018 (Euro 30.8 million in the nine-month period ended 30 November 2017). This was mainly due to: (i) costs incurred for the construction of the new logistics hub in Piacenza (ii) operations for the development of the direct stores network and the refurbishment of the network of existing stores and (iii) costs incurred for the purchase of new hardware, software, licences also in the light of the necessary regulatory adjustments regarding privacy, telematic fees and electronic invoicing, as well as start-up of existing applications with a view to the digitalisation of stores and the development of advanced functions for online platforms with the goal of making

²² See note in the section “Main financial and operating indicators.”

²³ The item “Cash flow from/(used in) operating activities” refers to cash from/(used in) the change in working capital and other non-current balance sheet items such as other assets, other liabilities and risk provisions.

²⁴ The item “Net cash flow from/(used in) 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 from/(used in) operating activities.”

²⁵ In order to provide a clearer representation, the item includes the portion of net investments paid during the period.

²⁶ The tax impacts of the adjustments were calculated using the theoretical rate deemed appropriate of 8.7%, which incorporates IES at 4.8% (obtained by reducing taxable IRES income by 80% due to the ability to use past tax losses) and IRAP at 3.9%.

each customer's omnichannel experience increasingly more practical and pleasant.

Investments for business combinations and business units of Euro 5.9 million in the nine-month period ended 30 November 2018 (Euro 14.5 million for the same period of the previous year) refer to the purchase price paid for the business unit DPS and Galimberti.

Of all the investments made in the period, Euro 12.6 million are non-recurring (Euro 21.7 million in the nine-month period ended 30 November 2017) and refer to the portion paid during the period: (i) of investments, including capex, referring to the transaction for the acquisition of the business unit DPS for Euro 7.7 million, (ii) the investments for the construction of the new Piacenza logistics hub for Euro 4.1 million (the planned investment comes to around Euro 11 million) and (iii) the remainder of the investments made at the end of the previous period and paid for during the period for the opening of the Cerioni sales outlets for Euro 0.8 million.

The adjustment for non-monetary non-recurring expenses/(income) components for Euro 2.6 million consists mainly of the unpaid portion of non-recurring costs relative to the purchase of the business unit DPS and Galimberti and the unpaid portion of costs relative to the new Piacenza logistics hub. This adjustment will be gradually reduced when those costs will have been reported financially.

Other non-recurring operating cash flows of Euro 0.8 million refer to the collection of the insurance payment in relation to the Oderzo store fire which took place on 25 February 2017.

Below are listed the main changes recorded in the Group's net financial indebtedness during the third quarter ended 30 November 2018 and in the third quarter ended 30 November 2017.

| <i>(in millions of Euros)</i> | Period ended | | Change | |
|---|---------------------|---------------------|-------------|-----------------|
| | 30 November 2018 | 30 November 2017 | Δ | % |
| Operating profit | 28.2 | 17.1 | 11.1 | 64.6% |
| Cash flow generated /(used) by operating activities | 40.4 | 35.0 | 5.4 | 15.5% |
| Taxes paid | (0.7) | 0.0 | 0.0 | |
| Interest paid | (2.1) | (5.3) | 3.2 | (59.7%) |
| Other changes | 0.8 | 0.9 | (0.0) | (5.5%) |
| Net cash flow generated/(absorbed) by operating activities | 66.5 | 47.6 | 18.8 | 39.5% |
| Investments | (23.3) | (30.8) | 7.6 | (24.5%) |
| Investments for business combinations and business units | (5.9) | (14.5) | 8.6 | 100.0% |
| Cash contribution from merger | 0.0 | 0.2 | (0.2) | 100.0% |
| Distribution of dividends | (20.0) | (20.0) | 0.0 | 0.0% |
| Payables for the purchase of Monclick and business units | 0.0 | (11.7) | 11.7 | 100.0% |
| Other changes | 0.3 | 1.5 | (1.3) | (83.2%) |
| Change in net financial debt | 17.5 | (27.6) | 45.2 | (163.4%) |

5.2 Statement of financial position

Below is a detailed breakdown of the Group's net working capital and net invested capital at 30 November 2018 and at 28 February 2018:

| <i>(in millions of Euros)</i> | Period ended | |
|---|------------------|------------------|
| | 30 November 2018 | 28 February 2018 |
| Trade receivables | 71.1 | 39.6 |
| Inventories | 441.1 | 313.5 |
| Trade payables | (584.5) | (411.5) |
| Net operating working capital | (72.3) | (58.4) |
| Other working capital items | (172.1) | (147.1) |
| Net working capital | (244.4) | (205.4) |
| Non-current assets | 145.5 | 132.3 |
| Goodwill | 178.0 | 174.8 |
| Non-current liabilities | (22.7) | (20.0) |
| Net invested capital | 56.4 | 81.7 |
| Net financial debt | 13.0 | (4.5) |
| Shareholders' equity | (69.4) | (77.2) |
| Total shareholders' equity and financial liabilities | (56.4) | (81.7) |

The Group's Net Working Capital as at 30 November 2018 was negative by Euro 72.3 million (negative by Euro 58.4 million as at 28 February 2018). The period trend is partly linked to the success of Black Friday, which led to a partial different timing of incoming cash flows with respect to outgoing, which will be seen in the next quarter, recording a lower value of inventories than trade payables. This performance is partially offset by a rise in trade receivables generated by the Indirect channel, as a result of new affiliation agreements stipulated and characterised by considerable initial orders connected with the fitting out of the sales outlets with collection conditions that were longer than average.

The Net Invested Capital of the Group stood at Euro 56.4 million at 30 November 2018, down Euro 25.3 million compared with 28 February 2018. The decrease is mainly attributable to: (i) decrease in the Group's Net Working Capital of Euro 39.0 million, of which Euro 5.3 million had a positive non-monetary effect due to the adoption of the new accounting standard IFRS 15, which had an impact on the timing of the recognition of several types of costs; (ii) investments excluding depreciation and amortisation of Euro 16.3 million, due to the costs incurred for the construction of the new Piacenza logistics hub, operations for the purchase of DPS and Galimberti, interventions for the development of the direct stores network and the refurbishment of existing network stores and costs incurred for purchasing new hardware, software, licences and developments on pre-existing apps; and (iii) increase in non-current liabilities for Euro 2.6 million, mainly due to the recording of deferred tax on the impacts deriving from the application of IFRS 15.

Shareholders' equity amounted to Euro 69.4 million as at 30 November 2018 (Euro 77.2 million at 28 February 2018), with the decrease mainly caused by the distribution of the dividend of Euro 20.0 million approved on 05 June 2018 by the Shareholders' Meeting, partially offset by the positive result recorded for the period, by the recording of the First time adoption reserve resulting from the application of the new accounting standard IFRS 15 and the reserve for share-based payments

relating to the Long Term Incentive Plan²⁷ reserved for some managers and employees.

Below is a detailed breakdown of the Group's net financial debt at 30 November 2018 and 28 February 2018 in accordance with Consob Communication No. 6064293 of 28 July 2006 and in compliance with ESMA Recommendations 2013/319:

| <i>(in millions of Euros)</i> | Period ended | | Change | |
|---|------------------|------------------|--------------|-----------------|
| | 30 November 2018 | 28 February 2018 | Δ | % |
| (A) Cash | 78.3 | 61.4 | 16.9 | 27.5% |
| (B) Other cash and cash equivalents | 0.0 | 0.0 | 0.0 | 0.0% |
| (C) Securities held for trading | 0.0 | 0.0 | 0.0 | 0.0% |
| (D) Liquidity (A)+(B)+(C) | 78.3 | 61.4 | 16.9 | 27.5% |
| <i>- of which is subject to a pledge</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0%</i> |
| (E) Current financial receivables | 0.0 | 0.0 | 0.0 | 0.0% |
| (F) Current bank payables | 0.0 | (0.1) | 0.1 | (100.0%) |
| (G) Current part of non-current debt | (8.4) | (6.9) | (1.5) | 22.1% |
| (H) Other current financial payables | (6.8) | (6.3) | (0.6) | 9.2% |
| (I) Current financial debt (F)+(G)+(H) | (15.2) | (13.2) | (2.0) | 15.3% |
| <i>- of which is secured</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0%</i> |
| <i>- of which is unsecured</i> | <i>(15.2)</i> | <i>(13.2)</i> | <i>(2.0)</i> | <i>15.3%</i> |
| (J) Net current financial position (I)+(E)+(D) | 63.1 | 48.2 | 14.9 | 30.9% |
| (K) Non-current bank payables | (36.0) | (40.5) | 4.6 | (11.2%) |
| (L) Bonds issued | 0.0 | 0.0 | 0.0 | 0.0% |
| (M) Other non-current financial payables | (14.1) | (12.2) | (1.9) | 15.7% |
| (N) Non-current financial debt (K)+(L)+(M) | (50.1) | (52.7) | 2.6 | (5.0%) |
| <i>- of which is secured</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0%</i> |
| <i>- of which is unsecured</i> | <i>(50.1)</i> | <i>(52.7)</i> | <i>2.6</i> | <i>(5.0%)</i> |
| (O) Net financial debt (J)+(N) | 13.0 | (4.5) | 17.5 | (388.2%) |

Net financial debt has been reduced by Euro 17.5 million compared with 28 February 2018, generating a positive cash position for Euro 13.0 million as at 30 November 2018.

The main factor underlying the positive cash trends is the combined effect of: (i) the net cash flow generated by operating activities for Euro 66.5 million, (ii) the distribution of dividends of Euro 20.0 million approved by the Shareholders' Meeting on 05 June 2018, (iii) investments of Euro 23.3 million due mainly to costs incurred for the construction of the new Piacenza logistics hub, operations for the development of the direct stores network and the refurbishment of the network of existing stores and costs incurred for the purchase of new hardware, software, licences and development of existing applications and (iv) investments of Euro 5.9 million which refer to the purchase price paid in full during the period for the business unit DPS and Galimberti.

²⁷ On 6 February 2017, the Extraordinary Shareholders Meeting of Unieuro approved the adoption of a stock option plan ("Long Term Incentive Plan", "LTIP") reserved for Executive Directors, associates and employees (executives and others) (the "Recipients"). The Long Term Incentive Plan calls for assigning ordinary shares derived from a capital increase with no option rights pursuant to Article 2441, paragraphs 5 and 8 of the Italian Civil Code approved by the Shareholders' Meeting on the same date. On 29 June 2017, the Board of Directors approved the plan regulations for the plan ("Regulations") whereby the terms and conditions of implementation of Long Term Incentive Plan were determined. The signing and consequent acceptance of the Long Term Incentive Plan by recipients took place in October 2017 with effect from 29 June 2017.

Gross financial debt totalled Euro 65.3 million, of which Euro 50.1 million was medium and long term, and Euro 15.2 million was short term.

6. Significant and subsequent events

Significant events during the period

Bringing forward the dividend payment date

On 26 March 2018, in conjunction with the approval of the preliminary revenues for the year 2017/2018, the Board of Directors of Unieuro approved bringing forward to June 2018 the ex-dividend date in respect of the profits for the financial statements for the year ended 28 February 2018 as well as its payment in one go, so as to bring forward the total distribution of the coupon by the Shareholders by four months.

The new communication campaign

Almost four years after the rebranding, which already marked a distinct change compared with traditional sector arrangements, in April Unieuro launched a new simultaneous, omnichannel communication format, aimed at optimising the celebration of its brand values in an ever more effective manner.

More than a million downloads for the Unieuro app

Still in April, the Unieuro App recorded its one millionth download placing it in the top twenty most downloaded shopping Apps from Apple Store and Google Play in Italy. Only launched a year ago, the Unieuro App is a key tool in the company's omnichannel strategy because it guarantees users a comprehensive and all-round shopping experience.

The exclusive agreement for the Ignis brand

On 3 May, Unieuro and Whirlpool Italia announced an important partnership for the exclusive sale in Italy of large Ignis appliances. The agreement strives to strengthen Unieuro's leadership position in the White category thanks to a dedicated range of products, constantly under development, composed of more than 40 recommendations, as well as the weight of the historic Ignis brand, which has been present on the Italian market for more than 70 years.

The 2018 Shareholders' Meeting

On 5 June 2018, the Unieuro Shareholders' Meeting, which was convened in Forlì in a single call, approved the Financial Statements as at 28 February 2018, resolved the allocation of the operating profit, the coverage of the "negative reserves" and the distribution of the dividend of Euro 1 per share, totalling Euro 20 million paid later on 13 June 2018 and voted in favour of the first section of the Remuneration Report.

The acquisition of 8 former DPS (Trony) stores

On 24 July, Unieuro announced the acquisition of the business unit DPS Group S.r.l. in bankruptcy, composed of 8 former Trony stores - not operational at the time of the announcement - located in the provinces of Milan (3), Imperia (2), Padova, Potenza and Taranto.

The stores, which cover a total area of more than 10,000 square metres and generate potential revenues of at least Euro 50 million, were chosen from 35 former DPS sales outlets in order to guarantee the best complementarity with the existing Unieuro network, at the same time providing significant opportunities for synergies and the possibility of strengthening the presence in Milan.

The operation was worth Euro 3.4 million, financed through recourse to available liquidity and lines of credit. The 7 sales outlets were reopened to the public from mid-September to early October. On 6 October, following an effective local advertising campaign, the Milan, San Babila point of sale was also re-opened: a 1,150 square metre space in a very central underground station, intended to strengthen Unieuro's presence in Milan by bringing the brand to one of the most important and vibrant commercial areas in the country.

The opening of the new Piacenza logistics hub

After having successfully completed the transfer of people and goods without a break in company activities, on 12 October Unieuro's management opened the new 104,000 square metre central distribution platform in Piacenza, the starting point for a comprehensive logistics strategy, intended to bring Unieuro even closer to end-users. Owned by Generali Real Estate, the new facility - the linchpin of Unieuro's distinctive business model - is the subject of a long-term lease agreement and will to continue to concentrate of the reception, storage and dispatch of all goods sold by Unieuro through each of its five operating channels. Unieuro's total investment, equal to around Euro 11 million, was intended specifically for plant engineering, surveillance systems, IT and automation.

Expansion in the north-east

Still on 12 October, Unieuro announced new actions for the selective strengthening of its network of stores in Veneto, Trentino Alto Adige and Friuli Venezia Giulia.

Following participation in the competitive procedure launched by the Court of Milan, Unieuro was awarded the contract for a business unit of Galimberti S.p.A., in an arrangement with creditors, made up of 5 stores previously under the Euronics brand, with a total area of around 7000 square metres. At the same time, separate agreements were announced, signed between the end of July and the beginning of August, which Unieuro entered into with the owners of two properties in Verona and Trieste, aimed at opening two new sales outlets in spaces previously occupied by competitors, Trony and Euronics, respectively.

The potential incremental turnover of all seven stores acquired is equal to around Euro 50 million, compared with a purchase cost of Euro 2.5 million.

The 5 former Galimberti sales outlets were reopened on 15 November, the Verona store on 23 November and that of Trieste on 8 December.

Exceptional results for "Black Roc Friday"

In November 2018, Unieuro launched "Black Roc Friday", the promotional campaign dedicated to the longest Black Friday in the history of the Company.

During the period running between 12 and 26 November, Unieuro S.p.A. recorded revenues up 50% on the corresponding period of 2017, achieving record levels on all sales channels, both physical and digital. On Black Friday, in particular, Unieuro recorded the highest ever daily revenues (+21% retail sales on 24 November 2017) whilst the unieuro.it platform booked an absolute record in terms of daily orders, which rose by 80% also thanks to the growing success of the mobile app.

Events following the closure of the period

Integration with the Google Assistant

In December 2018, Unieuro announced the launch of the Google Assistant, the voice assistant system for Android and IOS smartphones and tablets and smart speakers Google Home and Google Home Mini. Thanks to the launched integration, clients can receive information about the nearest sales outlet, find out about the latest news in the stores, select the best promotional offers or control the status of orders placed on the on-line store.

Giancarlo Nicosanti Monterastelli
Chief Executive Officer

7. Financial Statements

7.1 Income Statement

| <i>(Amounts in thousands of Euros)</i> | Period ended | |
|--|---------------------|-----------------------------------|
| | 30 November 2018 | 30 November 2017 ²⁸ |
| Revenue | 1,527,263 | 1,328,398 |
| Other income | 1,881 | 3,985 |
| TOTAL REVENUE AND INCOME | 1,529,144 | 1,332,383 |
| Purchases of materials and external services | (1,498,111) | (1,354,516) |
| Personnel costs | (125,062) | (112,543) |
| Changes in inventory | 127,349 | 157,581 |
| Other operating costs and expenses | (5,165) | (5,802) |
| GROSS OPERATING PROFIT | 28,155 | 17,103 |
| Depreciation, amortisation and impairment | (18,916) | (14,564) |
| OPERATING PROFIT | 9,239 | 2,539 |
| Financial income | 1,564 | 261 |
| Financial expenses | (3,309) | (4,049) |
| PROFIT BEFORE TAX | 7,494 | (1,249) |
| Income taxes | 453 | (211) |
| PROFIT/(LOSS) FOR THE PERIOD | 7,947 | (1,460) |
| Profit/(loss) for the period of the Group | 7,947 | (1,460) |
| Profit/(loss) for the period of third parties | - | - |
| Basic earnings per share (in Euros) | 0.40 | (0.07) |
| Diluted earnings per share | 0.40 | (0.07) |

7.2 Statement of Comprehensive Income

(Amounts in thousands of Euros)

| | Period ended | |
|---|---------------------|-----------------------------------|
| | 30 November 2018 | 30 November 2017 ²⁸ |
| PROFIT/(LOSS) FOR THE PERIOD | 7,947 | (1,460) |
| <i>Other items of comprehensive income that will or may be reclassified to profit/loss for the period:</i> | | |
| Gain (losses) on cash flow hedges | (139) | 0 |
| Income taxes | 34 | 0 |
| Total other components of comprehensive income that are or could be reclassified to profit/(loss) for the period | (105) | 0 |
| <i>Other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the period:</i> | | |
| Actuarial gains (losses) on defined benefit plans | (687) | 114 |
| Income taxes | 191 | (27) |
| Total other components of comprehensive income that will not be reclassified to profit/(loss) for the period: | (496) | 87 |
| Total comprehensive income for the period | 7,346 | (1,373) |

²⁸ The Group applied IFRS 15 retroactively with the cumulative effect at the date of the first time adoption (i.e. 1 March 2018). Therefore, the information relating to the comparison period have not been restated, namely they are presented in accordance with IAS 18, IAS 11 and the related interpretations.

7.3 Statement of Financial Position

| <i>(Amounts in thousands of Euros)</i> | Period ended | |
|---|-------------------------|--------------------------------------|
| | 30 November 2018 | 28 February 2018²⁹ |
| Plant, machinery, equipment and other assets | 85,730 | 74,831 |
| Goodwill | 177,989 | 174,843 |
| Intangible assets with a definite useful life | 26,621 | 25,034 |
| Deferred tax assets | 30,677 | 30,105 |
| Other non-current assets | 2,480 | 2,371 |
| Total non-current assets | 323,497 | 307,184 |
| Inventories | 441,098 | 313,528 |
| Trade receivables | 71,104 | 39,572 |
| Current tax assets | 2,464 | 3,147 |
| Other current assets | 20,747 | 16,157 |
| Cash and cash equivalents | 78,318 | 61,414 |
| Total current assets | 613,731 | 433,818 |
| Total Assets | 937,228 | 741,002 |
| Share capital | 4,000 | 4,000 |
| Reserves | 26,510 | 105,996 |
| Profit/(loss) carried forward | 38,894 | (32,780) |
| Profit/(Loss) of third parties | - | - |
| Total shareholders' equity | 69,404 | 77,216 |
| Financial liabilities | 35,965 | 40,518 |
| Employee benefits | 11,249 | 11,179 |
| Other financial liabilities | 14,104 | 12,195 |
| Provisions | 6,263 | 5,696 |
| Deferred tax liabilities | 3,766 | 2,448 |
| Other non-current liabilities | 1,452 | 718 |
| Total non-current liabilities | 72,799 | 72,754 |
| Financial liabilities | 8,404 | 6,961 |
| Other financial liabilities | 6,829 | 6,256 |
| Trade payables | 584,502 | 411,450 |
| Provisions | 2,685 | 2,984 |
| Other current liabilities | 192,605 | 163,381 |
| Total current liabilities | 795,025 | 591,032 |
| Total liabilities and shareholders' equity | 937,228 | 741,002 |

²⁹ Note that as required by IFRS 3, Unieuro has reviewed the provisional allocation of the cost of the business combination of the business unit Cerioni in order to reflect new information about the circumstances at the acquisition date.

7.4 Cash Flow Statement

| <i>(Amounts in thousands of Euros)</i> | Period ended | |
|--|------------------|--------------------------------|
| | 30 November 2018 | 30 November 2017 ³⁰ |
| Cash flow from operations | | |
| Profit/(loss) for the period | 7,947 | (1,460) |
| <i>Adjustments for:</i> | | |
| Income taxes | (453) | 211 |
| Net financial expenses (income) | 1,745 | 3,788 |
| Depreciation, amortisation and write-downs | 18,916 | 14,564 |
| (Profits)/losses from the sale of property, plant and machinery | | |
| Other changes | 826 | 874 |
| | 28,981 | 17,977 |
| Changes in: | | |
| - Inventories | (127,570) | (157,581) |
| - Trade receivables | (31,532) | 9,007 |
| - Trade payables | 167,686 | 169,480 |
| - Other changes in operating assets and liabilities | 31,774 | 14,050 |
| Cash flow generated/(absorbed) by operating activities | 40,358 | 34,956 |
| Taxes paid | (741) | - |
| Interest paid | (2,139) | (5,309) |
| Net cash flow generated/(absorbed) by operating activities | 66,459 | 47,624 |
| Cash flow from investment activities | | |
| Purchases of plant, equipment and other assets | (19,185) | (21,822) |
| Purchases of intangible assets | (4,085) | (9,018) |
| Collections from the sale of plant, equipment and other assets | - | 1 |
| Investments for business combinations and business units | (5,913) | (14,481) |
| Net cash inflow from acquisition | | 233 |
| Cash flow generated/(absorbed) by investing activities | (29,182) | (45,087) |
| Cash flow from investment activities | | |
| Increase/(Decrease) in financial liabilities | (4,119) | 31,938 |
| Increase/(Decrease) in other financial liabilities | 3,746 | 813 |
| Distribution of dividends | (20,000) | (20,000) |
| Net cash and cash equivalents generated by financing activities | (20,373) | 12,751 |
| Net increase/(decrease) in cash and cash equivalents | 16,904 | 15,288 |
| CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD | 61,414 | 36,666 |
| Net increase/(decrease) in cash and cash equivalents | 16,904 | 15,288 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 78,318 | 51,954 |

³⁰ The items “Purchases of plant, equipment and other assets” and “Purchases of intangible assets”, for the purpose of better representation include the portion paid of net investments during the period.

8. The right to an exemption from the duty to publish in a disclosure document in cases of non-significant transactions

Please note that the Issuer has opted for the regime in derogation of Article 70, paragraph 6 and Article 71, paragraph 1 of the Issuers' Regulations, pursuant to Article 70, paragraph 8 and Article 71, paragraph 1 bis of the Issuers' Regulations.

9. Declaration by the Manager

I, the undersigned Italo Valenti, as Executive in charge of the preparation of the Unieuro S.p.A. accounting documents, hereby certify, considering the provisions of Article 154-bis of the “Consolidation act of the regulations in the field of financial brokerage”,

CERTIFY

that the Interim Directors’ Report as at 30 November 2018 coincides with the results of the documents, books and accounting entries of the Company.

Forlì, 10 January 2019.

Italo Valenti
(Executive in Charge of the Preparation of Company Accounting Documents)

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