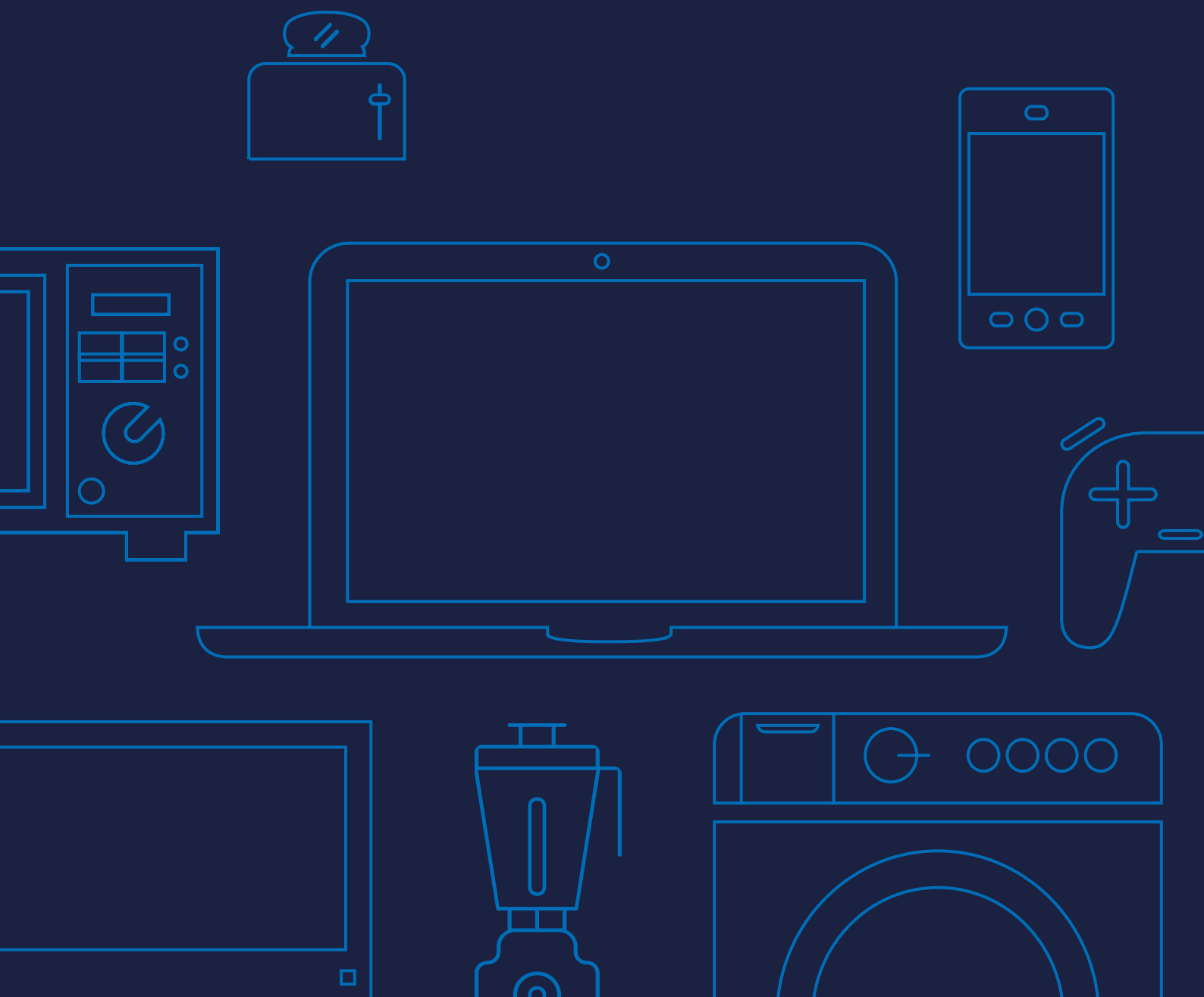




# Interim Financial Report

as at 31 May 2017





# **UNIEURO**

## **INTERIM FINANCIAL REPORT AS AT 31 MAY 2017**

# CONTENTS

<b>1. Corporate bodies .....</b>	<b>3</b>
<b>2. Key indicators for the period.....</b>	<b>4</b>
<b>3. Observations of directors surrounding operating performance and significant events .....</b>	<b>6</b>
3.1 Basis for the preparation of the Interim Financial Report.....	6
<b>3.2 Main economic results .....</b>	<b>6</b>
3.2.1 Revenues.....	6
3.2.1.1. Revenues by channel.....	6
3.2.1.2. Revenues by category .....	8
3.2.2 Operating profit .....	9
3.2.3 Non-recurring income and expenses .....	11
3.2.4 Net income.....	12
3.3. Main economic and financial results .....	13
3.3.1 Adjusted levered free cash flow .....	13
3.3.2 Statement of financial position .....	14
<b>3.4. Significant events in the period .....</b>	<b>16</b>
<b>3.5. Significant events after the end of the period .....</b>	<b>17</b>
<b>4. Accounting statements .....</b>	<b>18</b>
4.1 Income statement .....	18
4.2 Statement of comprehensive income.....	18
4.3 Balance sheet and income statement.....	Errore. Il segnalibro non è definito.
4.4 Cash flow statement.....	Errore. Il segnalibro non è definito.
<b>5. Option to derogate from the obligation to publish an information document in the event of transactions that are not significant .....</b>	<b>21</b>
<b>6. Declaration of the Director responsible for preparing the accounting and corporate documents</b>	<b>22</b>

## 1. 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  
Nancy Arlene Cooper  
Stefano Meloni  
Marino Marin

### CONTROL AND RISK COMMITTEE

- Non-Executive Director
- Director in possession of the requirements of independence indicated by the TUF and by the Self-Governance Code
- Chairman of the Committee and Director in possession of the requirements of independence indicated by the TUF and by the Self-Governance Code

Gianpiero Lenza  
  
Marino Marin  
  
Stefano Meloni

### APPOINTMENTS AND REMUNERATION COMMITTEE

- Non-Executive Director
- Director in possession of the requirements of independence indicated by the TUF and by the Self-Governance Code
- Chairman of the Committee and Director in possession of the requirements of independence indicated by the TUF and by the Self-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

### INDEPENDENT AUDITORS

KPMG S.p.A.

## **2. Key indicators for the period**

In order to facilitate the understanding of the Company's operating and financial performance, certain alternative performance indicators ("APIs") have been identified. For the proper interpretation of APIs, note the following: (i) these indicators were created exclusively on the basis of the Company's historical data and are not indicative of future performance; (ii) the APIs are not specified in IFRS, and while they are from the Interim Financial Report as at 31 May 2017, they are not audited; (iii) the APIs should not be considered a substitute of the indicators required by established accounting standards (IFRS), (iv) these APIs must be read in conjunction with the Company's financial information taken from the Interim Financial Report as at 31 May 2017; (v) since the definitions and criteria used to determine the indicators used by the Company are not based on established accounting standards, they may not be standardised with those used by other companies or groups, and thus, they may not be comparable with those that may be presented by such entities; and (vi) the APIs used by the Company continue to have the same definitions and descriptions for the interim periods for which financial information is included in the Interim Financial Report as at 31 May 2017.

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 Company's financial statements for the Interim Financial Report as at 31 May 2017 to assess their operating performance and related financial position.

Certain indicators have been presented as "adjusted" in order to report the Company's operating and financial performance net of non-recurring events, unusual events and events related to extraordinary transactions as identified by the Company. The adjusted indicators indicated consist of: adjusted EBITDA, adjusted EBITDA margin, adjusted profit (loss) for the year, adjusted levered free cash flow and net financial debt/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 business model for extended warranty services (as more fully described below in the API "adjusted EBITDA"), and thus, they make it possible to analyse the Company's performance in a more standardised manner in the interim periods reported in the Interim Financial Report.

## Main financial and operating indicators<sup>1</sup>

<i>(In millions of Euros)</i>	<b>Q1 17/18</b>	<b>Q1 16/17</b>
<b>Operating indicators</b>		
Revenues	366.8	362.4
Adjusted EBITDA <sup>2</sup>	0.6	0.2
Adjusted EBITDA margin <sup>3</sup>	0.2%	0.1%
Profit (loss) for the period	(10.0)	(7.7)
Adjusted profit (loss) for the period <sup>4</sup>	(4.1)	(4.3)
<b>Cash flows</b>		
Adjusted levered free cash flow <sup>5</sup>	(30.4)	(42.1)
Investments during the period	(16.7)	(4.8)
	<b>31 May 2017</b>	<b>28 February 2017</b>
<b>Indicators from statement of financial position</b>		
Net working capital	(127.6)	(149.7)
Net financial debt	(46.1)	(2.0)
Net financial debt/adjusted EBITDA	0.70x	0.03x

	<b>31 May 2017</b>	<b>28 February 2017</b>
<b>Operating indicators for the year</b>		
Like-for-like growth (as a %) <sup>6</sup>	0.5%	3.3%
Direct points of sale	182	180
Affiliated points of sale	276	280
Direct <sup>7</sup> pick-up-points	170	169
Affiliated pick-up-points	214	212
Total area of direct points of sale (in square metres)	about 276,400	about 276,000
Sales Density <sup>8</sup> (Euros per square metre)	4,640	4,630
Full-time-equivalent employees (specific) <sup>9</sup>	3,426	3,395

<sup>1</sup> Adjusted indicators are not identified as an accounting measure in IFRS, and thus should not be considered an alternative measure for assessing the Company's results. Since the composition of these indicators is not governed by established accounting standards, the calculation criterion applied by the Company might not be the same as that used by other companies and with any criterion the Company might use or create in the future, which therefore will not be comparable.

<sup>2</sup> Adjusted EBITDA is 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 3.2.2 for additional details.

<sup>3</sup> The adjusted EBITDA margin is the ratio of adjusted EBITDA to revenues.

<sup>4</sup> The adjusted profit (loss) for the year is calculated as the profit (loss) for the year adjusted (i) for adjustments incorporated in adjusted EBITDA covered in Note 2 above and (ii) for the theoretical tax impact of those adjustments.

<sup>5</sup> Adjusted levered free cash flow is defined as cash flow generated/used by operating activities net of investment activities adjusted for non-recurring investments, and including adjustments for non-recurring expenses (income), and net of their non-cash component and the related tax impact. See paragraph 3.3.1 for additional details.

<sup>6</sup> Like-for-like growth: method for comparing sales of direct points of sale including click-and-collect sales for the current year, with sales for the previous year for the same number of points of sale, and thus in accordance with the criterion of being operational for at least 26 months.

<sup>7</sup> Physical pick-up points for customer orders using the online channel.

<sup>8</sup> This indicator is obtained from the ratio of annual sales generated by direct points of sale to the total area devoted to sales in all direct points of sale.

<sup>9</sup> Precise annual number of full-time-equivalent employees.

### 3. Observations of directors surrounding operating performance and significant events

#### 3.1 Basis for the preparation of the Interim Financial Report

This Interim Financial Report was prepared in accordance with Article 82-ter of the Issuers' Regulation adopted through Resolution 11971 of 14 May 1999, introduced based on 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 Financial Report as at 31 May 2017 is regulated by the provisions of the Stock Exchange Regulation, specifically Article 2.2.3, paragraph 3 of the Stock Exchange Regulation.

The accounting standards used by the Company 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 Interim Financial Report as at 31 May 2017 was approved by the Board of Directors on 29 June 2017.

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.

#### 3.2 Main economic results

##### 3.2.1 Revenues

For the quarter ending 31 May 2017, revenues totalled €366.8 million, a 1.2% increase over the previous year, with an increase of €4.4 million.

##### 3.2.1.1. Revenues by channel

<i>(In millions of Euros and as a percentage of revenues)</i>	Interim period ended				Change	
	31 May 2017	%	31 May 2016	%	2017 vs 2016	%
<i>Retail</i>	262.2	71.5%	258.5	71.3%	3.6	1.4%
<i>Wholesale</i>	47.2	12.9%	50.6	14.0%	(3.4)	(6.7%)
<i>Online</i>	30.0	8.2%	20.0	5.5%	10.0	49.8%
<i>B2B</i>	22.0	6.0%	30.6	8.4%	(8.6)	(28.0%)
<i>Travel<sup>10</sup></i>	5.4	1.5%	2.7	0.7%	2.8	103.3%
<b>Total revenues by channel</b>	<b>366.8</b>	<b>100.0%</b>	<b>362.4</b>	<b>100.0%</b>	<b>4.4</b>	<b>1.2%</b>

In this first quarter, Unieuro continued the development strategy of the existing channels, recording significant growth in the online channel owing to investments made during the previous period,

<sup>10</sup> The Travel sales channel sells products through major public transportation hubs using direct points of sale.



such as the launch of the new site built around the “mobile first” concept, and the continual expansion of pick-up points, which benefited the increase in click-and-collect sales in both direct and indirect stores.

The retail channel saw an increase of 1.4% in sales thanks to the new openings in the period and the like-for-like growth of the points of sale. The like-for-like growth of the distribution network, calculated as the growth of stores open for at least 26 months and including both retail sales and click and collect, stood at 0.5%.

The wholesale channel recorded a fall in sales (approximately €3.4 million or 6.7%), mainly following the inventory optimization and rationalization carried out by Affiliates in agreement with the Company.

Growth of the online channel was part of a favourable market trend, and benefited further from the strategic actions implemented by the Company, such as the previously mentioned restyling of the website and the extension of the pick-up-points network, as well as specific Customer Relationship Management (CRM) initiatives, careful attention to the retail mix favouring the white goods category and the personalisation of the commercial range which was popular with consumers, resulting in an increase in sales of €10.0 million, up 49.8% compared with the same period in the previous year.

The B2B channel recorded a fall in the quarter (approximately €8.6 million, or 28.0%) in light of the delay in the launch of the top-of-the-range smartphones on the market, as well as typical fluctuations of the B2B sector.

Lastly, the travel channel recorded growth of 103.3% worth approximately €2.8 million, benefiting on the one side from a new opening in the Orio al Serio airport, and the point of sale located in the Turin Porta Nuova station opened in the last months of the previous financial year.

### 3.2.1.2. Revenues by category

(In millions of Euros and as a percentage of revenues)	Interim period ended				Change	
	31 May 2017		31 May 16		2017 vs 2016	
		%		%		%
Grey	175.3	47.8%	179.7	49.6%	(4.4)	(2.4%)
White	100.0	27.3%	95.5	26.4%	4.5	4.7%
Brown	61.2	16.7%	61.3	16.9%	(0.1)	(0.1%)
Other products	17.0	4.6%	13.9	3.8%	3.0	21.7%
Services	13.3	3.6%	11.9	3.3%	1.4	11.8%
<b>Total revenues by category</b>	<b>366.8</b>	<b>100.0%</b>	<b>362.4</b>	<b>100.0%</b>	<b>4.4</b>	<b>1.2%</b>

Sales by category increased in the quarter: (i) *White*, which recorded growth of 4.7% as a result of the strategy to expand the range of goods offered in this category; (ii) *Other products* (+21.7%), which includes both sales of the entertainment sector and of other products not included in the consumer electronics market which benefited in particular from product innovation of personal mobility through the launch of new products (hoverboards); and (iii) *Services*, which saw an 11.8% increase thanks to the Company's continued focus on the provision of services to its customers, while there was a fall in the following categories: (i) *Grey* (-2.4%), following the reduced performance of the B2B channel; and (ii) *Brown*, which was affected by a market in which there were not significant innovations in terms of products.

### 3.2.2 Operating profit

The income statement tables presented below in this Interim Financial Report were reclassified using presentation methods that management deemed useful for reporting operating profit performance during the year. In order 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 costs to provide the assistance service, as a result of the change in the business model for directly managed assistance services.

<i>(In millions and as a percentage of revenues)</i>	Q1 17/18			Q1 16/17			Change	
	Adjusted amounts	%	Adjustments <sup>11</sup>	Adjusted amounts	%	Adjustments	Adjusted amounts	%
Revenues	366.8			362.4			4.4	1.22%
Purchase of goods and changes in inventories	(288.0)	(78.5%)		(285.0)	(78.6%)			
Operating Lease and Building Management	(14.2)	(3.9%)	0.3	(14.3)	(3.9%)	0.2	0.0	(0.3%)
Marketing	(13.1)	(3.6%)	0.4	(14.1)	(3.9%)	0.1	1.0	(6.9%)
Trasport	(8.0)	(2.2%)	0.0	(7.4)	(2.0%)	0.0	(0.6)	8.0%
Other costs	(10.7)	(2.9%)	3.1	(10.6)	(2.9%)	1.1	(0.1)	1.3%
Personnel expenses	(33.0)	(9.0%)	0.9	(32.3)	(8.9%)	0.7	(0.7)	2.2%
Other operating income and costs	(0.6)	(0.2%)	0.5	(0.7)	(0.2%)	(0.6)	0.1	(17.7%)
Change in business model for directly managed assistance services	1.4	0.4%	1.4	2.2	0.6%	2.2	(0.7)	(33.8%)
<b>Adjusted EBITDA</b>	<b>0.6</b>	<b>3.9%</b>	<b>6.6</b>	<b>0.2</b>	<b>3.8%</b>	<b>3.8</b>	<b>0.4</b>	<b>160.4%</b>

In the first quarter adjusted EBITDA rose by €0.4 million, to €0.6 million, with the adjusted EBITDA margin growing by 0.1%.

During the quarter costs for the purchase of goods and changes in inventories increased by €3.0 million as a result of the increase in volumes.

There were no significant variances as far as rental costs were concerned, which were essentially in line with the previous year, despite an increase in stores after the opening of new stores that took place over the last 12 months.

<sup>11</sup> 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 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 the Company on the basis of historical information on the nature, frequency and cost of assistance work.

Marketing costs fell by approximately €1.0 million, mainly related to a different promotional calendar for the two periods.

Logistics costs increased by approximately €0.6 million, especially as a result of the increase in costs for deliveries to customers related to the increase in sales of the Retail and Web channels compared with the same quarter of the previous year.

Personnel costs rose by €0.7 million related to the adjustment of the central structure to Stock Exchange requirements and the strengthening of several strategic functions, seniority increases and contractual adjustments, as well as the growth in the number of points of sale compared with the first quarter of 2016/17.

There were no significant changes recorded in other cost items.

Below is a reconciliation between gross operating profit (loss) reported in the financial statements and adjusted EBITDA.

<i>(In millions of Euros and as a percentage of revenues)</i>	<b>Q1 17/18</b>	<b>%</b>	<b>Q1 16/17</b>	<b>%</b>	<b>Change</b>	<b>%</b>
Gross operating profit (loss)	(5.9)	(1.6%)	(3.5)	(1.0%)	(2.4)	68.5%
Non-recurring expenses/(income)	5.1	1.4%	1.6	0.4%	3.5	222.4%
Revenues from the sale of warranty extension netted of future estimated service cost – business model's change related to direct assistance services	1.4	0.4%	2.2	0.6%	(0.7)	(33.8%)
<b>Adjusted EBITDA<sup>12</sup></b>	<b>0.6</b>	<b>0.2%</b>	<b>0.2</b>	<b>0.1%</b>	<b>0.4</b>	<b>160.4%</b>

Non-recurring expenses/(income) increased in the quarter by €3.5 million, mainly as a result of the

<sup>12</sup> 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 ending 29 February 2012 for White products sold by the Company, and from the year ending 28 February 2015 for all extended warranty services sold by Unieuro S.r.l. (hereinafter, the "Former Unieuro") (excluding telephone systems and peripherals), the Company modified the business model for the management of extended warranty services by insourcing the management of services sold by the Former Unieuro and by the Company that were previously outsourced (the "Change in Business Model"). As a result of the Change in Business Model, at the time of sale of extended warranty services, the Company suspends the revenue by creating a deferred income item 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, the Company begins to gradually record revenues from sales of extended warranty services after two years (term of the legally required product warranty) from 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).

The income statements for the interim periods ending 31 May 2017 and 31 May 2016 only reflect a small portion of revenues from sales of extended warranty services completed before these interim periods because the majority of such revenues was recorded immediately in the income statements for years prior to the year ending 28 February 2014 since the extended warranty service was sold to third parties. 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 these interim periods only partially report revenues from sales generated starting with the Change in Business Model, because the Company will gradually record sales revenues from extended warranty services (already collected by the Company) starting at the end of the legally required two-year warranty period. The adjustment is aimed at reflecting, for each interim 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 the Company on the basis of historical information on the nature, frequency and cost of assistance work.

The adjustment will be gradually exhausted in the income statements of future years until being eliminated when the new business model is operational, i.e. for each product category, when the period has lapsed that starts on the first day of the legally required two-year warranty and ends on the last day of the extended warranty service.

costs incurred for the final portion of the listing process. See the table in paragraph 3.2.3 for additional details.

Lastly, the adjustment due to the change in the business model for directly managed services was down by €0.7 million, in line with natural absorption of the phenomenon.

### 3.2.3 Non-recurring income and expenses

<i>(In millions of Euros)</i>	Q1 17/18	Q1 16/17	Change	%
Costs incurred for the listing process	2.7	0.2	2.5	1334%
Costs for the Call Option Agreement	0.7	0.6	0.1	21%
Costs for pre-opening, relocating and closing points of sale <sup>13</sup>	0.6	0.6	0.0	5%
Mergers & Acquisitions	0.6	-	0.6	n/a
Other non-recurring expenses	0.5	0.2	0.3	114%
<b>Total non-recurring income and expenses</b>	<b>5.1</b>	<b>1.6</b>	<b>3.5</b>	<b>222%</b>

The quarter featured an increase in non-recurring expenses. The main item was for costs incurred for the listing process totalling €2.7 million.

A total of €0.7 million of non-recurring expenses consisted of costs for the final tranche of the Call Option Agreement reserved for certain managers and employees.

A total of €0.6 million was for lease, security and travel expenses for maintenance and marketing work incurred as a part of: i) remodelling work for downsizing and relocating points of sale of the Former Unieuro; ii) opening points of sale (during the months immediately preceding and following the opening); and iii) closing points of sale.

A total of €0.6 million was related to M&A expenses for the acquisition of 21 former Andreoli stores and for services for the acquisition of the equity investment in Monclick.

Other residual non-recurring expenses totalled €0.5 million.

<sup>13</sup> The costs for “pre-opening, relocating and closing points of sale” include lease, security and travel expenses for maintenance and marketing work incurred as a part of: i) remodelling work for downsizing and relocating points of sale of the Former Unieuro; ii) opening points of sale (during the months immediately preceding and following the opening); and iii) closing points of sale.

### 3.2.4 Net income

Below is a restated income statement including items from adjusted EBITDA to adjusted profit (loss) for the year.

<i>(In millions and as a percentage of revenues)</i>	<b>Q1 17/18</b>	<b>%</b>	<b>Q1 16/17</b>	<b>%</b>	<b>Change</b>	<b>%</b>
<b>Adjusted EBITDA</b>	<b>0.6</b>	<b>0.2%</b>	<b>0.2</b>	<b>0.1%</b>	<b>0.4</b>	<b>160.4%</b>
Amortisation, depreciation and impairment losses	(4.7)	(1.3%)	(4.4)	(1.2%)	(0.2)	5.6%
Financial income and expenses	(1.2)	(0.3%)	(1.5)	(0.4%)	0.3	(19.2%)
Income tax	1.8	0.5%	1.8	0.5%	0.1	3.3%
Theoretical tax impact from taxes on non-recurring expenses/(income) and the change to business model <sup>14</sup> for direct assistance service	(0.6)	(0.2%)	(0.3)	0.1%	(0.3)	(99.9%)
<b>Adjusted PROFIT (LOSS) FOR THE PERIOD<sup>15</sup></b>	<b>(4.1)</b>	<b>(1.1%)</b>	<b>(4.3)</b>	<b>(1.2%)</b>	<b>(0.2)</b>	<b>(0.1%)</b>

Net financial expenses in the first quarter totalled €1.2 million (net financial expenses of €1.5 million at 31 May 2016).

The decrease is due to the total repayment of the loan to the parent company Italian Electronics Holdings S.r.l. (hereinafter “IEH”), which took place in november 2016, and to the decrease in bank loans, as well as improved management of the short-term lines of credit.

The adjusted profit (loss) for the period was negative by €4.1 million (€4.3 million in the quarter ended 31 May 2016), with a -1.1% impact on revenues (-1.2%) thanks to the positive contribution of the adjusted EBITDA, the lower impact of financial expenses offset by an increase in amortisation and depreciation and the tax effect including taxes for the period and theoretical tax impacts.

<sup>14</sup> The theoretical rate deemed appropriate by management is 9.4%, which incorporates IRES at 5.5% (obtained by reducing taxable IRES income by 80% due to the ability to use past tax losses) and IRAP at 3.9%.

<sup>15</sup> See note in the section “Main financial and operating indicators”.

### 3.3. Main economic and financial results

#### 3.3.1 Adjusted levered free cash flow <sup>16</sup>

The Company considers adjusted levered free cash flow to be the most appropriate indicator to measure cash generation for the period. The composition of the indicator is provided in the table below.

<i>(In millions of Euros)</i>	<b>Q1 17/18</b>	<b>Q1 16/17</b>	<b>Change</b>	<b>%</b>
Gross operating profit /(loss)	(5.9)	(3.5)	(2.4)	68.5%
Cash flow from/(used in) operating activities <sup>17</sup>	(21.0)	(34.3)	13.3	(38.8%)
Income taxes paid	-	-	-	n/a
Interest paid	(1.0)	(1.0)	(0.0)	1.5%
Other changes	0.7	0.6	0.1	20.8%
<b>Net cash flow from/(used by) operating activities<sup>18</sup></b>	<b>(27.3)</b>	<b>(38.3)</b>	<b>11.0</b>	<b>(28.8%)</b>
Investments	(16.7)	(4.8)	(11.9)	248.9%
Adjustment for non-recurring investments	9.4	-	9.4	n/a
Non-recurring expenses/(income)	5.1	1.6	3.5	222.4%
Adjustment for non-monetary item of non-recurring expenses/(income)	(0.6)	(0.5)	(0.1)	18.2%
Theoretical tax impact of the above entries	(0.4)	(0.1)	(0.3)	371.3%
<b>Adjusted levered free cash flow</b>	<b>(30.4)</b>	<b>(42.1)</b>	<b>11.6</b>	<b>(27.6%)</b>

Net cash flow generated/(used) by operating activities was negative by €27.3 million (negative by €38.3 million in the same quarter in 2016). The improvement over the previous year is linked to the strong improvement in the cash flow used in operating activities, mainly attributable to the more positive development of net working capital.

Investments were up by €11.9 million, including €9.4 million related to the acquisition of the business unit comprising 21 former Andreoli stores, which was concluded on 17 May 2017.

The adjustment for non-recurring investments, equal to €9.4 million, represents the outgoing cash flow linked to the acquisition of the above-mentioned business unit and is composed of the net difference between the €12.2 million goodwill and payables to personnel of €2.0 million, and employee benefits of €0.8 million.

The increase in adjusted EBITDA, careful and efficient working capital management and the reduction in taxes were the main reasons for the 27.6% increase in adjusted levered free cash flow compared with the same quarter of the previous year (from -€42.1 million to -€30.4 million).

<sup>16</sup> See note in the section “Main financial and operating indicators”.

<sup>17</sup> The item “Cash flow generated/(used) by operating activities” refers to cash generated/(used) by the change in working capital and other non-current balance sheet items such as other assets, other liabilities and risk provisions.

<sup>18</sup> The item “Net cash flow generated/(used) by operating activities” refers to cash generated by operating activities in a broad sense, net of outlays for interest and taxes and adjusted for non-cash effects of balance sheet changes included in the item “Cash flow generated/(used) by operating activities”.

Below are the main changes recorded in the Company's net financial debt in the quarters ended 31 May 2017 and 31 May 2016.

<i>(In thousands of Euros)</i>	<b>Q1 17/18</b>	<b>Q1 16/17</b>	<b>Change</b>	<b>%</b>
Gross operating profit	(5.9)	(3.5)	(2.4)	68.5%
Cash flow from/(used in) operating activities	(21.0)	(34.3)	13.3	(38.8%)
Income Taxes paid	-	-	-	n.s.
Interest paid	(1.0)	(1.0)	(0.0)	1.5%
Other changes	0.7	0.6	0.1	20.8%
<b>Net cash flow from/(used in) operating activities</b>	<b>(27.3)</b>	<b>(38.3)</b>	<b>11.0</b>	<b>(28.8%)</b>
Investments	(16.7)	(4.8)	(11.9)	248.9%
Other changes	(0.2)	(0.5)	0.3	(62.4%)
<b>Change in net financial debt</b>	<b>(44.2)</b>	<b>(43.6)</b>	<b>(0.6)</b>	<b>1.3%</b>

### 3.3.2 Statement of financial position

Below is a detailed breakdown of the Company's net working capital and net invested capital at 31 May 2017 and 28 February 2017:

<i>(In millions of Euros)</i>	<b>31 May 2017</b>	<b>28 February 2017</b>
Trade receivables	37.0	35.2
Inventories	337.9	269.6
Trade payables	(394.8)	(334.5)
<b>Net operating working capital</b>	<b>(19.9)</b>	<b>(29.8)</b>
Other working capital items	(107.8)	(119.9)
<b>Net working capital</b>	<b>(127.6)</b>	<b>(149.7)</b>
Non-current assets	105.7	104.2
Goodwill	163.6	151.4
Non-current liabilities	(19.9)	(19.0)
<b>Net invested capital</b>	<b>121.8</b>	<b>86.9</b>
Net financial debt	(46.1)	(2.0)
Shareholders' equity	(75.7)	(85.0)
<b>Total shareholders' equity and financial liabilities</b>	<b>(121.8)</b>	<b>(86.9)</b>

The change in net working capital compared to end of February 2017 was €22.1 million (compared with €36.9 million recorded in the same quarter of the previous year). The growth in net working capital is mainly due to the increase in inventories in view of the promotions in the month of June (below cost), which was not sufficiently offset by the increase in trade payables.

The other working capital entries fell by €12.1 million, mainly as a result of the decrease in VAT payables of €10.9 million.



Net invested capital stood at €121.8 million, up by €34.9 million compared with 28 February 2017, including €22.1 million related to the different profile of the net working capital and €12.2 million related to goodwill for the acquisition of 21 former Andreoli stores.

Note how the Company will have 12 months from the purchase date to adjust the amount of goodwill recorded, allocating it to specific assets and liabilities.

The net financial position, as already commented on in great detail in the previous paragraph, deteriorated by €44.2 million compared with 28 February 2017. Please see paragraph 3.3.1 for details.

Shareholders' equity fell during the quarter by €9.3 million, mainly following the loss recorded in the period, partly offset by the reserve for costs related to the Call Option Agreement. Note that on 20 June 2017, the Unieuro S.p.A. shareholders' meeting approved the distribution of a dividend of €20 million to be paid in September.

Below is a detailed breakdown of the Company's net financial debt at 31 May 2017 and 28 February 2017, in accordance with CONSOB Communication 6064293 of 28 July 2006 and in compliance with ESMA Recommendations 2013/319:

<i>(In millions of Euros)</i>	<b>31 May 2017</b>	<b>28 February 2017</b>	<b>Change</b>
(A) Cash	15.1	36.7	(21.6)
(B) Other cash equivalents	-	-	-
(C) Securities held for trading	-	-	-
<b>(D) Liquidity (A)+(B)+(C)</b>	<b>15.1</b>	<b>36.7</b>	<b>(21.6)</b>
<i>- of which pledge</i>	<i>0.7</i>	<i>0.7</i>	<i>-</i>
<b>(E) Current financial receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>
(F) Current bank loans and borrowings	(22.9)	-	-
(G) Current portion of non-current financial debt	(6.0)	(6.0)	(0.0)
(H) Other current loans and borrowings	(2.5)	(2.4)	(0.1)
<b>(I) Current financial debt (F)+(G)+(H)</b>	<b>(31.4)</b>	<b>(8.4)</b>	<b>(23.0)</b>
<i>- of which secured</i>	<i>(27.8)</i>	<i>(6.8)</i>	<i>(21.0)</i>
<i>- of which not secured</i>	<i>(3.7)</i>	<i>(1.7)</i>	<i>(2.0)</i>
<b>(J) Net current financial positions (debt) (I)+(E)+(D)</b>	<b>(16.3)</b>	<b>28.3</b>	<b>(44.6)</b>
(K) Non-current bank loans and borrowings	(25.9)	(25.8)	(0.1)
(L) Issued Bonds	-	-	-
(M) Other non-current loans and borrowings	(3.9)	(4.4)	0.5
<b>(N) Non-current financial debt (K)+(L)+(M)</b>	<b>(29.8)</b>	<b>(30.2)</b>	<b>0.4</b>
<i>- of which secured</i>	<i>(26.8)</i>	<i>(26.8)</i>	<i>-</i>
<i>- of which unsecured</i>	<i>(3.0)</i>	<i>(3.4)</i>	<i>0.4</i>
<b>(O) Net financial debt (J)+(N)</b>	<b>(46.1)</b>	<b>(2.0)</b>	<b>(44.2)</b>

Net financial debt increased by €44.2 million compared with 28 February 2017, following the effects already commented on in the paragraph on adjusted levered free cash flow, which should be referred to.

Gross financial debt totalled €61.2 million, of which €29.8 million was medium and long term, and €31.4 million was short term. Note that the Company had available, committed, unused short-term lines of credit of €20.8 million at 31 May 2017.

### **3.4. Significant events in the period**

#### *Launching on the Stock Exchange*

On 4 April 2017 Unieuro shares – with the ticker UNIR – made their debut on the STAR segment of the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. following a placement aimed at Italian and international institutional investors. Under the scope of the operation and taking into account the greenshoe option, 6,901,573 shares were put up for sale by Italian Electronics Holding S.r.l.

At the granting price of €11.00 per share, the total proceeds from the operation were equal to €75.9 million, corresponding to the Company's market capitalisation of €220 million.

#### *Acquisition of 21 stores in central Italy from Andreoli S.p.A.*

On 18 April 2017, Unieuro announced the acquisition of a business unit from Andreoli S.p.A., in an arrangement with creditors, composed of 21 direct points of sale in central Italy, mainly located in shopping centres and between 1,200 and 1,500 m<sup>2</sup> in size.

The chain acquired previously operated under the Euronics brand in southern Lazio, and in Abruzzo and Molise, and in 2015 it generated retail revenues of about €94 million at a profit, employing over 300 people.

The acquisition, worth €12.2 million, was completed on 17 May.

Following the assumption of debts for the personnel operating in the stores, the total financial outlay was approximately €9.4 million.

#### *Apple Pay*

On 16 May 2017 – with the aim of introducing new solutions to guarantee the best shopping experience for its clients – Unieuro was one of the first Italian companies to make the Apple Pay service available on its e-commerce platform. This is a simple, safe and personal payment method which simplified the payments system through iPhones.

#### *Opening of the new Orio al Serio store*

On 25 May 2017, Unieuro inaugurated a new 1,750-m<sup>2</sup> store in the Oriocenter, one of the busiest shopping centres located in Orio al Serio (Bergamo).

### **3.5. Significant events after the end of the period**

#### *Closing of the Monclick acquisition*

On 9 June 2017 Unieuro concluded the acquisition from Project Shop Land S.p.A. of 100% of Monclick S.r.l., one of the leading online operators in Italy active in the market of consumer electronics and the B2B2C online market.

The acquisition, announced on 23 February 2017, is of great strategic value because it enables Unieuro to significantly increase sales in the online segment, thereby strengthening its position in the domestic market and allowing entry into the up-and-coming B2B2C sector.

The value of the transaction is €10 million, including €3.5 million paid upon the closing and the remainder spread over 5 years.

#### *Signing of a new line of credit*

On 16 June 2017, Unieuro, together with a syndicate of banks, signed a new line of credit for a maximum of €50 million for a three-year period, aimed at providing the Company with additional resources to fund growth through the acquisition and opening of new points of sale. This is confirmation of the Company's desire to assert itself as a leader and consolidator in the consumer electronics market in Italy.

#### *2017 shareholders' meeting*

On 20 June 2017, the Unieuro shareholders' meeting, in ordinary session and in a single call, approved the Financial Statements as at 28 February 2017, resolving the allocation of the profit for the period and the distribution of a dividend of €1 per share, totalling €20 million, which will take place in September 2017. There was a vote in favour of the first section of the Remuneration Report.

Giancarlo Nicosanti Monterastelli

Chief Executive Officer

## 4. Accounting statements

### 4.1 Income statement

<i>(In thousands of Euros)</i>	<b>Q1 17/18</b>	<b>Q1 16/17</b>
Revenues	366,846	362,419
Other income	1,283	1,406
<b>Total revenue</b>	<b>368,129</b>	<b>363,825</b>
Purchases of materials and external services	(405,925)	(381,504)
Personnel expenses	(33,864)	(33,039)
Changes in inventories	68,380	48,700
Other operating costs	(2,661)	(1,509)
<b>Gross operating profit (loss)</b>	<b>(5,941)</b>	<b>(3,527)</b>
Amortization, depreciation and impairment losses	(4,687)	(4,440)
<b>Operating Profit</b>	<b>(10,628)</b>	<b>(7,967)</b>
Financial income	35	79
Financial expenses	(1,264)	(1,600)
<b>Pre-tax profit (loss)</b>	<b>(11,857)</b>	<b>(9,488)</b>
Income taxes	1,831	1,773
<b>Profit (loss) for the period</b>	<b>(10,026)</b>	<b>(7,715)</b>

### 4.2 Statement of comprehensive income

<i>(In thousands of Euros)</i>	<b>Q1 17/18</b>	<b>Q1 16/17</b>
<b>Profit (loss) for the period</b>	<b>(10,026)</b>	<b>(7,715)</b>
<i>Other items that will or may be reclassified to profit or loss:</i>		
Gain (losses) on hedging instruments (cash flow hedges)	--	13
Income taxes	--	(4)
<b>Total other comprehensive income (expense) that will or may be reclassified to profit or loss:</b>	<b>--</b>	<b>9</b>
<i>Other items that will not be subsequently reclassified to profit or loss:</i>		
Actuarial gains (losses) on defined benefit plans	--	23
Income taxes	--	(6)
<b>Total other components of comprehensive income that will not subsequently be restated under profit/(loss) for the period:</b>	<b>--</b>	<b>17</b>
<b>Total statement of comprehensive income for the period</b>	<b>(10,026)</b>	<b>(7,689)</b>

### 4.3 Statement of financial position

<i>(In thousands of Euros)</i>	<b>31 May 2017</b>	<b>28 February 2017</b>
Plant and machinery, equipment and other assets	60,671	60,822
Goodwill	163,596	151,396
Intangible assets with a finite useful life	14,581	11,808
Deferred tax assets	27,734	29,438
Other non-current assets	2,708	2,156
<b>Total non-current assets</b>	<b>269,290</b>	<b>255,620</b>
Inventories	337,931	269,551
Trade receivables	36,964	35,203
Current tax assets	11,544	7,955
Other current assets	18,331	13,865
Cash and cash equivalents	15,127	36,666
<b>Total current assets</b>	<b>419,897</b>	<b>363,240</b>
<b>Total assets</b>	<b>689,187</b>	<b>618,860</b>
Share capital	4,000	4,000
Reserves	120,808	120,101
Profit/(loss) carried forward	(49,148)	(39,122)
<b>Total shareholders' equity</b>	<b>75,660</b>	<b>84,979</b>
Financial liabilities	25,938	25,796
Shareholders' loan	--	--
Employee benefits	10,559	9,783
Other financial liabilities	3,893	4,427
Provisions	8,940	8,833
Deferred tax liabilities	347	322
Other non-current liabilities	26	21
<b>Total non-current liabilities</b>	<b>49,703</b>	<b>49,182</b>
Financial liabilities	28,895	5,984
Shareholders' loan	--	--
Other financial liabilities	2,512	2,418
Trade payables	394,786	334,546
Provisions	1,663	1,424
Other current liabilities	135,968	140,327
<b>Total current liabilities</b>	<b>563,824</b>	<b>484,699</b>
<b>Total liabilities and shareholders' equity</b>	<b>689,187</b>	<b>618,860</b>

#### 4.4 Statement of cash flows

<i>(In thousands of Euros)</i>	<b>Q1 17/18</b>	<b>Q1 16/17</b>
<b>Cash flow from operations</b>		
Profit (loss) for the period	(10,026)	(7,715)
<i>Adjustments for:</i>		
Income taxes	(1,831)	(1,773)
Net financial income (expenses)	1,229	1,521
Amortization, depreciation and impairment losses	4,687	4,440
(Gains)/losses on the sale of property, plant and machinery	-	-
Other changes	707	585
	(5,234)	(2,942)
Changes in:		
-Inventories	(68,380)	(48,700)
-Trade receivables	(1,761)	(11,665)
-Trade payables	60,240	27,786
-Other changes in operating assets and liabilities	(11,097)	(1,746)
Cash flows from (used in) operating activities	(20,998)	(34,325)
Income taxes paid	-	-
Interest paid	(1,035)	(1,019)
<b>Net cash flow from (used in) operating activities</b>	<b>(27,267)</b>	<b>(38,286)</b>
<b>Cash flow from investment activities</b>		
Purchases of plant, machinery, equipment and other assets	(5,839)	(4,189)
Acquisition of intangible assets	(1,471)	(595)
Investments in equity and business units	(9,381)	-
<b>Net cash flow from (used in) investing activities</b>	<b>(16,691)</b>	<b>(4,784)</b>
<b>Cash flow from financing activities</b>		
Increase/(decrease) in financial liabilities	22,860	19,492
Increase/(decrease) in other financial liabilities	(441)	(979)
Increase/(Decrease) in shareholder loans	-	(266)
<b>Net cash flows from (used in) financing equivalents</b>	<b>22,419</b>	<b>18,247</b>
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>(21,539)</b>	<b>(24,823)</b>
<b>CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD</b>	<b>36,666</b>	<b>35,441</b>
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>(21,539)</b>	<b>(24,823)</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>15,127</b>	<b>10,618</b>

## **5. Option to derogate from the obligation to publish an information document in the event of transactions that are not significant**

Note that the Issuer has opted to adopt the waiver in Article 70, paragraph 6 and Article 71, paragraph 1 of the Issuers' Regulation, pursuant to Article 70, paragraph 8 and Article 71, paragraph 1-*bis* of the Issuers' Regulation.

**6. Certification pursuant to Article 154-bis, paragraph 2 of the Consolidated Act on Financial Activities (TUF)**

I, the undersigned, Italo Valenti, in my capacity as Manager in charge of corporate financial reporting of UNIEURO S.p.A., pursuant to Section 154-bis, paragraph 2 of the Consolidated Act on Financial Activities (TUF), hereby

**CERTIFY**

that the accounting information contained in the Interim Financial Report as at May 31, 2017, corresponds to the Company's documentary evidence and accounting books and records.

Forlì, June 29, 2017

Italo Valenti  
(The Manager in charge of corporate financial reporting)





**Unieuro S.p.A.**  
Via Schiaparelli, 31  
47122 Forlì - Italy  
**[unieurocorporate.it](http://unieurocorporate.it)**