INTERIM DIRECTORS' REPORT

AS AT 31 MAY 2019

Corporate Bodies

BOARD OF DIRECTORS

- Chairman of the Board of Directors	Stefano Meloni
- Chief Executive Officer	Giancarlo Nicosanti Monterastelli
- Independent Director	Michele Bugliesi
- Independent Director	Paola Elisabetta Galbiati
- Independent Director	Catia Cesari
- Independent Director	Pietro Caliceti
- Independent Director	Marino Marin
- Independent Director	Monica Luisa Micaela Montironi
- Non-executive Director	Alessandra Stabilini

CONTROL AND RISK COMMITTEE

- Independent Director – Chairman	Marino Marin
- Independent Director	Paola Elisabetta Galbiati
- Independent Director	Monica Luisa Micaela Montironi

NOMINATIONS AND REMUNERATION COMMITTEE

- Independent Director – Chairman	Marino Marin
- Independent Director	Pietro Caliceti
- 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.

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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. Unieuro is now the leading company in the distribution of consumer electronics and appliances in Italy and it operates as an integrated omnichannel distributor in four major product segments: Grey (telephone systems, computers and photos), White (large and small appliances), Brown (consumer electronics and media storage), Other Products (consoles, video games, bicycles) and 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” or "Carini Retail") 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 group 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.

Under the scope of a wider technological transformation and organisational restructuring of the Unieuro Group vital in supporting the corporate strategic decisions and operational processes, on 18 March 2020 the Board of Directors of Unieuro approved the merger by incorporation of the wholly-owned companies Carini Retail S.r.l. and Monclick S.r.l. The completion of the mergers is subject to the condition precedent of the outcome of the request submitted by Unieuro pursuant to Article 11, paragraph 2 of Law 212 of 27 July 2000, for the disapplication of Article 172, paragraph 7 of Presidential Decree 917 of 22 December 1986 (TUIR).

Since April 2017, Unieuro shares have been listed on the STAR segment of the Milan stock exchange and the Company is in all respects a public company. Based on the information available to date, the major shareholders of Unieuro are Alfa S.r.l. (Dixons Carphone plc) with 7.2%, the asset management company Amundi Asset Management with 5.6%, several shareholders from the Silvestrini Family who, in total, own 5.6% and, lastly, several Unieuro top managers who own 2%[1].

[1] Sources: Consob; reworking of the shareholders' register at 1 August 2019.

2. Procedural note

This Interim Report on Operations contains information relating to consolidated revenues, consolidated profitability, cash flows and the statement of financial position of the Unieuro Group as at 31 May 2020 compared with the figures as at 31 May 2019 for the income statement and for cash flows and with the figures of the latest financial statements approved as at 29 February 2020 for the balance sheet.

It should be noted that, one year after the first adoption of IFRS 16, the transitory phase has ended during which the financial communication of Unieuro was based on adjusted data and in continuity with the previous accounting standard IAS 17 and the related interpretations. From the quarter in question, in line with practices that have gradually consolidated among retailers listed on international markets, the Company will therefore comment only on the post-application economic quantities of the aforementioned accounting standard, restating comparative figures and focusing on Adjusted EBIT and Adjusted Net Result. On the other hand, the net financial debt and the cash flow reported will continue to not incorporate the notional component linked to the application of IFRS 16.

This Interim Report on Operations 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.

Unless otherwise indicated, all amounts are stated in millions of Euro. Amounts and percentages were calculated on amounts in thousands of Euro and, thus, any differences found in certain tables are due to rounding.

The publication of the Interim Report on Operations as at 31 May 2020 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 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 the consolidation principles adopted are consistent with those used in the Group's consolidated financial statements as at 29 February 2020, to which reference is made.

The Interim Report on Operations as at 31 May 2020 was approved by the Board of Directors on 10 July 2020.

3. Key indicators of 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, despite being derived from the consolidated financial statements are not subject to audit, (iii) the APIs should not be regarded as substitutes for the indicators provided for in the International Financial Reporting Standards (IFRS), (iv) the interpretation of these APIs should be carried out together with that of the Group’s financial information drawn from the consolidated financial statements; (v) the definitions and criteria adopted for the determination of the indicators used by the Group, since they do not derive from the reference accounting standards, may not be homogeneous with those adopted by other companies or groups and, therefore, may not be comparable with those potentially presented by such entities, and (vi) the APIs used by the Group are prepared with continuity and homogeneity of definition and representation for all the financial periods for which information is included in the Interim Report on Operations as at 31 May 2020.

The APIs reported (consolidated adjusted EBIT, consolidated adjusted EBIT margin, adjusted consolidated profit (loss) for the period, net working capital, consolidated adjusted free cash flow, net financial debt) 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 Report on Operations to assess their operating performance and related financial position.

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

Main financial and operating indicators[2]_[3]

(in millions of Euro)	Period ended	
	31 May 2020	31 May 2019
Operating indicators		
Consolidated revenues	428.9	495.3
Consolidated Adjusted EBIT[4]	(11.1)	(2.5)
Consolidated Adjusted EBIT margin[5]	(2.6%)	(0.5%)
Consolidated Profit/Loss for the Period	(14.4)	(11.3)
Adjusted Consolidated Profit/Loss for the Period[6]	(13.8)	(5.6)
Cash flows		
Consolidated Adjusted free cash flow[7]	(40.1)	(39.7)
Investments paid in the period	(15.6)	(13.4)

(in millions of Euro)	Period ended	
	31 May 2020	29 February 2020
Indicators from statement of financial position		
Net working capital	(230.3)	(258.7)
(Net financial debt) / Net cash – Pursuant to IAS 17	(11.2)	29.6
(Net financial debt) / Net cash – IFRS 16	(477.8)	(448.0)

[2] 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.

[3] One year after the first adoption of IFRS 16, the transitional phase during which Unieuro's financial reporting was based on adjusted data and in continuity with the previous IAS 17 and related Interpretations is concluded. From the quarter in question, Unieuro will therefore comment only on the post-implementation economic figures of the above accounting standard, restating comparative figures and focusing on Adjusted EBIT and Adjusted Net Profit. On the other hand, net financial debt and cash flow will continue not to incorporate the notional component related to the application of IFRS 16.

[4] Consolidated Adjusted EBIT is Consolidated EBIT adjusted for (i) non-recurring expenses/(income), (ii) non-recurring amortisation, depreciation and write-downs and (iii) 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.

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

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

[7] Consolidated adjusted free cash flow is defined as cash flow generated/absorbed by operating activities net of investment activities, inclusive of financial expenses and lease flows and adjusted for non-recurring investments and other non-recurring operating flows and including adjustments for non-recurring expenses (income) and their non-cash component and the related tax impact.

(in millions of Euro)	Year ended	
	29 February 2020	**28 February 2019**
Operating indicators for the year		
Like-for-like growth[8]	6.5%	4.9%
Direct sales outlets (number)	249	237
of which Pick-Up Points[9]	236	227
Affiliated sales outlets (number)	261	275
of which Pick Up Points	174	158
Total area of direct sales outlets (in square metres)	about 369,000	about 345,000
Sales density[10] (Euro per square metre)	5,031	4,703
Full-time-equivalent employees[11] (number)	4,414	4,148

8 Like-for-like revenue growth: the methods for comparing sales for the period ended 31 May 2020 with those for the period ended 31 May 2019 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.

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

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

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

4. Group operating and financial results

5.1 Consolidated revenues

In the quarter ended 31 May 2020, the Unieuro Group recorded revenues of Euro 428.9 million, down 13.4% compared with the figure of Euro 495.3 million of the corresponding period of the previous year, a decrease of Euro 66.3 million.

Revenue dynamics were evidently influenced by the Covid-19 emergency, which caused on the one hand, the adoption by the authorities of heavy restrictions on the free movement of people and on the other, a rapid evolution of consumer purchasing patterns, in light of the new needs for social distancing.

Traffic and revenues from the network of stores, both direct and indirect, were therefore penalised, while e-commerce benefited greatly from the situation, allowing Unieuro - thanks to a consolidated digital presence - to compensate at least partially for the drop in turnover in physical stores.

Overall, March and April thus recorded a cumulative loss of revenues equal to 30% compared to the same two-month period in 2019. With the arrival of the so-called Phase 2 and thanks to the measures adopted in the meantime in terms of store safety and customer service, May, on the other hand, recorded a strong rebound year on year, equal to about +20%.

Overall, the development of like-for-like revenues[12] - or the comparison of sales with those of the previous year based on a standard scope of operations - was negative at 9.5%. 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 recorded a lower decrease of negative 5.5%.

5.1.1 Consolidated revenues by channel

(In millions of Euro and as a percentage of revenues)	**Period ended**				**Changes**	
	31 May 2020	**%**	**31 May 2019**	**%**	**Δ**	**%**
Retail	225.1	52.5%	347.2	70.1%	(122.1)	(35.2%)
Online	123.0	28.7%	50.7	10.2%	72.3	142.8%
Indirect	49.3	11.5%	59.9	12.1%	(10.6)	(17.7%)
B2B	28.5	6.6%	29.0	5.9%	(0.5)	(1.8%)
Travel	3.1	0.7%	8.5	1.7%	(5.5)	(63.9%)
Total consolidated revenues by channel	**428.9**	**100.0%**	**495.3**	**100.0%**	**(66.3)**	**(13.4%)**

The Retail channel (52.5% of total revenues) - consisting of 250 direct stores located in areas deemed commercially strategic and characterised by different dimensions in terms of area - recorded a drop of 35.2%, to Euro 225.1 million, compared to Euro 347.2 million recorded in the corresponding period of the previous year. In addition to the voluntary closure of the network from 14 to 29 March, the channel suffered the drastic drop in traffic due to the restrictions on the movement of people and the rules on social distancing, which particularly penalised the shops located outside the urban centres, in large shopping malls and shopping parks. Starting from April, the easing of the restrictions and the actions

[12] The growth of like-for-like revenues is 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.

put in place by Unieuro, in support of the customer experience in the omnichannel perspective, have allowed an improvement in Retail sales, which in May were up compared to the same month of 2019.

The Online channel (28.7% of total revenues) posted growth of 142.8%, which pushed revenues to Euro 123.0 million, compared to Euro 50.7 million in the corresponding period of the previous year. The performance, in all respects exceptional, is the result of the emergency situation that has arisen, which has led customers to favour e-commerce at the expense of physical stores, as well as the immediate reaction of Unieuro, which faced the lockdown tactically refocusing marketing activities, both mainstream and digital, on the Online channel. The double presence on the web, guaranteed by two well-known and distinct brands such as Unieuro and Monclick, has further contributed to the success recorded.

The Indirect channel (11.5% of total revenues) - which includes sales made through the network of affiliated stores and revenues produced in large scale retailing through partnerships with the leading industry operators at a total of 259 sales outlets - recorded revenues of Euro 49.3 million, a decrease of 17.7% compared with Euro 59.9 million of the corresponding period of the previous year. Although in fact the restrictive measures imposed by the authorities have also negatively influenced the turnover and traffic of the affiliated stores, the distinctive characteristics of these shops - medium-small in size, focused on the proximity service and concentrated in central-southern Italy - have allowed a significant resilience of the business, which normalised with the start of Phase 2.

The B2B channel (6.6% of total revenues) - which targets professional domestic and foreign customers that operate in industries other than those where Unieuro operates, such as hotel chains and banks, as well as operators that need to purchase electronic products to be distributed to their regular customers or to employees to accumulate points or participate in prize competitions or incentive plans (B2B2C segment) - recorded sales of Euro 28.5 million, down 1.8% from Euro 29 million of the corresponding period of the previous year. By its very nature, the channel was only marginally affected by the effects of the pandemic.

Lastly, the Travel channel (0.7% of total revenues) - composed of 11 direct sales outlets located at some of the main public transport hubs such as airports, railway and underground stations - recorded a decrease of 63.9% to Euro 3.1 million. The performance was inevitably affected by the collapse of air traffic generated by the pandemic and the total or partial closure - still in progress - of some airports.

5.1.2 Consolidated revenues by category

(In millions of Euro and as a percentage of revenues)	**Period ended**				**Changes**	
	31 May 2020	**%**	**31 May 2019**	**%**	**Δ**	**%**
Grey	223.6	52.1%	243.0	49.1%	(19.4)	(8.0%)
White	109.8	25.6%	130.6	26.4%	(20.7)	(15.9%)
Brown	57.6	13.4%	80.0	16.2%	(22.4)	(28.0%)
Other products	19.9	4.6%	19.5	3.9%	0.3	1.7%
Services	18.0	4.2%	22.2	4.5%	(4.1)	(18.7%)
Total consolidated revenues by category	**428.9**	**100.0%**	**495.3**	**100.0%**	**(66.3)**	**(13.4%)**

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 (52.1% of total revenues) - i.e. telephony, tablets, information technology, telephony accessories, cameras, as well as all wearable technological products - generated a turnover of Euro 223.6 million, down 8.0% compared to Euro 243.0 million of the corresponding period of the previous year. Although down, the category benefited from significant underlying consumer trends, which arose in reaction to the epidemic and related to work and remote study and, in general, to the need to connect and communicate in a prolonged period of forced isolation.

The White category (25.6% of total revenues) - which is composed of large appliances (MDA) such as washing machines, tumble dryers, refrigerators or freezers and cooktops, small appliances (SDA), such as vacuum cleaners, kitchen robots, coffee machines as well as the climate control segment - recorded sales of Euro 109.8 million, down 15.9% compared with Euro 130.6 million of the corresponding period of the previous year. Performance, slightly lower than that of the overall turnover, was affected by the drop in sales of large appliances such as washing machines, refrigerators and dryers, the purchase of which is more frequently related to the experience in the shop. By contrast, small appliances have benefited from the needs emphasized by the lockdown, including domestic food preparation and house cleaning.

The Brown category (13.4% of revenues) - including televisions and accessories, audio devices, devices for smart TVs, car accessories ad memory systems - recorded total revenues of Euro 57.6 million, -28.0% compared with the figure of Euro 80.0 million of the corresponding period of the previous year. The drop mainly affected sales of televisions, impacted inter alia by the postponement of sporting events imposed by Covid.

The Other products category (4.6% of total revenues) - which includes both the sales of the Entertainment sector and other products not included in the consumer electronics market such as hoverboards or bicycles - recorded consolidated revenues of Euro 19.9 million (+1.7%). The entertainment segment, including consoles and video games, drove sales in a phase characterised by the search for maximum home comfort.

The Services category (4.2% of total revenues) observed a drop of 18.7% to Euro 18.0 million, therefore less than that recorded by the physical channels, reflecting in particular the decrease recorded in the sales of warranty extensions.

5.2 Consolidated operating profit[13]

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

(in millions and as a percentage of revenues)	Period ended						Changes	
	31 May 2020			31 May 2019				
	Adjusted amounts	%	*Adjustments*	Adjusted amounts	%	*Adjustments*	Δ	%
Revenue	428.9			495.3			(66.3)	(13.4%)
Sales revenues	**428.9**			**495.3**			**(66.3)**	**(13.4%)**
Purchase of goods and Change in inventories	(349.1)	(81.4%)	0.0	(386.2)	(78.0%)	0.0	37.2	(9.6%)
Logistics costs	(16.8)	(3.9%)	0.0	(13.7)	(2.8%)	0.7	(3.1)	22.9%
Marketing costs	(8.1)	(1.9%)	0.1	(12.4)	(2.5%)	1.1	4.3	(34.4%)
Other costs[14]	(12.1)	(2.8%)	0.0	(17.8)	(3.6%)	1.8	5.7	(32.2%)
Personnel costs	(30.3)	(7.1%)	0.1	(46.1)	(9.3%)	0.6	15.8	(34.2%)
Other operating income and costs	(1.3)	(0.3%)	(0.0)	(1.1)	(0.2%)	(0.0)	(0.2)	16.3%
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	0.5	0.1%	0.5	1.9	0.4%	1.9	(1.5)	(75.9%)
Consolidated Adjusted EBITDA	11.6	2.7%	0.7	19.8	4.0%	6.2	(8.2)	(41.4%)
Amortisation, depreciation and write-downs of fixed assets	(22.7)	(5.3%)	0.0	(22.3)	(4.5%)	0.1	(0.4)	1.9%
Consolidated Adjusted EBIT	**(11.1)**	**(2.6%)**	**0.7**	**(2.5)**	**(0.5%)**	**6.2**	**(8.6)**	**346.4%**

Consolidated Adjusted EBIT during the quarter decreased by Euro 8.6 million, settling at a negative Euro 11.1 million (negative Euro 2.5 million in the corresponding period of the previous year). The Adjusted EBIT margin was negative at 2.6%. Performance in terms of revenues was inevitably marked by the crisis linked to the spread of Covid-19, which manifested itself in Italy at the end of February 2020 - therefore throughout the first quarter of FY21 - and is still ongoing. The measures adopted by the Group to mitigate the impact of the emergency have allowed a reduction in the incidence of costs relating to personnel, leases and marketing, compensating for the dynamics of the gross margin and

[13] One year after the first adoption of IFRS 16, the transitional phase during which Unieuro's financial reporting was based on adjusted data and in continuity with the previous IAS 17 and related Interpretations is concluded. From the quarter in question, Unieuro will therefore comment only on the post-implementation economic figures of the above accounting standard, restating comparative figures and focusing on Adjusted EBIT and Adjusted Net Profit. On the other hand, net financial debt and cash flow will continue not to incorporate the notional component related to the application of IFRS 16.

[14] Under the item "Other costs" the components recognised in the income statement of the IFRS 16 lease have been classified; it should be noted that the International Accounting Standards Board has issued an amendment to IFRS 16 relating to the accounting of concessions on lease payments resulting from agreements signed between the parties in consideration of the negative effects of Covid-19. These amendments introduce a practical expedient for lessees, also adopted by the group, which makes it possible to account for one-off reductions as a variable rent payment and therefore recognised in the income statement for the period..

the increase in logistics costs, influenced by the unfavourable channel and product mix.

During the period, costs for the purchase of goods and changes in inventories decreased by Euro 37.2 million. The incidence on consolidated revenues is 81.4% (78.0% in the corresponding period of the previous year), the gross margin as indicated above was affected by the health epidemic due to the unfavourable channel and category mix that characterised sales for the quarter.

Marketing costs decreased by 34.4% compared with 31 May 2019. The decrease is mainly attributable to the company's choice to focus more on digital consumption, making a progressive cut of paper and distribution, partially reinvesting savings to strengthen the visibility of the digital flyer. Marketing and advertising communication activities have been redirected towards the Online channel. The impact on consolidated revenues decreased and was 1.9% as at 31 May 2020 (2.5% in the period in the previous year).

Logistics costs increased by around Euro 3.1 million. The performance is mainly attributable to the increase in weight of the sales of the period recorded in the online channel compared to the physical network and the ever-increasing weighting of home deliveries for online orders as a result of the increase recorded in requests for non-standard delivery services (timed delivery slot, delivery to a specified floor, etc.) and promotional campaigns which include free delivery. The impact on consolidated revenues increased and was 3.9% as at 31 May 2020 (2.8% in the period in the previous year).

The item Other costs decreased by Euro 5.7 million compared to the corresponding period of the previous year; the incidence on consolidated revenues also decreased, equal to 2.8% as at 31 May 2020 (3.6% as at 31 May 2019). The trend is mainly attributable to the discounts on lease fees obtained to balance the restrictive measures imposed by the Authorities for Euro 4.9 million and the reduction in operating costs essentially attributable to utilities, maintenance fees consequent to the reduced operation of the shops, offset by the increase in the cost associated with collections with electronic payment instruments (cards, PayPal etc.) due to the growth in turnover in the online channel.

Personnel costs decreased by Euro 15.8 million mainly due to the effect of the actions taken to mitigate the impacts of the epidemic and related mainly to the use of the exceptional redundancy payments and the completion of previous holidays and leave. The impact on consolidated revenues decreased and was 7.1% as at 31 May 2020 (9.3% in the period in the previous year).

Other operating income and costs increased by Euro 0.2 million. The impact on consolidated revenues increased and was 0.3% as at 31 May 2020 (0.2% in the corresponding period of the previous year). The item mainly includes costs for expenses related to running a business such as waste disposal tax, etc.; the decrease is attributable to the loss of some one-off contributions received from suppliers in the last quarter of the previous year.

Amortisation, depreciation and write-downs of fixed assets are substantially in line and amounted to Euro 22.7 million (Euro 22.3 million in the period ended 31 May 2019). The impact of IFRS 16 amortisation is equal to Euro 15.4 million (Euro 15.3 million in the period ended 31 May 2019). The adjustments relating to the previous year of Euro 0.1 million refer to the amortisation of the right of use relating to the leases of the new openings and acquisitions.

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

(In millions of Euro and as a percentage of revenues)	Period ended				Changes	
	31 May 2020	%	31 May 2019	%	Δ	%
Consolidated Adjusted EBIT[15]	**(11.1)**	**(2.6%)**	**(2.5)**	**(0.5%)**	**(8.6)**	**346.4%**
Non-recurring expenses/(income)[16]	(0.2)	0.0%	(4.2)	(0.8%)	4.0	(95.4%)
Revenues from extended warranty services net of related estimated future costs to provide the assistance service - change in the business model for directly managed assistance services[17]	(0.5)	(0.1%)	(1.9)	(0.4%)	1.5	(75.9%)
Non-recurring depreciation, amortisation and write-downs of fixed assets	0.0	0.0%	(0.1)	(0.0%)	0.1	(100.0%)
Net operating result (EBIT)	**(11.8)**	**(2.7%)**	**(8.7)**	**(1.8%)**	**(3.0)**	**34.8%**

Non-recurring expense/(income) decreased by Euro 4.0 million compared to the corresponding period of the previous year and are explained, in detail, in paragraph 7.3.

The adjustment due to the change in the business model for directly managed services was down by Euro 1.5 million compared to the corresponding period of the previous year.

5.3 Non-recurring income and expenses[18]

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

[16] Non-recurring expenses and income relating to 31 May 2019 are presented in application of accounting standard IFRS 16.

[17] The adjustment was for the deferral of extended warranty service revenues already collected, net of the related estimated future costs to provide the assistance service. From the year ended 29 February 2012, for White products sold by Unieuro,from the year ended 28 February 2015 for all extended warranty services sold by Unieuro S.r.l. (hereinafter the "Former Unieuro") (excluding telephone systems and peripherals), from the year of acquisition for all extended warranty services sold by the sales outlets acquired by the business units the former Andreoli S.p.A., the former Cerioni S.p.A., the former DPS S.r.l., the former Galimberti S.p.A. and the former Pistone S.p.A. (excluding telephone systems and peripherals), Unieuro modified the business model for the management of extended warranty services by in-sourcing the management of services sold by the Former Unieuro and by Unieuro that were previously outsourced and by extending this model to the sales outlets acquired by the business units the former Andreoli S.p.A., the former Cerioni S.p.A., the former DPS S.r.l., the former Galimberti S.p.A. and the former Pistone S.p.A. (the "Change in Business Model"). As a result of the Change in Business Model, at the time of sale of extended warranty services, Unieuro suspends the revenue in order to recognise the revenue over the life of the contractual obligation, which starts on the expiration of the two-year legally required warranty. Thus, Unieuro begins to gradually record revenues from sales of extended warranty services two years (term of the legally required product warranty) after the execution of the related agreements and after the collection of compensation, which is generally concurrent. Thus, the revenue is recorded on a pro rata basis over the life of the contractual obligation (historically, depending on the product concerned, for a period of one to four years). As a result of this Change in Business Model, the income statements do not fully reflect the revenues and profit of the business described in this note. In fact, the income statements for the periods ended 31 May 2020 and 31 May 2019 only partially report revenues from sales generated starting with the Change in Business Model because Unieuro will gradually record sales revenues from extended warranty services (already collected by it) starting at the end of the legally required two-year warranty period. Thus, the adjustment is aimed at reflecting, for each period concerned, the estimated profit from the sale of extended warranty services already sold (and collected) starting with the Change in Business Model as if Unieuro had always operated using the current business model. Specifically, the estimate of the profit was reflected in revenues, which were held in suspense in deferred income, to be deferred until those years in which the conditions for their recognition are met, net of future costs for performing the extended warranty service, which were projected by Unieuro on the basis of historical information on the nature, frequency and cost of assistance work. The adjustment will progressively decrease to nil in future income statements when the new business model is fully reflected in our financial statements, i.e., for each product category, when the period has lapsed that starts on the first day of the legally required two-year warranty and ends on the last expiry date of warranty extensions.

[18] One year after the first adoption of IFRS 16, the transitional phase during which Unieuro's financial reporting was based on adjusted data and in continuity with the previous IAS 17 and related Interpretations is concluded. From the quarter in question, Unieuro will therefore comment only on the post-implementation economic figures of the above accounting standard, restating comparative figures and focusing on Adjusted EBIT and Adjusted Net Profit. On the other hand, net financial debt and cash flow will continue not to incorporate the notional component related to the application of IFRS 16.

(in millions of Euro)	Period ended		Changes	
	31 May 2020	31 May 2019	Δ	%
Costs for pre-opening, relocating and closing points of sale	0.2	0.5	(0.3)	(60.5%)
Other non-recurring expenses	(0.0)	0.6	(0.6)	103.9%
Mergers&Acquisitions	-	3.2	(3.2)	(100.0%)
Non-recurring income and expenses	***0.2***	***4.3***	***(4.1)***	***(95.5%)***

Non-recurring expenses and income recorded a drop in the quarter of Euro 4.1 million; the last quarter, the item mainly included Euro 3.2 million relating to Mergers & Acquisition costs related to the acquisition of the former Pistone S.p.A. stores.

Costs for the pre-opening, repositioning and closure of sales outlets stand at Euro 0.2 million for the period ended 31 May 2020 (Euro 0.5 million in the corresponding period of the previous year). This item includes: personnel, marketing, security, travel and transfer costs, for maintenance and for the amortisation and financial expenses relating to the right of use for the lease contract incurred as part of: i) store openings (in the months immediately preceding and following the opening of the same) and (ii) store closures.

5.4 Net result[19]

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

(in millions and as a percentage of revenues)	Period ended						Changes	
	31 May 2020			31 May 2019				
	Adjusted amounts	%	*Adjustments*	Adjusted amounts	%	*Adjustments*	Δ	%
Consolidated Adjusted EBIT	**(11.1)**	**(2.6%)**	**0.7**	**(2.5)**	**(0.5%)**	**6.2**	**(8.6)**	**346.4%**
Financial income and expenses	(3.6)	(0.8%)	0.0	(3.1)	(0.6%)	0.0	(0.5)	16.3%
Income taxes[20]	0.9	0.2%	(0.1)	(0.0)	0.0%	(0.5)	0.9	(1963.0%)
Adjusted Consolidated Profit/Loss for the Period	**(13.8)**	**(3.2%)**	**0.6**	**(5.6)**	**(1.1%)**	**5.7**	**(8.2)**	**146.9%**

Net financial expenses amounted to Euro 3.6 million (Euro 3.1 million in the corresponding period of the previous year) of which Euro 2.6 million at 31 May relating to IFRS 16 financial expenses (Euro 2.3 million as at 31 May 2019). The increase is mainly attributable to the trend in financial expenses relating to the IFRS 16 adjustment for Euro 0.3 million.

Income taxes, net of the theoretical tax effect for non-recurring expenses/(income) and the change in the business model, amounted to Euro 0.9 million. Note that IRES tax losses, which were still available resulting from the tax estimate made during the closure of the financial statements as at 29 February 2020, totalled Euro 345.8 million in

[19] One year after the first adoption of IFRS 16, the transitional phase during which Unieuro's financial reporting was based on adjusted data and in continuity with the previous IAS 17 and related Interpretations is concluded. From the quarter in question, Unieuro will therefore comment only on the post-implementation economic figures of the above accounting standard, restating comparative figures and focusing on Adjusted EBIT and Adjusted Net Profit. On the other hand, net financial debt and cash flow will continue not to incorporate the notional component related to the application of IFRS 16.

[20] The tax impacts of the adjustments were calculated using the theoretical rate deemed appropriate of 8.7% as at 31 May 2020 and 31 May 2019, which incorporates IRES at 4.8% (obtained by reducing taxable IRES income by 80% due to the ability to use past tax losses) and IRAP at 3.9%.

relation to Unieuro and Euro 8.0 million and Euro 6.3 million respectively in relation to Carini and Monclick. These tax losses guarantee a substantial benefit in the payment of taxes in future years.

The Adjusted Consolidated Result of the period was negative for Euro 13.8 million (negative Euro 5.6 million in the quarter ended 31 May 2019); the trend is attributable to the decrease in Adjusted EBIT and the increase in net financial expenses partially offset by the positive effect of taxes.

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

(In millions of Euro and as a percentage of revenues)	Period ended				Changes	
	31 May 2020	%	31 May 2019	%	Δ	%
Adjusted Consolidated Net Profit/Loss for the Period	**(13.8)**	**(3.2%)**	**(5.6)**	**(1.1%)**	**(8.2)**	**146.9%**
Non-recurring expenses/income	(0.2)	0.0%	(4.2)	(0.8%)	4.0	(95.4%)
Revenues from extended warranty services net of related estimated future costs to provide the assistance service - change in the business model for directly managed assistance services	(0.5)	(0.1%)	(1.9)	(0.4%)	1.5	(75.9%)
Non-recurring depreciation, amortisation and write-downs of fixed assets	0.0	0.0%	(0.1)	0.0%	0.1	100.0%
Non-recurring financial expenses/(income)	0.0	0.0%	(0.0)	0.0%	0.0	(100.0%)
Theoretical tax impact from taxes on non-recurring expenses/(income), non-recurring financial expenses/(income), non-recurring depreciation, amortisation and write-downs of fixed assets and the change in business model.	0.1	0.0%	0.5	0.1%	(0.5)	(89.4%)
Consolidated Net Profit/Loss for the Period	**(14.4)**	**(3.4%)**	**(11.3)**	**(2.3%)**	**(3.1)**	**27.3%**

5.5 Cash flows[21]

5.5.1 Consolidated Adjusted Free Cash Flow [22]

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

(in millions of Euro)	Period ended		Changes	
	31 May 2020	31 May 2019	Δ	%
Consolidated Gross Operating Result (EBITDA)	10.9	13.6	(2.7)	(19.7%)
Cash flow generated/(absorbed) by operating activities[23]	(25.0)	(34.0)	9.0	(26.5%)
Taxes paid	0.0	0.0	0.0	0.0%
Interest paid[24]	(2.8)	(2.7)	(0.0)	1..6%
Other changes	0.1	0.5	(0.4)	(73.7%)
Consolidated net cash flow generated/(absorbed) by operating activities[25]	**(16.7)**	**(22.7)**	**5.9**	**(26.1%)**
Investments paid[26]	(9.6)	(6.9)	(2.7)	39.2%
Investments for business combinations and business units	(6.0)	(6.5)	0.5	(7.5%)
Adjustment for non-recurring investments	6.0	6.5	(0.5)	(7.5%)
Non-recurring expenses /(income)	0.2	4.3	(4.1)	(95.5%)
Adjustment for non-monetary components of non-recurring (expenses)/income	0.0	(2.0)	2.0	(100.0%)
Other non-recurring cash flows	(0.1)	0.0	(0.1)	(100.0%)
Theoretical tax impact of the above entries[27]	(0.0)	(0.2)	0.2	(92.2%)
Consolidated Adjusted free cash flow – IFRS 16	**(26.3)**	**(27.5)**	**1.2**	**(4.3%)**
Leasing IFRS 16[28]	(13.8)	(12.3)	(1.6)	12.8%
Consolidated Adjusted free cash flow – Pursuant to IAS 17	**(40.1)**	**(39.7)**	**(0.4)**	**1.0%**

The consolidated net cash flow generated/(absorbed) by operating activities was negative by Euro 16.7 million (negative by Euro 22.7 million in the corresponding period of the previous year). The lower cash absorption of Euro 5.9 million is mainly due to the trend in net working capital partially offset by the drop in operating profitability for the period. The change in net working capital was influenced by the actions taken in response to the Covid-19 emergency,

[21] One year after the first adoption of IFRS 16, the transitional phase during which Unieuro's financial reporting was based on adjusted data and in continuity with the previous IAS 17 and related Interpretations is concluded. From the quarter in question, Unieuro will therefore comment only on the post-implementation economic figures of the above accounting standard, restating comparative figures and focusing on Adjusted EBIT and Adjusted Net Profit. On the other hand, net financial debt and cash flow will continue not to incorporate the notional component related to the application of IFRS 16.

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

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

[24] This item includes the interest component relating to the IFRS 16 impact.

[25] The item “Consolidated net cash flow generated/(absorbed) by operating activities” refers to cash generated by operating activities in a broad sense net of outlays for interest and taxes and adjusted for non-cash effects of balance sheet changes included in the item “Cash flow generated/(absorbed) by operating activities”.

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

[27] The theoretical rate deemed appropriate by management is 8.7% both at 31 May 2020 and 31 May 2019, and incorporates IRES at 4.8% (obtained by reducing taxable IRES income by 80% due to the ability to use past tax losses) and an IRAP rate at 3.9%.

[28] The item includes the portion of both paid leases and expired leases.

which saw careful management of inventories and a strong commitment to renegotiate payment terms with the main commercial partners in order to optimise working capital management.

The investments made and paid amounted to Euro 9.6 million in the period ended 31 May 2020 (Euro 6.9 million in the corresponding period of the previous year), and are mainly attributable to: (i) interventions for the development of the network of direct stores and (ii) costs incurred for the purchase of new hardware, software, licenses and developments on the applications with a view to improving the infrastructure, digitisation of the stores and launch of advanced functions for the online platform, with the aim of making each customer's omnichannel experience increasingly functional and enjoyable.

Investments for business combinations and business units for Euro 6.0 million in the period ended 31 May 2020 (Euro 6.5 million in the corresponding period of the previous year) refer to the portion paid of the purchase price in the context of the acquisition former Pistone S.p.A. These investments are classified as non-recurring and therefore adjusted in the determination of the Consolidated Adjusted Free Cash Flow indicator.

Non-recurring expenses and income of Euro 0.2 million in the period ended 31 May 2020 (Euro 4.3 million in the same period of the previous year) mainly relate to pre-opening, repositioning and closing costs of the stores; these costs were fully paid in the period.

Other non-recurring cash flows of Euro 0.1 million refer to adjustments for non-recurring items made in the previous year that had financial effect in the period.

Below are listed the main changes recorded in the Group’s net financial indebtedness during the period ended 31 May 2020 and in the period ended 31 May 2019:

(in millions of Euro)	**Period ended**		**Changes**	
	31 May 2020	**31 May 2019**	**Δ**	**%**
Operating Result (EBITDA)	10.9	13.6	(2.7)	(19.9%)
Cash flow generated/(absorbed) by operating activities	(25.0)	(34.0)	9.0	(26.5%)
Taxes paid	0.0	0.0	0.0	(100.0%)
Interest paid[29]	(2.8)	(2.7)	(0.0)	1.6%
Other changes	0.1	0.5	(0.4)	(73.7%)
Net cash flow generated/(absorbed) by operating activities	**(16.7)**	**(22.6)**	**5.9**	**(26.0%)**
Investments paid	(9.6)	(6.9)	(2.7)	39.2%
Investments for business combinations and business units	(6.0)	(6.5)	0.5	(7.5%)
Payables from the acquisition of business units	6.0	(10.9)	16.9	(155.2%)
Leasing IFRS 16[30]	(13.8)	(12.3)	(1.6)	12.8%
Other changes	(0.7)	(0.5)	(0.2)	45.9%
Change in net financial debt - Pursuant to IAS 17	**(40.8)**	**(59.6)**	**18.8**	**(31.5%)**

29 This item includes the interest component relating to the IFRS 16 impact.

30 The item includes the portion of both paid leases and expired leases.

6. Statement of financial position[31]

Below is a detailed breakdown of the Group’s net working capital and net invested capital as at 31 May 2020 and as at 31 May 2019:

(in millions of Euro)	Period ended	
	31 May 2020	**29 February 2020**
Trade receivables	52.0	51.3
Inventories	304.5	369.8
Trade payables	(384.8)	(479.6)
Net operating working capital	**(28.3)**	**(58.5)**
Other working capital items	(202.1)	(200.2)
Net working capital	**(230.3)**	**(258.7)**
Assets for rights of use	468.9	478.3
Non-current assets	149.9	153.6
Goodwill	195.2	195.2
Non-current liabilities	(23.7)	(24.2)
Net invested capital	**560.0**	**544.2**
Net financial debt	(477.8)	(448.0)
Shareholders' equity	(82.2)	(96.2)
Total shareholders’ equity and financial liabilities	**(560.0)**	**(544.2)**

The Group's Net Working Capital as at 31 May 2020 was negative by Euro 28.3 million (negative by Euro 58.5 million as at 29 February 2020). The performance for the period was influenced by the actions taken in response to the Covid-19 emergency, which saw careful management of inventories and a strong commitment to renegotiate payment terms with the main commercial partners in order to optimise working capital management.

The Net Invested Capital of the Group stood at Euro 560.0 million as at 31 May 2020, up Euro 15.8 million compared with 29 February 2020. The change is mainly due to: (i) trend in Group Net Working Capital for Euro 28.4 million and (ii) investments for Euro 2.9 million (Euro 6.3 million as at 31 May 2019) attributable to capitalised costs incurred for network development interventions of direct shops and costs incurred for the purchase of new hardware, software, licenses and developments on applications with a view to improving the technological infrastructure.

Shareholders' equity stood at Euro 82.2 million as at 31 May 2020 (Euro 96.2 million as at 29 February 2020), with a decrease mainly caused by the negative result for the period and partly offset by the reserve for share-based payments relating to the Long-Term Incentive Plan[32] reserved for some managers and employees.

[31] One year after the first adoption of IFRS 16, the transitional phase during which Unieuro's financial reporting was based on adjusted data and in continuity with the previous IAS 17 and related Interpretations is concluded. From the quarter in question, Unieuro will therefore comment only on the post-implementation economic figures of the above accounting standard, restating comparative figures and focusing on Adjusted EBIT and Adjusted Net Profit. On the other hand, net financial debt and cash flow will continue not to incorporate the notional component related to the application of IFRS 16.

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

Below is a detailed breakdown of the Group's net financial debt as at 31 May 2020 and 29 February 2020 in accordance with Consob Communication 6064293 of 28 July 2006 and in compliance with ESMA Recommendations 2013/319:

(In thousands of Euro)	**as at 31 May 2020**	**as at 29 February 2020**
(A) Cash	131.4	96.7
(B) Other cash and cash equivalents	0.0	0.0
(C) Securities held for trading	0.0	0.0
(D) Liquidity (A)+(B)+(C)	**131.4**	**96.7**
- of which is subject to a pledge	0.0	0.0
(E) Current financial receivables	**0.0**	**0.0**
(F) Current bank payables	(53.2)	(0.0)
(G) Current part of non-current debt	(9.5)	(9.5)
(H) Other current financial payables	**(17.4)**	**(12.3)**
(I) Current financial debt (F)+(G)+(H)	(80.1)	(21.9)
- of which is secured	0.0	0.0
- of which is unsecured	(80.1)	(21.9)
(J) Net current financial position (I)+(E)+(D)	**51.3**	**75.0**
(K) Non-current bank payables	(48.7)	(31.6)
(L) Bonds issued	0.0	0.0
(M) Other non-current financial payables	(13.8)	(13.6)
(N) Non-current financial debt (K)+(L)+(M)	**(62.5)**	**(45.3)**
- of which is secured	0.0	0.0
- of which is unsecured	(62.5)	(45.3)
(O) Net financial debt – Pursuant to IAS 17 (J)+(N)	**(11.2)**	**29.6**
(P) Current financial receivables - IFRS 16	1.4	1.4
(Q) Non-current financial receivables - IFRS 16	8.6	8.9
(R) Other current financial payables - IFRS 16	(57.7)	(57.1)
(S) Other non-current financial payables - IFRS 16	(419.0)	(430.9)
(T) Net financial debt - IFRS 16 (O)+(P)+(Q)+(R)+(S)	**(477.8)**	**(448.0)**

Net financial debt - pursuant to IAS 17 increased by Euro 40.8 million compared to 29 February 2020, recording a debt of Euro 11.2 million as at 31 May 2020.

Gross financial debt totalled Euro 142.7 million, of which Euro 62.5 million was medium-/long-term and Euro 80.1 million was short-term.

regulations ("Regulations") whereby the terms and conditions of implementation of Long Term Incentive Plan were determined. The conclusion and subsequent acceptance of the Long-Term Incentive Plan by the Recipients took place in October 2017 and was effective from 29 June 2017.

7. Coronavirus epidemic

To contain the effects of the contagion, the Italian authorities have adopted increasingly stringent containment measures, first locally and then nationally. For the Group, the succession of regional ordinances and national decrees has resulted in the need to adapt to the measures gradually prescribed since the beginning of the emergency.

As of the end of February 2020, the Company has provided head office personnel with IT tools suitable for remote work and subsequently recommended that all head office personnel adopt this work method.

On 14 March 2020, Unieuro, in compliance with the need to protect the health of customers and its collaborators, announced the closure of the entire network of direct stores.

Starting from 30 March 2020, the Company began reopening a significant number of direct stores in order to guarantee customers the most urgent or necessity purchases as required by the Prime Ministerial Decree of 11 March 2020 and subsequent amendments.

Nonetheless, in April, the traffic in physical channels recorded substantial decreases compared to the levels of 2019, also due to the regulations issued to limit the movement of people. The trend, improved week by week, however led to a less than proportional drop in revenues, thanks to a conversion rate significantly higher than the historical averages. In parallel, the Online channel continued the boom in orders and revenues already observed in March.

With the beginning of Phase 2, characterised by softer restrictions and a progressive but still incomplete return to normal, revenues have accelerated significantly. Starting from 4 May, with the almost total reopening of the stores, Unieuro therefore recorded very positive turnover levels both on the physical network and, once again, online. A trend that continued in June, albeit with lower growth rates.

Precisely in June, taking on the challenge of a still complex and constantly evolving retail scenario, Unieuro launched an important project aimed at rethinking the customer experience of customers in an omnichannel perspective, supporting store traffic thanks to the engagement opportunities generated by the e-commerce channel.

The Company has thus launched a project roadmap that will lead to the rapid release of new omnichannel digital services, the first of which - called aTUperTU and filaVIA - are already active in all stores and aim to rationalise customer flows in the store, in a historical moment in which social distancing continues to be fundamental.

From the beginning of the crisis, the Group's operations are ensured above all thanks to: (i) the implementation of measures to protect the health and safety of employees in logistics offices and shops, and in particular, the temperature of each employee is measured at the beginning of the work shift and they are provided with the personal protective equipment needed to perform their duties safely, in particular masks, disposable gloves and sanitising gel. Furthermore, Unieuro has signed a health policy that protects all 5,000 employees in the event of an infection with Covid-19; (ii) the adoption of appropriate procedures to prevent and/or mitigate the effects of contagion for customers, in particular the entry into the stores are counted, strict sanitary measures have also been adopted, including thorough and daily cleaning of the areas and respect for safety distances between people and (iii) the introduction of the smart working mode for office employees which, thanks to investments in digitalisation, allows working remotely for the same level of efficiency and effectiveness.

The situation of the sales channels at the date of this report is as follows:

- Retail channel: from the beginning of May, the direct stores returned to full operation. After having suffered particularly significantly, in March and April, from the closure and subsequent partial reopening of the stores, channel revenues recorded a significant recovery in May, exceeding the turnover levels recorded in the corresponding month of 2019. The trend continued in June.

- Online Channel: the digital platform unieuro.it and the website monclick.it, the operations of which have always been guaranteed even in the most critical moments of the health emergency, have seen a triple-digit percentage increase in orders since March, also thanks to the initial refocusing of marketing activities, both mainstream and digital, on e-commerce activities. The reopening of the shops and the partial normalisation of the emergency context did not interrupt the significantly favourable trend, which continued in May and June.

- Indirect Channel: the majority of affiliated points of sale, in particular in Central and Southern Italy, remained open and operational even during the most acute phase of the crisis. To date, the channel has returned fully operational and has benefited, like the Retail channel, from the return of customers to physical stores, while respecting the regulations currently in force.

- B2B channel: the activity did not suffer significant impacts from the situation generated by the epidemic.

- Travel Channel: the shops located at the airports were the most affected by the emergency, having suffered from the collapse of air traffic and the total or partial closure - still in progress - of some airports. To date, 8 Travel stores are still closed to the public, pending airport operations to resume regularly.

At the same time, Unieuro has taken measures to mitigate the real and potential impacts of Covid-19 on the financial situation and economic performance that essentially concern the following analysis aspects:

Revenue

If initially the interventions mainly concerned the enhancement of the Online channel pending the return to full operation of the physical channels, today the managerial actions focus on making the in-store purchase experience safe and satisfying, using all the levers allowed by the Company's distinctly omnichannel approach.

Cost structure

Personnel costs: actions aimed at the completion of previous holidays and leave were started immediately, followed by recourse to the exceptional redundancy payments for almost all company personnel. The entire Management has also renounced a part of its remuneration as a gesture of solidarity towards the corporate population. However, the resumption of activity recorded from May made the prolongation of the use of social safety nets superfluous, although permitted by a new government decree.

Lease fees: a dialogue is still ongoing, both directly and at the level of trade associations, to mitigate their economic and financial impact, to renegotiate both payment deadlines and to obtain fee reductions, in light of current emergency measures. The first economic and financial effects of the renegotiations are already visible in the first quarter of the current year.

Operating costs: initiatives have been launched to minimise the purchase of goods and services not deemed strictly necessary, both at the point of sale and at the corporate level.

Investments and acquisitions

Deferable investment activities, with particular reference to those relating to the network of stores, have been temporarily suspended and will be rescheduled once the state of emergency has ceased.

Financial situation

Measures have been promptly implemented to preserve and strengthen the solidity of the company. To date, Unieuro can rely on committed credit lines to support operations, and on bilateral lines opened with leading credit institutions. Although liquidity is still available today, the current and future uncertainty linked to the evolution of the crisis and its possible developments makes it appropriate to analyse all the available options.

In general, the Group expects a significant impact related to the Covid-19 epidemic for the year 2020/21, especially with reference to the first part of the year, and a subsequent and gradual recovery of the business in line with its strategy, thanks the latter's ability to increase the customer base, to promote and encourage complementary services and to increase the market penetration of Unieuro compared to its competitors.

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

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

9. Management and coordination activities

Unieuro S.p.A. is not subject to the management or coordination of companies or entities and it determines its general and operational strategies in full autonomy.

10. Significant events during and after the period-end

Significant events during the period

Temporary closure of the sales network

On 14 March, following the worsening of the health situation and the extension of the restrictive measures to the entire national territory, Unieuro closed the entire network of direct stores to the public in order to protect the health of customers and collaborators, although not there were regulatory obligations in this regard.

On 30 March, as part of a new package of measures to contain the effects of the health emergency, the Company started reopening a variable but significant number of direct sales points, in order to guarantee customers the most urgent or necessity purchases.

Insurance coverage

On 20 March, Unieuro took out insurance coverage in the event of contagion from Coronavirus for all 5,000 employees of the group, which provided for an indemnity in case of hospitalisation caused by Covid-19 infection, a convalescence indemnity and a package for post-hospitalisation assistance to manage health recovery.

The use of social safety nets

On 30 March, in light of the limited company operations and in order to contain the economic and financial impact of the crisis, Unieuro announced the application of the exceptional redundancy payments (CIGD), in the terms indicated by the Cura Italia Decree, to almost all employees, for a maximum of nine weeks, even if not consecutive. As a gesture of solidarity with the corporate population, the CEO has announced the full and voluntary renunciation of his salary for April and May. Similarly, the entire company management has decided to cut its salary, by 20% for Chiefs and 10% for the other executives and function directors.

The donation of smartphones to hospitals and nursing homes

On 2 April, Unieuro announced its intention to donate over 2,000 smartphones for the benefit of the patients and people affected by the Covid-19 epidemic, unable to maintain contact with their loved ones. The first 1,000 smartphones were donated to hospitals in Emilia Romagna, while the rest were intended for hospitals and nursing homes for the elderly in Lombardy. The initiative testified to the concrete commitment of Unieuro to supporting the community in a time of serious national emergency.

Significant events following the closure of the period

The Shareholders' Meeting

On 12 June, the Shareholders' Meeting of Unieuro, which met in ordinary and extraordinary session, in single call: approved the financial statements as at 29 February 2020; resolved to allocate the profit for the year to the extraordinary reserve, and therefore, not to distribute dividends for the 2019/20 financial year; approved the first section of the Remuneration Report and cast a favourable vote on the second; confirmed the three directors previously co-opted by the Board of Directors, including the Chairman Stefano Meloni; amended the Articles of Association in order to implement the new gender balance legislation in the composition of the administration and control bodies.

Relaunch of the network expansion

On 11 June, the inauguration of the new store in Milan Portello symbolically marked the restart of the expansion plan of the Unieuro network, after having passed the acute phase of the Covid emergency. As well as the direct three shop-in-shops in the Spazio Conad hypermarkets in Curno (Bergamo), Padua and Merate (Lecco), opened in the previous months, the new Milanese store underlines the intention of Unieuro to focus on the large-scale retail distribution segment: the location, adjacent to Iper, La grande i in Piazza Portello, is in fact part of the partnership signed at the beginning of 2019 with Finiper.

The new omnichannel services

In response to the new customer safety requirements dictated by the post-Covid context, on 19 June, Unieuro announced the launch of a vast and innovative omnichannel project aimed at rethinking the customer experience, with the aim of supporting drive-to-store exploiting the engagement opportunities generated by the e-commerce channel. The first phase of the project involved the release of two service formulas, "aTUperTU" and "filaVIA", designed to rationalise customer flows in stores.

11. Accounting Statements[33]

11.1 Income Statement

(in thousands of Euro)	Period ended 31 May 2020[34]	31 May 2019
Revenue	428,912	495,255
Other income	102	395
TOTAL REVENUE AND INCOME	**429,014**	**495,650**
Purchases of materials and external services	(320,990)	(524,840)
Personnel costs	(30,413)	(46,737)
Changes in inventory	(65,264)	91,095
Other operating costs and expenses	(1,428)	(1,539)
GROSS OPERATING RESULT	**10,919**	**13,629**
Amortisation, depreciation and write-downs	(22,693)	(22,365)
NET OPERATING RESULT	**(11,774)**	**(8,736)**
Financial income	2	15
Financial expenses	(3,562)	(3,107)
PROFIT BEFORE TAX	**(15,334)**	**(11,828)**
Income taxes	915	499
PROFIT/(LOSS) FOR THE PERIOD	**(14,419)**	**(11,329)**
Profit/(loss) for the year of the Group	**(14,419)**	**(11,329)**
Profit/(loss) for the year of third parties	-	-
Basic earnings per share (in Euro)	(0.73)	(0.57)
Diluted earnings per share	(0.73)	(0.57)

11.2 Statement of Comprehensive Income

(in thousands of Euro)	Period ended 31 May 2020	31 May 2019
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD	**(14,419)**	**(11,329)**
Other items of comprehensive income that will or may be reclassified to the profit (loss) for the consolidated period:		
Gain/(losses) on cash flow hedges	125	(92)
Income taxes	(35)	22
Total other components of comprehensive income that will or may be reclassified to profit/(loss) for the consolidated period	**90**	**(70)**
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	306	155
Income taxes	(87)	(45)
Total other components of comprehensive income that will not be reclassified to profit(loss) for the consolidated period:	**219**	**110**

[33] The International Accounting Standards Board has issued an amendment to IFRS 16 relating to the accounting of concessions on lease fees resulting from agreements signed between the parties in consideration of the negative effects of Covid-19. These amendments introduce a practical expedient for tenants also adopted by the group which allows one-off reductions to be accounted for as a variable payment of the fee and therefore, recognized in the income statement for the period.

[34] The International Accounting Standards Board has issued an amendment to IFRS 16 relating to the accounting of concessions on lease fees resulting from agreements signed between the parties in consideration of the negative effects of Covid-19. These amendments introduce a practical expedient for tenants also adopted by the group which allows one-off reductions to be accounted for as a variable payment of the fee and therefore, recognized in the income statement for the period.

Total comprehensive income for the consolidated period	**(14,110)**	**(11,289)**

11.3 Statement of Financial Position

	Period ended	
(in thousands of Euro)	**31 May 2020**[35]	**29 February 2020**
Plant, machinery, equipment and other assets	80,954	84,696
Goodwill	195,239	195,238
Intangible assets with definite useful life	26,913	27,247
Assets for rights of use	468,887	478,286
Deferred tax assets	39,025	38,617
Other non-current assets	11,573	11,931
Total non-current assets	**822,591**	**836,015**
Inventories	304,524	369,788
Trade receivables	52,038	51,288
Current tax assets	549	-
Other current assets	15,301	25,355
Cash and cash equivalents	131,421	96,712
Total current assets	**503,833**	**543,143**
Total assets	**1,326,424**	**1,379,158**
Share capital	4,000	4,000
Reserves	38,848	38,316
Profit/(loss) carried forward	39,333	53,842
Profit/(Loss) of third parties	-	-
Total shareholders' equity	**82,181**	**96,158**
Financial liabilities	48,732	31,643
Employee benefits	11,633	11,988
Other financial liabilities	432,736	444,532
Provisions	8,696	8,679
Deferred tax liabilities	3,313	3,463
Other non-current liabilities	2,582	26
Total non-current liabilities	**507,692**	**500,331**
Financial liabilities	62,768	9,520
Other financial liabilities	75,039	69,419
Trade payables	384,833	479,608
Current tax liabilities	1,757	1,449
Provisions	1,186	1,245
Other current liabilities	210,968	221,428
Total current liabilities	**736,551**	**782,669**
Total liabilities and shareholders' equity	**1,326,424**	**1,379,158**

11.4 Cash Flow Statement

Period ended

[35] The International Accounting Standards Board has issued an amendment to IFRS 16 relating to the accounting of concessions on lease fees resulting from agreements signed between the parties in consideration of the negative effects of Covid-19. These amendments introduce a practical expedient for tenants also adopted by the group which allows one-off reductions to be accounted for as a variable payment of the fee and therefore, recognized in the income statement for the period.

(in thousands of Euro)	31 May 2020	31 May 2019[36]
Cash flow from operations		
Profit/(loss) for the period	(14,419)	(11,329)
Adjustments for:		
Income taxes	(915)	(499)
Net financial expenses (income)	3,560	3,092
Depreciation, amortisation and write-downs of fixed assets	22,693	22,365
(Profits)/losses from the sale of property, plant and machinery		
Other changes	134	510
	11,053	14,139
Changes in:		
- Inventories	65,264	(91,095)
- Trade receivables	(750)	4,283
- Trade payables	(88,085)	58,398
- Other changes in operating assets and liabilities	(1,445)	(5,625)
Cash flow generated/(absorbed) by operating activities	(25,016)	(34,039)
Taxes paid	-	-
Interest paid	(2.777)	(2.733)
Net cash flow generated/(absorbed) by operating activities	**(16,740)**	**(22,633)**
Cash flow from investment activities		-
Purchases of plant, equipment and other assets	(4,308)	(865)
Purchases of intangible assets	(5,287)	(6,027)
Investments for business combinations and business units	(6,000)	(6,486)
Cash contribution from merger	-	10
Cash flow generated/(absorbed) by investing activities	**(15,595)**	**(13,368)**
Cash flow from investment activities		
Increase/(Decrease) in financial liabilities	69,632	28,072
Increase/(Decrease) in other financial liabilities	(2.588)	(13,318)
Cash flow generated/(absorbed) by financing activities	**67,044**	**14,754**
Net increase/(decrease) in cash and cash equivalents	**34,709**	**(21,247)**
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	**96,712**	**84,488**
Net increase/(decrease) in cash and cash equivalents	**34,709**	**(21,247)**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**131,421**	**63,241**

[36] For the purpose of better representation, the cash flows relating to IFRS 16 leases were reclassified from the item “Cash flow generated/(absorbed) by investment activities” to the item “Cash flow generated/(absorbed) by financing activities”.