unieuro

Interim Directors' Report

as at 31 May 2019

UNIEURO GROUP

INTERIM DIRECTORS' REPORT AS AT 31 MAY 2019

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Corporate Bodies

BOARD OF DIRECTORS

- Chairman of the Board of Directors	Bernd Erich Beetz
- Chief Executive Officer	Giancarlo Nicosanti Monterastelli
- Non-executive Director	Robert Frank Agostinelli
- Non-executive Director	Gianpiero Lenza
- Non-executive Director	Alessandra Stabilini
- Independent Director	Catia Cesari
- Independent Director	Pietro Caliceti
- Independent Director	Marino Marin
- Independent Director	Monica Luisa Micaela Montironi

CONTROL AND RISK COMMITTEE

- Independent Director - Chairman	Marino Marin
- Non-executive Director	Gianpiero Lenza
- Independent Director	Monica Luisa Micaela Montironi

NOMINATIONS AND REMUNERATION COMMITTEE

- Independent Director - Chairman	Marino Marin
- Non-executive Director	Gianpiero Lenza
- Independent Director	Catia Cesari

RELATED PARTY TRANSACTIONS COMMITTEE

- Independent Director - Chairman	Marino Marin
- Independent Director	Pietro Caliceti
- Independent Director	Monica Luisa Micaela Montironi

BOARD OF STATUTORY AUDITORS

- Chairman	Giuseppina Manzo
- Statutory Auditor	Maurizio Voza
- Statutory Auditor	Federica Mantini
- Alternate Auditor	Valeria Francavilla
- Alternate Auditor	Davide Barbieri

SUPERVISORY BODY

- Chairman	Giorgio Rusticali
- Members:	Chiara Tebano
	Raffaella Folli

INDEPENDENT AUDITORS

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 and the share capital of Carini Retail S.r.l., consolidated from 1 March 2019.

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

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

The company Carini Retail S.r.l. (hereinafter referred to as “Carini”) is a company under Italian law with registered office in Forlì in Via V.G. Schiaparelli 31, the owner of 12 sales outlets in Sicily belonging to Pistone S.p.A., one of the main shareholders of the Expert purchasing groups operating in Italy, with its headquarters in Carini (Palermo). The transaction to buy the entire share capital of Carini which took place on 1 March 2019 marked the launch of Unieuro in Sicily, an area with five million inhabitants where there had been little penetration until then.

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

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

Based on the information available at the date of the Interim Directors’ Report as at 31 May 2019, the major shareholders of Unieuro, through Monte Paschi Fiduciaria S.p.A., are Italian Electronics Holdings S.à.r.l.1 (attributable to the funds managed by Rhone Capital) with 33.8% and Alfa S.r.l.[1] (Dixons Carphone plc) with 7.2%. Some shareholders who are members of the Silvestrini family[2] own 5.1% of the share capital of Unieuro, the asset management company Amundi Asset Management[1] owns 5% and, lastly, some top managers of Unieuro[2] own 1.8% in total.

[1] Source: Consob, significant shareholders of Unieuro S.p.A.
[2] Source: reworking of the shareholders' register at 12 June 2018.

2. Basis of preparation of the Interim Directors' Report

This Interim Directors' Report was prepared in accordance with the provisions of Article 82-ter of the Issuers' Regulation adopted through resolution 11971 of 14 May 1999, introduced on the basis of the provisions of Article 154-ter, paragraphs 5 and 6 of the Consolidated Finance Act ("TUF"). Therefore, the provisions of the international accounting standard relating to interim financial reporting (IAS 34 "Interim Financial Reporting") were not adopted.

The publication of the Interim Directors' Report as at 31 May 2019 is regulated by the provisions of the Stock Exchange Regulations, specifically Article 2.2.3, paragraph 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.

The accounting criteria and consolidation principles adopted are standardised with those used for the Group's Consolidated Financial Statements as at 28 February 2019, which should be referred to, with the exception of the adoption of IFRS 16 (Leasing) adopted from 1 March 2019 through the simplified retrospective method (namely without the restatement of the comparative data of the previous financial years), whose effects are illustrated in paragraph 6 "Changes to the accounting standards", which should be referred to for further details. The application of the new principle was not completed and may be subject to changes until the publication of the consolidated financial statements of the Unieuro Group for the financial year ending 29 February 2020.

To make it possible to compare the operating results, financial position and cash flows for the first three months ended 31 May 2019 with the corresponding period of the previous financial year, this Interim Directors' Report comments on the economic data and main balance sheets, using the previous accounting standard IAS 17 (Leasing) and the related Interpretations (IFRIC 4, SIC 15 and SIC 27), for the purpose of distinguishing between operating leases and financial leases and the consequent accounting of lease agreements. For the analysis of the impacts of new accounting standard IFRS 16 refer to paragraph 6 - "Changes to the accounting standards".

The Interim Directors' Report as at 31 May 2019 was approved by the Board of Directors on 10 July 2019.

The data in this document are expressed in millions of euros, unless stated otherwise. Amounts and percentages were calculated on amounts in thousands of euros and, thus, any differences found in certain tables are due to rounding.

3. Main indicators in the period

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 are derived from the Interim Directors’ Report as at 31 May 2019 (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 31 May 2019; (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 31 May 2019.

The APIs reported (adjusted EBITDA, adjusted EBITDA margin, adjusted profit (loss) for the period, net working capital, adjusted levered free cash flow, net financial debt and net financial debt/adjusted EBITDA) have not been identified as IFRS accounting measures and, thus, as noted above, they must not be considered as alternative measures to those provided in the Group's financial statements in the 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 indicators[3]

(Amounts in millions of euros)	Period ended	
	31 May 2019	31 May 2018
Operating indicators		
Consolidated revenues	495.3	418.6
Consolidated Adjusted EBITDA[4]	3.2	1.4
Consolidated Adjusted EBITDA margin[5]	0.7%	0.3%
Consolidated Profit/Loss for the Period	(9.7)	(8.0)
Adjusted Consolidated Profit/Loss for the Period[6]	(3.9)	(4.9)
Cash flows		
Consolidated Adjusted Levered Free Cash Flow[7]	(39.7)	(37.3)
Investments for the period	(13.4)	(6.7)

(Amounts in millions of euros)	At	
	31 May 2019	28 February 2019
Indicators from statement of financial position		
Net working capital	(202.3)	(234.6)
Net financial debt	(39.1)	20.5
Net financial debt/Adjusted Consolidated LTM EBITDA[8]	0.52	(0.28) x

[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. To make it possible to compare the operating results, financial position and cash flows for the first three months ended 31 May 2019 with the corresponding period of the previous financial year, this Interim Directors' Report comments on the economic data and main balance sheets, using the previous accounting standard IAS 17 (Leasing). For the analysis of the impacts of the new accounting standard IFRS 16, refer to paragraph 6 "Changes to the accounting standards".

[4] 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.

[5] The Consolidated Adjusted Margin is the ratio of Consolidated Adjusted EBITDA to revenues.

[6] The Adjusted Consolidated Profit (Loss) 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.

[7] 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.

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

Main operating indicators

(Amounts in millions of euros)	Period ended	
	31 May 2019	28 February 2019
Operating indicators for the year		
Like-for-like growth (as a %)[9]	3.6%	4.9%
Direct sales outlets (number)	249	237
of which Pick Up Points[10]	238	227
Affiliated sales outlets (number)	277	275
of which *Pick Up Points*[8]	175	158
Total area of direct sales outlets (in square metres)	about 367,000	about 345,000
Sales density[11] (euros per square metre)	4,789	4,703
Full-time-equivalent employees[12] (number)	4,401	4,148

[9] Like-for-like revenue growth: the methods for comparing sales for the three-month period ended 31 May 2019 with those for the same period of the previous year 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. For the purpose of a better representation, the calculation method for the like-for-like KPIs was restated, starting from the Consolidated Half-Year Financial Statements as at 31 August 2018 based on the methodology adopted by the main players in the reference market.

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

[11] 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.

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

4. Group financial results

4.1. Consolidated revenues

For the first quarter ended 31 May 2019, consolidated revenues totalled Euro 495.3 million, an 18.3% increase over the corresponding period of the previous year, with an increase of Euro 76.6 million.

The dynamics of revenues benefited both external and internal growth, the contribution of acquisitions made during the quarter in question and in the previous financial year had a positive impact, thanks to the different scope of business as a result of the opening of 12 ex-Pistone stores in March 2019 and the inauguration of 14 new sales outlets from September 2018 following the purchase of the ex-DPS/Trony and ex-Galimberti/Euronics business units. Additionally, the partnership concluded with Finiper, which signalled Unieuro's launch into large scale retailing, further strengthened the positive dynamics of revenues, similar to the buoyancy created by the online business.

The development of like-for-like revenues[13]- or the comparison of sales with those of the first quarter of the previous year based on a standard scope of operations - was positive standing at +3.6%. Excluding sales outlets adjacent to the new stores opening in the meantime and therefore not coming under like-for-like from the scope of the analysis, like-for-like sales experienced even better growth of 4.7%.

4.1.1 Consolidated revenues by channel

(In millions of Euro and as a percentage of revenues)	**Period ended**				**Change**	
	31 May 2019	**%**	**31 May 2018[14]**	**%**	**Δ**	**%**
Retail	347.2	70.1%	290.4	69.4%	56.7	19.5%
Online	50.7	10.2%	43.9	10.5%	6.8	15.4%
Indirect[15]	59.9	12.1%	41.7	10.0%	18.2	43.5%
B2B	29.0	5.9%	37.0	8.8%	(8.0)	(21.6%)
Travel	8.5	1.7%	5.6	1.3%	3.0	53.3%
Total revenues by channel	**495.3**	**100.0%**	**418.6**	**100.0%**	**76.6**	**18.3%**

The Retail channel recorded a 19.5% growth in sales, mainly as a result of the increase in the network of direct stores, up compared with the corresponding period of the previous year thanks to the consolidation of the ex-Pistone stores and the incremental contribution of the acquisitions and the new openings brought to a conclusion in the last twelve months.

The consolidated revenues of the Online channel stand at Euro 50.7 million, a growth of 15.4% compared with Euro 43.9 million in the same period of the previous year. The reasons for the

[13] From the first half-year ended 31 August 2018, the calculation methods for like-for-like revenues were remodelled based on the methodology adopted by the main players in the reference market, with the objective of providing a better representation of the operating performance on a like-for-like basis. The growth of like-for-like revenues is now calculated including: (i) retail and travel stores operating for at least an entire financial year from the closing date of the reference period, excluding sales outlets affected by significant business discontinuity (e.g. temporary closures and major refurbishments) and (ii) the entire online channel. The previous methodology for calculating like-for-like revenues did not totally include the online channel.

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

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

success, both in absolute terms and in terms of market share, should be sought in the Group's omnichannel strategy, which gives the physical sales outlet the precious role of a pick-up point, to the benefit of online customers. The continuous innovation linked to the constant release of new functions and improvements of the platform, attention to contents and the effectiveness of digital communication campaigns have further strengthened the competitive advantage.

The Indirect channel - 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 277 sales outlets - recorded revenues of Euro 59.9 million, an increase of 43.5% compared with Euro 41.7 million in the previous year. Growth was driven by the large-scale retailing sector, with the opening of Unieuro by Iper shops-in-shops in the Iper La grande i hypermarkets under the scope of the partnership made official on 10 January 2019.

The B2B channel - 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 29.0 million, a fall of 21.6% compared with the first quarter of the previous year as a result of the changed market conditions.

Lastly, the Travel channel - composed of 12 direct sales outlets located at several major public transport hubs such as airports, railway and underground stations - recorded growth of 53.3% equal to Euro 3.0 million, thanks, above all, to the launch of the ex-DPS/Trony sales outlet located at the Milan San Babila underground station which opened in October 2018.

4.1.2 Consolidated revenues by category

(In millions of Euro and as a percentage of consolidated revenues)	**Period ended**				**Change**	
	31 May 2019	**%**	**31 May 2018**	**%**	**Δ**	**%**
Grey	243.0	49.1%	205.6	49.1%	37.4	18.2%
White	130.6	26.4%	103.9	24.8%	26.6	25.6%
Brown	80.0	16.2%	74.6	17.8%	5.4	7.2%
Other products	19.5	3.9%	16.3	3.9%	3.3	20.3%
Services	22.2	4.5%	18.2	4.4%	3.9	21.6%
Total consolidated revenues by category	**495.3**	**100.0%**	**418.6**	**100.0%**	**76.6**	**18.3%**

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

The *Grey* category - namely telephone systems, tablets, information technology, accessories for telephone systems, cameras, as well as all wearable technological products - stayed unchanged at 49.1% of total revenues, generating sales of Euro 243.0 million, an increase of 18.2% compared with the figure of Euro 205.6 million for the first quarter of the previous year thanks to the positive performance of the Telephone systems sector, which benefited from the mix movement towards the top of the range, as well as the good performance of laptop sales.

The *White* category - which represents 26.4% of sales is 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 sales of Euro 130.6 million, growth of 25.6% compared with Euro 103.9 million in the previous year, thanks to the success of the ventilation sector and the increased penetration of tumble dryers and dishwashers. The strategy of focusing on high-margin product categories promoted by the Unieuro Group permitted an excellent performance in the category confirming the Group's leadership position.

The Brown category, including televisions and accessories, audio devices, devices for smart TVs and car accessories, as well as memory systems, recorded an increase in consolidated revenues of 7.2%. This category benefited from the increasing success of high-end televisions, in particular ultraHD and OLED.

The Other products category recorded an increase in consolidated revenues of 20.3%. The group includes both the sales of the entertainment sector and other products not included in the consumer electronics market such as hoverboards and bicycles.

The Services category recorded growth of 21.6% 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.

4.2. Consolidated operating profit[16]

The consolidated income statement tables present in this Interim Directors' Report 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.

	Period ended						**Change**	
	31 May 2019			**31 May 2018**				
(In millions and as a percentage of revenues)	**Adjusted amounts**	%	***Adjustments***	**Adjusted amounts**	%	***Adjustments***	**Δ**	**%**
Revenue	495.3			418.6			76.6	18.3%
Sales revenues	**495.3**			**418.6**			**76.6**	**18.3%**
Purchase of goods and Change in inventories	(386.2)	(78.0%)	*0.0*	(324.0)	(77.4%)	*0.0*	(62.3)	19.2%
Lease and rental expense	(19.4)	(3.9%)	*0.4*	(17.8)	(4.3%)	*0.1*	(1.6)	8.8%
Marketing costs	(12.4)	(2.5%)	*1.1*	(11.7)	(2.8%)	*0.1*	(0.6)	5.5%
Logistics costs	(13.7)	(2.8%)	*0.7*	(10.7)	(2.6%)	*0.1*	(3.0)	28.0%
Other costs	(15.4)	(3.1%)	*1.5*	(13.7)	(3.3%)	*0.6*	(1.7)	12.8%
Personnel expenses	(46.1)	(9.3%)	*0.6*	(40.4)	(9.7%)	*1.2*	(5.7)	14.1%
Other operating income and costs	(0.7)	(0.1%)	*(0.0)*	(0.5)	(0.1%)	*(0.1)*	(0.2)	43.7%
Revenues from the sale of warranty extensions netted of future estimated service cost - business model's change related to direct assistance services	1.9	0.4%	*1.9*	1.5	0.4%	*1.5*	0.4	26.1%
Consolidated Adjusted EBITDA	**3.2**	**0.7%**	***6.3***	**1.4**	**0.3%**	***3.4***	**1.9**	**136.8%**

Consolidated Adjusted EBITDA in the period increased by Euro 1.9 million, standing at Euro 3.2 million. The Adjusted EBITDA margin was 0.7%, up compared with 0.3% in the first quarter of the previous year. The results of the period were positively impacted by the growth actions undertaken, which led to an expansion of the direct and indirect store networks and digital operations 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.

[16] To make it possible to compare the operating results, financial position and cash flows for the first three months ended as at 31 May 2019 with the corresponding period of the previous financial year, this Interim Directors' Report comments on the economic data and main balance sheets, using the previous accounting standard IAS 17 (Leasing). For the analysis of the impacts of the new accounting standard IFRS 16, refer to paragraph 6 "Changes to the accounting standards".

During the period costs for the purchase of goods and changes in inventories increased by Euro 62.3 million. The impact on consolidated revenues stood at 78.0% (77.4% in the corresponding period of the previous year ended 31 May 2018).

Rental costs increased by Euro 1.6 million or around 8.8% as a result of the effect on the incremental costs arising from acquisitions, new openings brought to a conclusion in the last twelve months, the new Piacenza warehouse which opened in September 2018 and the new Carini logistics hub purchased on 1 March 2019. The impact on consolidated revenues fell, standing at 3.9% in the first quarter ended 31 May 2019 (4.3% in the corresponding period of the previous year ended 31 May 2018).

Marketing costs increased by 5.5% compared with the corresponding of the previous year ended 31 May 2018 and are mainly related to the increase in digital marketing costs partly offset by temporary savings related to the different promotional calendar. Marketing and advertising were structured and planned to direct potential customers to physical sales outlets and to the Online channel. In line with the trend in the year ended 28 February 2019, there was a fall in the weighting of traditional marketing activities offset by the increase in the weighting of digital marketing activities.

Logistics costs increased by around Euro 3.0 million. The impact on consolidated revenues stood at 2.8% (2.6% in the period in 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.

The Other costs item rose by Euro 1.7 million compared with the corresponding period of the previous year. The performance is attributable to the increase in operating costs which mainly refer to utilities, maintenance and general sales expenses as a result of the increase in stores.

Personnel costs show an increase of Euro 5.7 million, mainly attributable to: (i) increase in the number of employees following the acquisition and opening of new stores and (ii) reinforcement of several strategic functions at the headquarters.

The negative impact of Other income and operating costs rose by Euro 0.2 million. The impact on consolidated revenues is in line with the corresponding period of the previous year standing at 0.1%.

The reconciliation between the Consolidated Adjusted EBITDA and the consolidated Gross Operating Profit Reported in the consolidated financial statements is given below.

(In millions of Euro and as a percentage of revenues)	**Period ended**				**Change**	
	31 May 2019	**%**	**31 May 2018**	**%**	**Δ**	**%**
Consolidated Adjusted EBITDA[17]	3.2	0.7%	1.4	0.3%	1.9	136.8%
Non-recurring expenses /(income)	(4.3)	(0.9%)	(1.8)	(0.4%)	(2.5)	134.0%
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[18]	(1.9)	(0.4%)	(1.5)	(0.4%)	(0.4)	26.1%
Consolidated Gross Operating Profit	**(3.0)**	**(0.6%)**	**(2.0)**	**(0.5%)**	**(1.0)**	**49.8%**

Non-recurring expense/(income) increased by Euro 2.5 million compared with the corresponding period of the previous year ended 31 May 2018 and are explained, in detail, in paragraph 7.3.

The adjustment related to the change in business model for directly managed assistance services increased by Euro 0.4 million compared with the corresponding period of the previous year ended 31 May 2018 as a result of the extension of the business model relating to the management of extended warranty services at sales outlets subject to acquisition.

4.3. Non-recurring income and expenses

(Amounts in millions of euros)	**Period ended**		**Change**	
	31 May 2019	**31 May 2018**	**Δ**	**%**
Mergers&Acquisitions	3.2	0.6	2.6	433.8%
Costs for pre-opening, relocating and closing sales outlets	0.6	1.0	(0.5)	(46.3%)
Other non-recurring expenses	0.6	0.2	0.3	168.6%
Total	**4.3**	**1.8**	**2.5**	**133.9%**

The main item of non-recurring expense and income relates to Mergers&Acquisitions costs of Euro

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

[18] 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 Ex-Andreoli S.p.A., Ex-Cerioni S.p.A.,Ex- DPS S.r.l., Ex-Galimberti S.p.A. e Ex-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 Ex-Andreoli S.p.A., Ex-Cerioni S.p.A., Ex-DPS S.r.l., Ex-Galimberti S.p.A. e Ex-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 three-month periods ended 31 May 2019 and 31 May 2018 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.

3.2 million in the three-month period ended 31 May 2019 (Euro 0.6 million in the corresponding period of the previous year). These costs mainly relate to the transaction of acquiring the Ex-Pistone S.p.A. stores and mainly refer to the costs relating to the Carini logistics hub incurred during the initial start-up phase, increased costs for educating and training the employees of the sales outlets acquired and, lastly, consulting costs and other minor costs incurred for the completion of the acquisition transactions.

Costs for the pre-opening, repositioning and closure of sales outlets stand at Euro 0.6 million for the three-month period ended 31 May 2019 (Euro 1.0 million in the corresponding 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 (in the months immediately preceding and following the opening of the same) and (ii) store closures.

During the three months ended 31 May 2019, other non-recurring expenses amounted to Euro 0.6 million.

4.4. Net income[19]

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

	Period ended						Change	
	31 May 2019			31 May 2018				
(In millions and as a percentage of revenues)	**Adjusted amounts**	%	***Adjustments***	**Adjusted amounts**	%	***Adjustments***	**Δ**	**%**
Consolidated Adjusted EBITDA	**3.2**	**0.7%**	**6.3**	**1.4**	**0.3%**	**3.4**	**1.9**	**137.3%**
Amortisation, depreciation and impairment losses	(7.1)	(1.4%)	*0.0*	(6.1)	(1.5%)	*0.0*	(1.0)	16.1%
Financial income and expenses	(0.7)	(0.2%)	*0.0*	(0.8)	(0.2%)	*0.0*	0.1	(11.2%)
Income taxes[20]	0.6	0.1%	*(0.5)*	0.6	0.2%	*(0.3)*	(0.0)	(0.2%)
Adjusted Consolidated Profit/Loss for the Period[21]	**(3.9)**	**(0.8%)**	***(0.5)***	**(4.9)**	**(1.2%)**	***(0.3)***	**1.0**	**(20.0%)**

Amortisation, depreciation and write-downs of fixed assets in the three-month period ended 31 May 2019 totalled Euro 7.1 million (Euro 6.1 million in the corresponding period of the previous year). The increase relates to the depreciation and amortisation of investments related to the acquisitions made as well as to the progressive alignment of depreciation and amortisation at the planned level of investments.

Net financial expenses in the three-month period ended 31 May 2019 totalled Euro 0.7 million (Euro 0.8 million in the corresponding period of the previous year). The decrease is mainly attributable to the savings in financial expenses achieved following the optimisation of the cash flow management.

Income taxes excluding the theoretical tax impact from taxes on non-recurring expenses/(income) and the change in business model in the three-month period ended 31 May 2019, stood at a positive Euro 0.6 million (a positive Euro 0.6 million in the corresponding period of the previous year). The charge for income taxes with reference to the three-month period ended 31 May 2019 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 pre-tax result for the period of the individual entities.

The Adjusted Consolidated Profit/(Loss) for the Period was negative at Euro 3.9 million (negative by Euro 4.9 million in the corresponding period of the previous year), the positive performance was due to the increase in Adjusted EBITDA and the savings in net financial expense partly offset by the increase in depreciation and amortisation.

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 2019, totalled Euro 377.9 million in relation to Unieuro and Euro 6.3 million in relation to Monclick. These tax losses guarantee a

[19] To make it possible to compare the operating results, financial position and cash flows for the first three months ended 31 May 2019 with the corresponding period of the previous financial year, this Interim Directors' Report comments on the economic data and main balance sheets, using the previous accounting standard IAS 17 (Leasing). For the analysis of the impacts of the new accounting standard IFRS 16, refer to paragraph 6 "Changes to the accounting standards".

substantial benefit in the payment of taxes in future years.

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

	Period ended				**Change**	
(In millions of Euro and as a percentage of revenues)	**31 May 2019**	**%**	**31 May 2018**	**%**	**Δ**	**%**
Adjusted Consolidated Profit/Loss for the Period	(3.9)	(0.8%)	(4.9)	(1.2%)	1.0	(20.0%)
Non-recurring expenses/income	(4.3)	(0.9%)	(1.8)	(0.4%)	(2.5)	134.0%
Revenues from extended warranty services net of related estimated future costs to provide the assistance service - change in the business model for directly managed assistance services	(1.9)	(0.4%)	(1.5)	(0.4%)	(0.4)	26.1%
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[22]	0.5	0.1%	0.3	0.1%	0.3	85.1%
Consolidated profit/(loss) for the period	**(9.7)**	(2.0%)	**(8.0)**	(1.9%)	**(1.7)**	21.1%

5. Group operating and financial results

5.1.Consolidated Adjusted Levered Free Cash Flow [23]-[24]

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

(Amounts in millions of euros)	Period ended		Change	
	31 May 2019	31 May 2018	Δ	%
Gross Operating Profit	(3.0)	(2.0)	(1.0)	51.6%
Cash flow generated /(used) by operating activities	(32.0)	(30.7)	(1.3)	4.3%
Taxes paid	0.0	0.0	0.0	(100.0%)
Interest paid	(0.4)	(0.4)	0.1	(13.3%)
Other changes	0.5	0.5	(0.0)	(0.0%)
Consolidated Net cash flow from (used in) operating activities	**(34.9)**	**(32.6)**	**(2.3)**	**7.2%**
Investments	(6.9)	(6.7)	(0.2)	3.2%
Investments for business combinations and business units	(6.5)	0.0	(6.5)	100%
Net cash inflow from acquisition	0.0	0.0	0.0	(100.0%)
Adjustment for non-recurring investments	6.5	2.2	4.2	189.3%
Non-recurring expenses /(income)	4.3	1.8	2.5	141.2%
Adjustment for non-cash components of non-recurring expenses/(income)	(2.0)	(1.2)	(0.8)	68.2%
Other non-recurring cash flows	0.0	(0.8)	0.8	100.0%
Theoretical tax impact of the above entries	(0.2)	(0.1)	(0.1)	294.3%
Consolidated Adjusted levered free cash flow	**(39.7)**	**(37.3)**	**(2.4)**	**6.4%**

The Consolidated net cash flow generated/(used) by operating activities was negative by Euro 34.9 million (negative by Euro 32.6 million in the first quarter of the previous year ended 31 May 2018). This performance is related to the management of the Group's Net Working Capital and is attributable to the increase in the number of stores as a result of the acquisitions and the new openings in the period which led to an increase in the value of trade payables which was lower compared with that of inventories.

The cash flow for the quarter was positively impacted by the temporary effect on the Group's Net Working Capital deriving from the mismatch between collections and payments relating to the stores acquired by Carini, which will be reabsorbed in the second quarter of the year.

Investments made and paid for in the period stood at Euro 6.9 million in the first quarter ended 31 May 2019 (Euro 6.7 million in the first quarter of the previous year ended 31 May 2018), mainly attributable to: (i) operations for the development of the direct stores network and the refurbishment of the network of existing stores and (ii) costs incurred for the purchase of new hardware, software, licences and development of existing applications with a view to the digitalisation of stores and the launch of advanced functions for online platform with the goal of making each customer's omnichannel experience increasingly more practical and pleasant.

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

[24] To make it possible to compare the operating results, financial position and cash flows for the first three months ended 31 May 2019 with the corresponding period of the previous financial year, this Interim Directors' Report comments on the economic data and main balance sheets, using the previous accounting standard IAS 17 (Leasing). For the analysis of the impacts of the new accounting standard IFRS 16, refer to paragraph 6 "Changes to the accounting standards".

Investments for business combinations and business units of Euro 6.5 million in the first quarter ended 31 May 2019 refer to the amount of the purchase price paid under the scope of the transaction for the acquisition of Ex-Pistone S.p.A. and the instalment of the payment due in the period with reference to the business unit Ex-Cerioni S.p.A..

The adjustment for non-recurring investments is equal to Euro 6.5 million (Euro 2.2 million in the first quarter of the previous year ended 31 May 2018) and refers to the share paid in the period for Investments for business combinations and business units.

The adjustment for non-monetary components of expenses/(income) of Euro 2.0 million is mainly composed of the cost incurred but not yet paid under the scope of the transaction for acquiring the 12 Ex-Pistone sales outlets and the provisions for the closing of several sales outlets which will take place during the year and which have not yet been reported financially as at 31 May 2019. This adjustment will be gradually reduced when those costs have been reported.

Below is a list of the main changes recorded in the Group's net financial indebtedness during the first quarter ended 31 May 2019 and in the first quarter of the previous year ended 31 May 2018.

	Period ended		**Change**	
(Amounts in millions of euros)	**31 May 2019**	**31 May 2018**	**Δ**	**%**
Gross Operating profit	(3.0)	(2.0)	(1.0)	49.5%
Cash flow generated /(used) by operating activities	(32.0)	(30.7)	(1.3)	4.3%
Taxes paid	0.0	0.0	0.0	(100.0%)
Interest paid	(0.4)	(0.4)	0.1	(13.3%)
Other changes	0.5	0.5	0.0	0.0%
Net cash flow generated/(absorbed) by operating activities	**(34.9)**	**(32.6)**	**(2.3)**	**7.0%**
Investments	(6.9)	(6.7)	(0.2)	3.2%
Investments for business combinations and business units	(6.5)	0.0	(6.5)	100%
Payables from the acquisition of business units	(10.9)	0.0	(10.9)	100%
Other changes	(0.5)	(0.5)	0.0	(9.8%)
Change in net financial debt	**(59.6)**	**(39.8)**	**(19.8)**	**49.7%**

5.2 Statement of financial position

Below is a detailed breakdown of the Group's net working capital and net invested capital as at 31 May 2019 and as at 28 February 2019:

(Amounts in millions of euros)	**Periodended**	
	31 May 2019	**28 February 2019**
Trade receivables	37.0	41.3
Inventories	453.4	362.3
Trade payables	(526.3)	(468.5)
Net operating working capital	**(35.9)**	**(64.8)**
Other working capital items	(166.5)	(169.8)
Net working capital	**(202.3)**	**(234.6)**
Non-current assets	152.7	150.9
Goodwill	195.2	178.0
Non-current liabilities	(24.7)	(23.9)

Net invested capital	**120.9**	**70.4**
Net financial debt	(39.1)	20.5
Shareholders' equity	(81.8)	(90.9)
Total shareholders' equity and financial liabilities	**(120.9)**	**(70.4)**

The Group's Net Working Capital as at 31 May 2019 was negative by Euro 35.9 million (negative by Euro 64.8 million as at 28 February 2019). The performance in the period of the Group's Net Working Capital is attributable to the increase in the number of stores as a result of the acquisitions and the new openings in the period which led to an increase in the value of trade payables which was lower compared with that of inventories. A slight fall of Euro 4.3 million was recorded in trade payables.

The Net Invested Capital of the Group stood at Euro 120.9 million as at 31 May 2019, up Euro 50.5 million compared with 28 February 2019. The increase is mainly attributable to: (i) increase in the Group's net working capital of Euro 32.3 million and (ii) investments excluding depreciation and amortisation of Euro 19.0 million due to the costs incurred by the transaction of acquiring Ex-Pistone S.p.A, operations for the development of the network of direct stores and the refurbishment of the network of existing stores and the costs incurred for the acquisition of new hardware, software, licences and developments of existing applications.

Shareholders' equity stood at Euro 81.8 million as at 31 May 2019 (Euro 90.9 million as at 28 February 2019), the decrease was mainly caused by the negative result for the period partly offset by the reserve for share-based payments relating to the Long-Term Incentive Plan reserved for some managers and employees.

Below is a detailed breakdown of the Group's net financial debt at 31 May 2019 and 28 February 2019 in accordance with Consob Communication 6064293 of 28 July 2006 and in compliance with ESMA Recommendations 2013/319:

(Amounts in millions of euros)	**Period ended**		**Change**	
	31 May 2019	**28 February 2019**	**Δ**	**%**
(A) Cash	63.2	84.5	(21.2)	(25.1%)
(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)	**63.2**	**84.5**	**(21.2)**	**(25.1%)**
- of which is subject to a pledge	*0.0*	*0.0*	*0.0*	0.0%
(E) Current financial receivables	0.0	0.0	0.0	0.0%
(F) Current bank payables	*(31.5)*	*(3.0)*	*(28.5)*	*933.8%*
(G) Current part of non-current debt	(9.4)	(9.4)	0.0	(0.4%)
(H) Other current financial payables	(12.9)	(7.7)	(5.2)	67.5%
(I) Current financial debt (F)+(G)+(H)	**(53.8)**	**(20.1)**	**(33.6)**	**167.0%**
- of which is secured	*0.0*	*0.0*	*0.0*	*0.0%*
- of which is unsecured	*(53.8)*	*(20.1)*	*(33.6)*	*167.0%*
(J) Net current financial position (I)+(E)+(D)	**9.5**	**64.4**	**(54.9)**	**(85.3%)**
(K) Non-current bank payables	(31.3)	(31.1)	(0.2)	0.6%
(L) Issued bonds	0.0	0.0	0.0	
(M) Other non-current financial payables	(17.3)	(12.8)	(4.5)	35.5%
(N) Non-current financial debt (K)+(L)+(M)	**(48.6)**	**(43.9)**	**(4.7)**	**10.7%**
- of which is secured	*0.0*	*0.0*	*0.0*	*0.0%*

- of which is unsecured	*(48.6)*	*(43.9)*	*(4.7)*	*10.7%*
(O) Net financial debt (J)+(N)	**(39.1)**	**20.5**	**(59.6)**	**(291.1%)**

Net financial debt increased by Euro 59.6 million compared with 28 February 2019, creating a negative cash position by Euro 39.1 million as at 31 May 2019.

The combined effect of the following is mainly underlying cash dynamics: (i) net cash flow generated by negative operations by Euro 34.9 million, (ii) investments of Euro 6.9 million attributable specifically to costs incurred for operations for the development of the network of direct stores and the refurbishment of the network of existing stores and costs incurred for the purchase of new hardware, software and licences and development of existing applications and (iii) investments of Euro 17.4 million in relation to the cost of purchasing 100% of the share capital of Carini Retail S.r.l.

Gross financial debt totalled Euro 102.4 million, of which Euro 48.6 million was medium-/long-term and Euro 53.8 million was short-term.

6. Changes to the accounting standards

Below are the main items of information as well as the summary of the impacts resulting from the application, from 1 March 2019, of IFRS 16 (Leasing).

On 31 October 2017, EU Regulation 2017/1986 was issued which transposed IFRS 16 (Leasing) at community level. With the publication of the new accounting principle the IASB replaced the accounting standards set out in IAS 17 as well as the IFRIC 4 interpretations "*Determining whether an Arrangement contains a Lease*", SIC-15 "*Operating Leases—Incentives*" and SIC-27 "*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*".

IFRS 16 introduces a unique accounting model for leases in the financial statements of tenants according to which the tenant reports an asset which represents the right to use the underlying asset and a liability which reflects the obligation to pay rental fees. The transition to IFRS 16 introduced several elements of professional judgement which involve the definition of certain accounting policies and the use of assumptions and estimates with regard to the lease term and the definition of the incremental borrowing rate.

There are exemptions to the application of IFRS 16 for short-term leases and for leases for low-value assets.

The Group reassessed the classification of the sub-leases in which it acts as the landlord, on the basis of the information and it reclassified a sub-lease as a financial lease

Contracts which come under the scope of the application of the principle for the Group mainly involve the rental of stores, headquarters, warehouses and vehicles.

Leases payable, already classified previously in accordance with IAS 17 as financial leases, did not undergo any changes compared with the accounting reporting required by IAS 17 fully consistent with the past.

At the transition date (1 March 2019), for leases previously classified in accordance with IAS 17 as operating leases, the Group applied the simplified retrospective method with the recording of financial liabilities for lease agreements and the corresponding rights of use measured on the remaining contractual fees at the transition date.

The application of the new principle was not completed and may be subject to changes until the publication of the consolidated financial statements of the Group at 29 February 2020.

Impacts on the consolidated statement of financial position at 1 March 2019 (transition date)

The value of net (Liabilities) Assets and Assets for rights of use recorded for Leases at 1 March 2019 breaks down as follows:

(Amounts in millions of euros)	**01 March 2019**
Financial (liabilities) for lease agreement payables, non-current and current	(455.0)
Financial assets for lease agreement income, non-current and current	12.1
Net (Liabilities) Assets for leases at 1 March 2019	**(442.9)**
Assets for rights of use	447.6

Assets for rights of use at 1 March 2019	**447.6**

Impact on the main items of the consolidated income statement and the consolidated statement of financial position for the third quarter ended 31 May 2019

(Amounts in millions of euros)		**Period ended**		
		31 May 2019 **a**	**Impact IFRS 16** **b**	**31 May 2019 IFRS 16** **a+b**
Revenue		495.3	0.0	495.3
Other income	1	0.8	(0.4)	0.4
TOTAL REVENUE AND INCOME		**496.1**	**(0.4)**	**495.7**
Purchases of materials and external services	2	(541.9)	17.1	(524.8)
Personnel costs		(46.7)	0.0	(46.7)
Changes in inventory		91.1	0.0	91.1
Other operating costs and expenses		(1.5)	0.0	(1.5)
GROSS OPERATING PROFIT		**(3.0)**	**16.7**	**13.6**
Amortisation, depreciation and impairment losses	3	(7.1)	(15.3)	(22.4)
NET OPERATING PROFIT		**(10.1)**	**1.4**	**(8.7)**
Financial income		0.0	0.0	0.0
Financial expenses	4	(0.8)	(2.3)	(3.1)
PROFIT BEFORE TAX		**(10.9)**	**(1.0)**	**(11.8)**
Income taxes	5	1.2	(0.7)	0.5
PROFIT/(LOSS) FOR THE YEAR		**(9.7)**	**(1.7)**	**(11.3)**
Group profit/(loss) for the financial year		**(9.7)**	**(1.7)**	**(11.3)**
Third-party profit/(loss) for the financial year		-		-

The different nature, qualification and classification of expenses, with the recording of "Depreciation and amortisation of the rights of use of an assets" and "Financial expenses for interest connected with the rights of use", in place of rental fees for operating leases, as per IAS 17, has led to a positive impact on the Gross Operating Profit of Euro 16,7 million.

Specifically, the application of IFRS 16 to lease agreements resulted in:

(1) the reduction of other income through the different accounting treatment of rental fees relating to the sub-lease agreements of stores;

(2) the reduction of operating costs for the different accounting treatment of rental fees relating to lease agreements for the rental of stores, headquarters, warehouses and vehicles;

(3) the increase in depreciation and amortisation of the rights of use following the recording of greater non-current assets ("Assets for rights of use");

(4) the increase in Financial expense for interest connected with rights of use following the recording of greater financial liabilities;

(5) the change in Income taxes which represents the fiscal effect of the previously illustrated changes.

Details of the impact of IFRS 16 on the main consolidated statement of financial position data as at 31 May 2019 are given below.

(Amounts in thousands of euros)	**Period ended**		
	31 May 2019 **a**	**Impact IFRS 16** **b**	**31 May 2019 IFRS 16** **a+b**
Plant, machinery, equipment and other assets	85.3	-	85.3
Goodwill	195.2	-	195.2
Intangible assets with a finite useful life	29.7	(8.8)	20.8
Assets for rights of use	-	474.6	474.6
Deferred tax assets	35.2	(0.7)	34.5
Other non-current assets	2.5	10.4	12.9
Total non-current assets	**347.9**	**475.5**	**823.4**
Inventories	453.4	-	453.4
Trade receivables	37.0	-	37.0
Current tax assets	2.0	-	2.0
Other current assets	23.8	1.3	25.0
Cash and cash equivalents	63.2	-	63.2
Total current assets	**579.4**	**1.3**	**580.7**
Total assets	**927.3**	**476.7**	**1,404.1**
Share capital	4.0	-	4.0
Reserves	30.1	-	30.1
Profit/(loss) carried forward	47.6	(1.7)	46.0
Profit/(loss) of third parties	-	-	-
Total shareholders' equity	**81.8**	**(1.7)**	**80.1**
Financial liabilities	31.3	-	31.3
Employee benefits	11.8	-	11.8
Other financial liabilities	17.3	423.3	440.6
Provisions	7.8	1.0	8.8
Deferred tax liabilities	3.6	-	3.6
Other non-current liabilities	1.5	-	1.5
Total non-current liabilities	**73.3**	**424.2**	**497.5**
Financial liabilities	40.9	-	40.9
Other financial liabilities	12.9	57.2	70.0
Trade payables	526.3	-	526.3
Current tax liabilities	-	-	-
Provisions	1.4	(0.1)	1.3
Other current liabilities	190.8	(2.9)	187.8
Total current liabilities	**772.3**	**54.1**	**826.4**
Total liabilities and shareholders' equity	**927.3**	**476.7**	**1,404.1**

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

(Amounts in millions of euros)	**31 May 2019**
Net financial debt	**(39.1)**
Current and non-current financial (liabilities) recorded in applying IFRS 16	(480.4)
Current and non-current financial assets recorded in applying IFRS 16	11.6
Net financial debt - IFRS 16	**(507.9)**

7. Significant events during and after the period-end

Significant events during the period

Significant events during the period

The completion of the Pistone transaction
On 1 March 2019 Unieuro completed the acquisition of the entire share capital of Carini Retail S.r.l., a company already owned by Pistone S.p.A. which owns a business unit comprising 12 sales outlets in Sicily.
The integration started immediately and involved the gradual adoption of the Unieuro brand by the new sales outlets with the conclusion celebrated by a striking local communication campaign.

The opening of an additional 5 Unieuro by Iper stores
Five new shops-in-shops were opened on 14 March 2019 in 5 Iper, la Grande i hypermarkets. The number of Unieuro by Iper sales outlets reached 19 units.

Renewed focus on services
On 4 April 2019 the "Casa Sicura Multiplan" service was launched. An innovative additional assistance service offered exclusively by Unieuro. By activating cards purchases in-store, customers can protect and safeguard large domestic appliances for more than 24 months, when they are no longer covered by the statutory and manufacturer's warranty, wherever they were purchased. At the beginning of July, Unieuro also launched "Digital assistance", the service which includes the installation and configuration of technological devices in the home, with special reference to home automation and the Internet of things.

The new Unieuro App ""“augmented reality” function
With the objective of developing an increasingly personalised customer journey, at the end of April Unieuro announced a new and innovative App functionality: augmented reality, which makes it possible to simulate the presence of large appliances and TVs in a specific environment, so that one can easily choose the best solutions to suit such environment.

The agreement with Enel X on Demand Response services
Unieuro signed a partnership agreement with Enel X for the provision of Demand Response services at nine sales outlets. The service guarantees greater flexibility and stability of the power grid, as well as a more efficient use of the energy infrastructure, enabling Unieuro to cut energy costs and focus on more sustainable consumption.

Events after the period-end

The 2019 Shareholders' Meeting
On 18 June 2019, the Unieuro shareholders' meeting, which was convened in a single call in Forlì in ordinary session, approved the Financial Statements at 28 February 2019; it resolved the destination of the operating profit, including the distribution of a dividend of Euro1.07 per share totalling Euro21.4 million; it voted in favour of the first section of the Remuneration Report; lastly, it appointed the Board of Directors and the Board of Statutory Auditors.

Confirmation of the CEO
The new Board of Directors of Unieuro, which met on 26 June 2019, appointed Giancarlo Nicosanti Monterastelli as the CEO of the Company, consistent with the previous office and it appointed the

members of the Control and Risks Committee, the Remuneration and Appointments Committee and the Related-Party Transactions Committee.

New openings

On 28 June three new direct sales outlets were opened in Portogruaro (Venice), Gela (Caltanissetta) and Misterbianco (Catania), the latter under the scope of the brand development project in Sicily, promoted after the acquisition of the former Pistone stores. Excluding the same number of closures (Latina, Ascoli and Pescara), the number of direct Unieuro stores remained unchanged.

Giancarlo Nicosanti Monterastelli
Chief Executive Officer

8. Accounting Statements[25]

8.1 Income Statement

(Amounts in thousands of euros)	Period ended 31 May 2019 IFRS 16	31 May 2018 IAS 17
Revenue	495,255	418,636
Other income	395	630
TOTAL REVENUE AND INCOME	**495,650**	**419,266**
Purchases of materials and external services	(524,840)	(449,265)
Personnel costs	(46,737)	(41,686)
Changes in inventory	91,095	70,654
Other operating costs and expenses	(1,539)	(998)
GROSS OPERATING PROFIT	**13,629**	**(2,029)**
Amortisation, depreciation and impairment losses	(22,365)	(6,102)
NET OPERATING PROFIT	**(8,736)**	**(8,131)**
Financial income	15	31
Financial expenses	(3,107)	(872)
PROFIT BEFORE TAX	**(11,828)**	**(8,972)**
Income taxes	499	944
PROFIT/(LOSS) FOR THE YEAR	**(11,329)**	**(8,028)**
Profit/(loss) for the period of the Group	**(11,329)**	**(8,028)**
Profit/(loss) for the period of third parties	**-**	
Basic earnings per share (in euros)	(0.57)	(0.40)
Diluted earnings per share	(0.57)	(0.40)

8.2 Statement of comprehensive income

(Amounts in thousands of euros)	Period ended 31 May 2019 IFRS 16	31 May 2018 IAS 17
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD	**(11,329)**	**(8,028)**
Other items of comprehensive income that will or may be reclassified to the profit/loss for the consolidated period:		
Gains/(losses) on cash flow hedges	(92)	(130)
Income taxes	22	32
Total other components of comprehensive income that are or could be reclassified to profit/(loss) for the consolidated period	**(70)**	**(98)**
Other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the consolidated period:		
Actuarial gains (losses) on defined benefit plans	155	(30)
Income taxes	(45)	2
Total other components of comprehensive income that will not be reclassified to profit/(loss) for the consolidated period:	**110**	**(28)**
Total comprehensive income for the consolidated period	**(11,289)**	**(8,154)**

[25] IFRS 16 (Leasing) was adopted from 1 March 2019 through the simplified retrospective method (namely without the restatement of the comparative data for previous financial years). The effects of this new accounting principle are illustrated in paragraph 6 - "Changes to the accounting standards" which should be referred to for further details.

8.3 Statement of Financial Position

	Period ended	
(Amounts in thousands of euros)	**31 May 2019 IFRS 16**	**28 February 2019 IAS 17**
Plant, machinery, equipment and other assets	85,345	84,942
Goodwill	195,182	177,965
Intangible assets with a finite useful life	20,842	28,312
Assets for rights of use	474,603	-
Deferred tax assets	34,475	35,179
Other non-current assets	12,927	2,493
Total non-current assets	**823,374**	**328,891**
Inventories	453,437	362,342
Trade receivables	37,005	41,288
Current tax assets	1,973	2,118
Other current assets	25,020	19,773
Cash and cash equivalents	63,241	84,488
Total current assets	**580,676**	**510,009**
Total assets	**1,404,050**	**838,900**
Share capital	4,000	4,000
Reserves	30,108	29,558
Profit/(loss) carried forward	45,990	57,319
Profit/(loss) of third parties	-	-
Total shareholders' equity	**80,098**	**90,877**
Financial liabilities	31,295	31,112
Employee benefits	11,849	10,994
Other financial liabilities	440,564	12,771
Provisions	8,807	7,718
Deferred tax liabilities	3,553	3,712
Other non-current liabilities	1,480	1,466
Total non-current liabilities	**497,548**	**67,773**
Financial liabilities	40,893	12,455
Other financial liabilities	70,036	7,683
Trade payables	526,306	468,458
Current tax liabilities	-	1,204
Provisions	1,326	1,348
Other current liabilities	187,843	189,102
Total current liabilities	**826,404**	**680,250**
Total liabilities and shareholders' equity	**1,404,050**	**838,900**

8.4 Statement of cash flows

(Amounts in thousands of euros)	**Period ended**	
	31 May 2019 IFRS 16	**31 May 2018 IAS 17**
Cash flows from operations		
Profit/(loss) for the period	(11,329)	(8,028)
Adjustments for:		
Income taxes	(499)	(944)
Net financial expenses (income)	3,092	841
Depreciation, amortisation and write-downs	22,365	6,102
(Profits)/losses from the sale of property, plant and machinery		
Other changes	510	510
	14,139	(1,519)
Changes in:		
- Inventories	(91,095)	(70,874)
- Trade receivables	4,283	(3,589)
- Trade payables	58,398	43,674
- Other changes in operating assets and liabilities	(5,625)	121
Cash flow generated /(absorbed) by operating activities	(34,039)	(30,668)
Taxes paid	-	-
Interest paid	(386)	(445)
Net cash flow generated/(absorbed) by operating activities	**(20,286)**	**(32,632)**
Cash flow from investment activities		
Purchases of plant, equipment and other assets	(865)	(5,377)
Purchases of intangible assets	(6,027)	(1,302)
Assets for rights of use	(14,617)	-
Investments for business combinations and business units	(6,486)	-
Net cash inflow from acquisition	10	-
Cash flow generated/(absorbed) by investing activities	**(27,985)**	**(6,679)**
Cash flow from investment activities		
Increase/(Decrease) in financial liabilities	28,072	(276)
Increase/(Decrease) in other financial liabilities	(1,048)	(802)
Net cash and cash equivalents generated by financing activities	**27,024**	**(1,078)**
Net increase/(decrease) in cash and cash equivalents	**(21,247)**	**(40,389)**
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	**84,488**	**61,414**
Net increase/(decrease) in cash and cash equivalents	**(21,247)**	**(40,389)**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**63,241**	**21,025**

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

10. Statement by the Financial Reporting Officer

I, the undersigned, Mr Italo Valenti, in my capacity as the Financial Reporting Officer of Unieuro S.p.A., in conformity with the provisions of Article 154-bis of the "Consolidated Act on Financial Intermediation",

HEREBY CERTIFY

that the Interim Directors' Report as at 31 May 2019 corresponds to the Company's documentary findings, books and accounting records.

Forlì, 10 July 2019.

Italo Valenti
(Financial Reporting Officer)

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