

# Annual Financial Report

# 2017







# Index

<b>Company Overview</b>	<b>3</b>
<b>ePRICE: Platform, Mission and Vision</b>	<b>4</b>
Chairman's Letter to Shareholders	<b>6</b>
2017 Highlights	<b>8</b>
Strategic Guidelines 2018-2023: strategy and objectives	<b>17</b>
Corporate Boards and Ownership	<b>24</b>
<b>Directors' Report</b>	<b>27</b>
Comment on the Results for the Year	<b>28</b>
Analysis of Key Results from the Statement of Financial Position	<b>37</b>
Operating and Financial Performance of <b>ePRICE S.p.A.</b>	<b>40</b>
Other Information	<b>42</b>
<b>Consolidated Financial Statements as at 31 december 2017</b>	<b>49</b>
Independent Auditor's Report	<b>106</b>
<b>ePRICE S.p.A. Separate Financial Statements</b>	<b>115</b>
Independent Auditor's Report	<b>162</b>



# Company Overview

---



**ePRICE** is the largest integrated **e-Commerce** and **e-Service** platform in Italy.



Local e-commerce champion focused on capturing high-potential, fast-growing market.



A unique value proposition tailored to the Italian market, supported by a flexible and scalable platform.



Significant track record and GMV/revenue growth to generate value through scale & relevance, and to reach profitability.



**134**

Pick&Pay



**309**

Lockers



**1**

Fulfilment center  
launched in 2018



**1,500**

approximately

Marketplace sellers



**4**

approximately

Milion offers



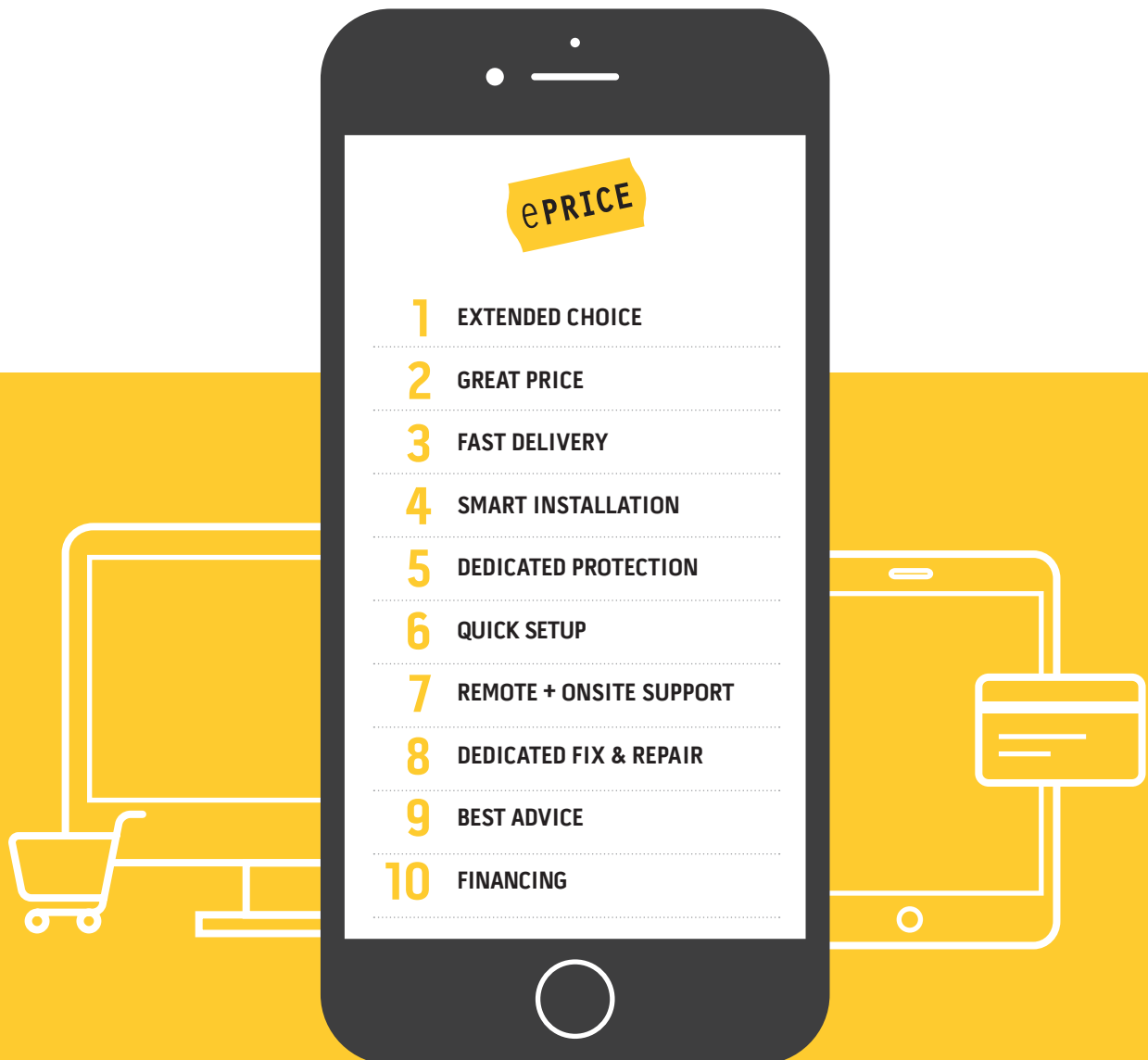
# Mission e Vision



**ePRICE's mission:** to serve the technological evolution of Italian households.



**ePRICE's vision:** from e-Commerce to e-service.





# Chairman's Letter to Shareholders

## To our Shareholders,

2017 was the third year since our listing on Stock Exchange, perhaps the most challenging. We continued to implement the company's business plan presented at the end of 2016 and enhanced **ePRICE**'s position as a source for family capex purchases through the development of customised installation services with a network currently consisting of c. 600 technicians, the development of the Pick&Pay network and lockers, currently totalling 443 touchpoints, and the development of the 3rd party marketplace that now includes over 1,500 Italian and foreign businesses.

However, 2017 was affected by several factors that led us, for the first time, to a decrease in revenues and GMV, which stood at €189M (-4.6%) and €253M (-0.6%) respectively.

This weak performance and the deterioration of operating profit in 2017 were due to both factors outside **ePRICE** and the implementation of the investment programme and upgrades of our service structure.

Our reference market of tech and appliance shrank, and growth in the online component dropped sharply from 23% growth in 2016 to about 10% in 2017.

Offline players reacted to these results with highly aggressive pricing policies and promotions, creating an overall deflation in offline and online markets and leading to a crisis for several historical Italian retail chains. Despite this, in 2017 **ePRICE** managed to defend its leading position in the large appliance segment and clima, and is still holding onto a stable market share of around 30%.

Our reaction in the first half of the year was not effective since, in an attempt to maintain growth, we focused on lower prices and increased promotional activities.

In addition to these factors, there were several challenging operating situations due to the implementation of SAP in February and the transfer of our operations to a new, 30,000-square-metre logistical centre near Milan. Both of these activities will now allow us to work more efficiently and effectively, but they certainly weighed heavily on an unsatisfactory year.

However, difficult situations - if properly exploited - also represent an opportunity for change and improvement.

Starting last summer, we embarked on a strategy to substantially change our processes and values which led us to significantly revise the cost structure and establish profitability targets that we then included in the strategic guidelines for 2018-2023.



In summary, we expect to focus on execution and control over the next years. This will entail the control of margins, including new pricing and vendor relation policies; cost control through a review of the organisational, managerial and logistical structure; and the monitoring of customer satisfaction by regularly measuring the service quality of our couriers and our network of professional technicians.

The aim is to get back on our growth track in product categories where we are a leader, and to quickly achieve profitability.

In terms of growth, in 2017 we continued our strategy of building our brand through online, TV and radio promotional campaigns thereby increasing our awareness and positioning ourselves as a leading Italian brand capable of proposing “disruptive” measures to talk to our customers, such as the promotional campaign related to the Black Hour and Black Friday, which we were the first to bring to Italy in 2010.

Our marketplace has now reached a size of over 1,500 merchants (+50%) and about 4 million additional SKUs, becoming a point of reference for small businesses and Italian retailers that want to sell online and also take advantage of the network of our 134 Pick&Pays that provide **ePRICE** customers and all our merchants the ability to pay cash and offer free returns.

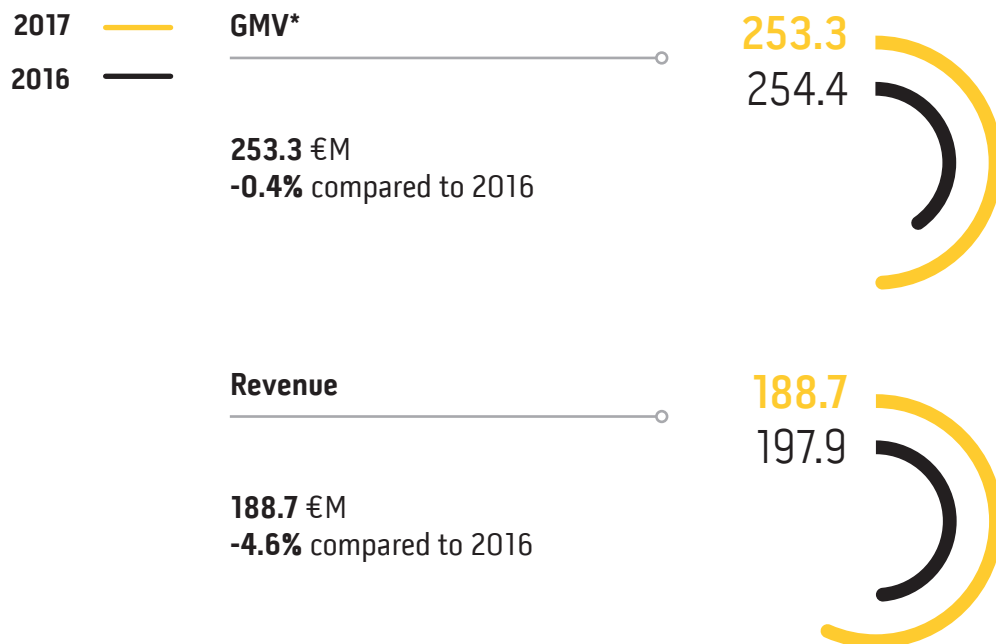
The marketplace platform allows us to remain competitive in terms of price and product offerings in non-core categories, while direct sales and services managed directly by **ePRICE** focus on categories where **ePRICE** wants to be and remain a leader: high-value products and related premium services such as deliveries by appointment, warranties and repairs, customer support and consulting in new rising segments such as the Smart Home and IOT.

These principles are reflected in the new strategic guidelines for 2018-2023 presented by **ePRICE** on March 8, 2018, thereby notifying markets of its intention to quickly close the gap separating it from being “just” an innovative company to being both an innovative and profitable company in a retail segment, which, in the near future, will most certainly face a further period of consolidation and shuffling.





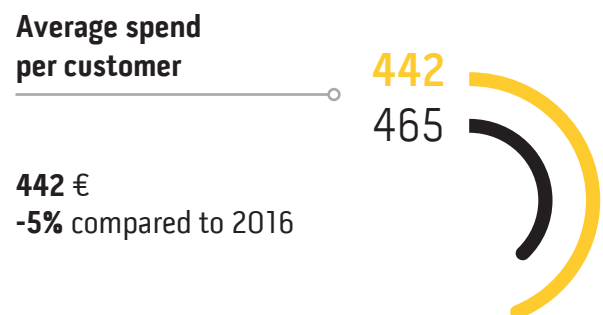
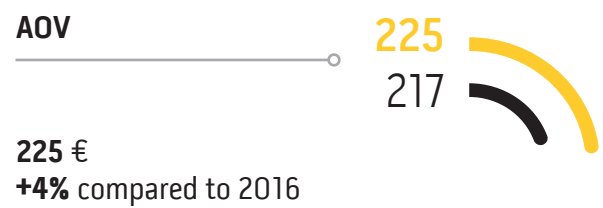
# 2017 Highlights



\* Gross Merchandise Volume: includes revenue from products, shipping and volume generated by the 3PMarketplace, net of returns and including VAT. Does not include Infocommerce and B2B.

## Sales KPIs








## Main financial data

	2017	2016		2017	2016
GROSS PROFIT	27.7 €M	30.2 €M	EBITDA ADJUSTED	(14) €M	(8.5) €M
% OF REVENUES	14.7%	15.3%	NET PROFIT	(24.8) €M	10.1 €M

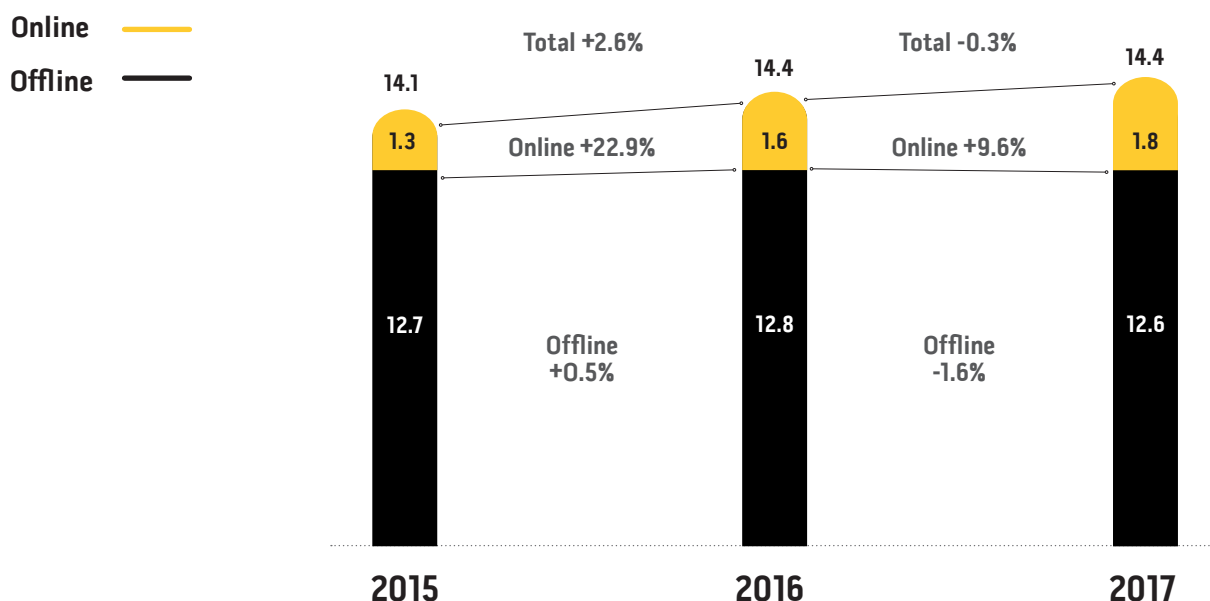


# 2017: a difficult year for the online market

				
		ONLINE	OFFLINE	TOTAL
Billions of euros				
	<b>Italian tech and appliance market</b>			
	2015	1.3	12.7	14.1
	2016	1.6	12.8	14.4
	2017	1.8	12.6	14.4

Source: ePRICE calculations using GFK and Forrester data + internal estimates.

**In 2017, the transition of the market to online activities was slower than anticipated**



Source: Company reports elaboration on GFK data

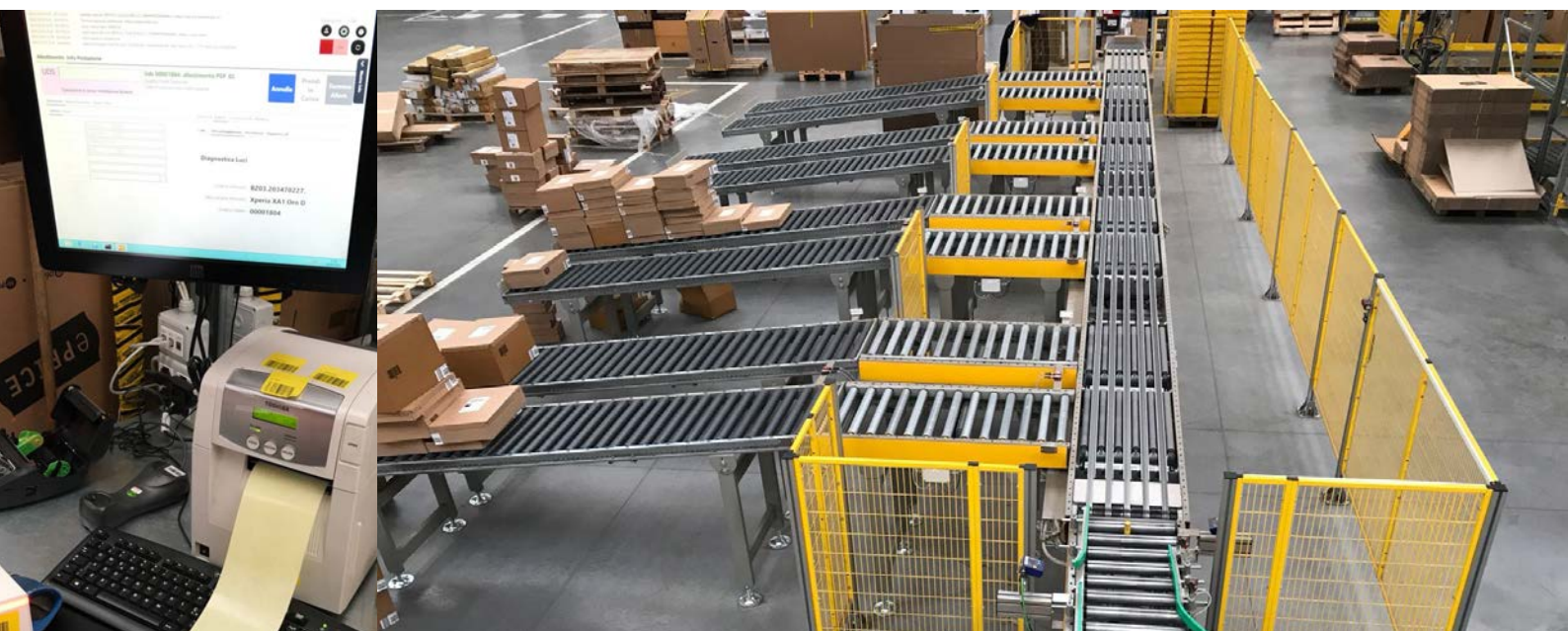


# 2017: a year of investments in the platform and operations

In 2017, **ePRICE** modernised its IT and operations platform due in part to the adoption of SAP, which kept the company busy for many months.

Another major effort involved moving the company's warehouse to a site near Milan providing the company with an efficient, scalable and modern area to manage its inventory including on the basis of a multi-business approach.

The new logistical centre in Truccazzano, with an area of 30,000 square meters (expandable to 50,000 square meters) also includes an area dedicated to logistics managed by **ePRICE** for Showroomprive, and allows **ePRICE** to increase warehouse availability by 60% for large appliances.





# 2017: a year of investments in ePRICE brand awareness

In 2017, **ePRICE** continued its strategy to invest in communication to increase brand awareness and position itself as a leader in household e-Commerce sales, especially in the major domestic appliance segment.

## Some of our results:

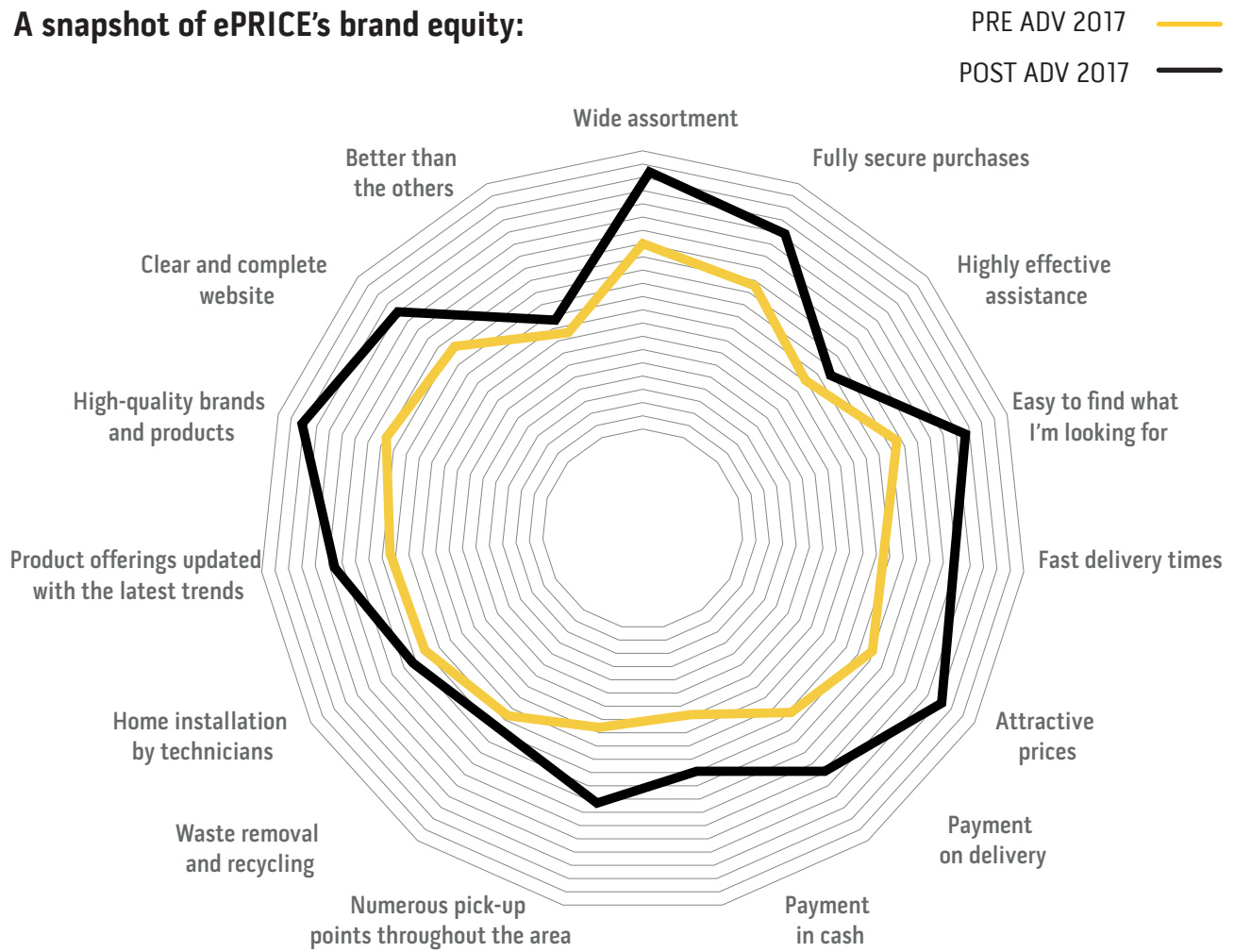
- 5 TV flights during the year
- a new communication format featuring strong testimonials
- In addition, beginning November 6, 2017 **ePRICE** launched a new TV, digital, and (for the first time) radio campaign to promote special promotional activities in the run-up to Black Friday with an increase of about 168% in GRPS as compared to TV alone. The goal was to create a strong association between the brand and this consumer event, which has become a significant part of the Italian retail calendar and was launched in 2010 by **ePRICE** itself in our country.

## Results:

	2017	2016	Improvement
Spontaneous brand awareness	23.1%	17.8%	+5%
Solicited brand awareness	75.5%	69.8%	+6%

Source: Mindshare survey on a sample of about 600 interviewees before and after the TV spot was aired in 2017

## A snapshot of ePRICE's brand equity:



## Values consumers associate with the brand:



Innovation



Best price  
in the market



More modern  
than traditional  
stores



# Marketplace

In 2017 the external merchant marketplace became one of the drivers of sustainable growth for **ePRICE**.

## Our Marketplace:

- Thousands of Italian and foreign merchants registered in the Marketplace
- Over 3 million offerings
- Constant and strong GMV growth YoY
- Access to the P&P network for merchants with the possibility for customers of payment on delivery
- Expansion, both in terms of GMV and offerings, in categories not previously handled by **ePRICE** (Sport, DIY and Homeware, etc.)
- PayPal payment system for Marketplace merchants (the first Marketplace to use the PayPal system for 3P orders centralised on PSP, and compliant with PSD2)

## KPI del Marketplace



**MARKETPLACE OFFERS**  
**4M**  
**+43% vs. 2016**



**SELLERS**  
**1,500**  
**+50% vs. 2016**



**GMV GROWTH**  
**+83% vs. 2016**



**AVERAGE WEIGHT ON GMV**  
**c.15%**



## DISTRIBUTION OF ePRICE's PICK&PAY

(Yellow points opened after listing)



Merchants on the Marketplace can use **ePRICE** logistics services, enabling them **to offer customer the opportunity to pick up their orders at any one of the many Pick&Pay® points** which **ePRICE** manages throughout Italy. A merchant can thus optimize deliveries of large volumes of sales in one single shipment, while **ePRICE** handles the sorting of the products at the Pick&Pay® points.

## Advantages of the Pick&Pay service for Marketplace customers:

1



**NO WAITING FOR COURIERS**

the client decides when and where to pick up products

2



**PAY ON DELIVERY**

with a credit or debit card

3



**SAVE MONEY**

because it costs less than a courier

**93%** coverage of the population

**2X** the order frequency compared with home delivery, using traditional couriers



# Home Service

When a customer orders a refrigerator, washing machine or a large TV, it's normal to expect a comprehensive service. Therefore, **ePRICE** has created a network of specialised professionals who deliver and install new appliances and remove old ones.

And that's why **ePRICE** has become the leader in the online sale of large appliances.

**ePRICE** Home Service offers the option of delivery and installation at home, managed using a mobile platform for continuous direct dialogue between the customer, the installer and **ePRICE**.

## ePRICE HOME SERVICE INCLUDES:



### Prompt delivery

Set up an appointment based on your availability



### Professional installation

Qualified and certified technicians and reliable, fast and courteous staff



### Personalised service

A customer service representative will be available at all times



### Total control

Continuous, reliable and precise supervision of your service

## Services KPIs



**+51%**  
MDAs Shipped



**37%**  
Population covered



**+33%**  
# skilled Home Service professionals  
vs. beginning of the year



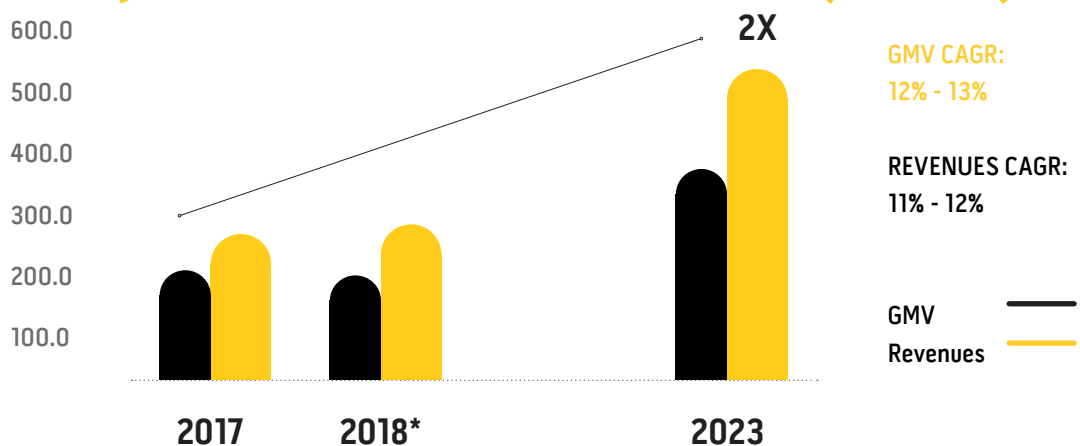
**c. 68**  
Net Promoter Score



# Strategic Guidelines 2018-2023: strategy and goals

- **Leadership in core categories (Major Domestic Appliances, TVs and Clima) in a 1st party logic.** ePRICE expects to more than double its sales in the core categories, also increasing the importance of brands, with positive effects on profit margins and exploiting service leverage, a distinctive factor of ePRICE. The new logistics centre, which came into operation in Q3 17, increased the available capacity by 50%.
- **Expansion of the Marketplace,** also thanks to the more marked shift of non service-driven categories and to the introduction of new categories. The penetration of the marketplace on the GMV of these categories - excluding core categories is expected to reach 50%.
- **Consolidation of the Pick&Pay network,** which currently covers about 92% of the population and has a Net Promoter score of around 80.
- **Gradual growth of ePRICE as a Services platform** to complete the existing offer of core category products (Major Domestic Appliances, TVs and Climat and, in the future, Smart Home) but also as a platform for maintenance and repair services by leveraging the existing network of installers.

## ePRICE Revenues & GMV Projections 2017-2023 (CMN)



\* Slight revenue decrease in 2018 rebalanced by aggressive efficiency plan, worth c.10€MN.

# How we rebalance 1<sup>st</sup> party and marketplace

## CORE CATEGORIES

### CONSUMER NEED

Appliances&TV  
Home delivery  
Trusted Installation &  
Protection Services

### PRODUCTS



### MARKET ECONOMICS

Double digit growth  
High ticket  
High GM  
Low frequency

### GO TO MARKET

MARGIN ON  
GOODS  
  
MARGIN ON  
SERVICES

Unique  
positioning  
and higher  
GM

## LONG-TAIL CATEGORIES

### CONSUMER NEED

Tech & Long Tail  
Best Prices  
Quick&low-cost  
delivery

### PRODUCTS



### MARKET ECONOMICS

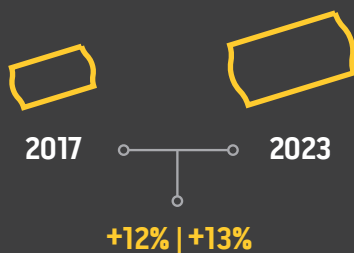
Low ticket  
Low GM  
High Frequency

### GO TO MARKET

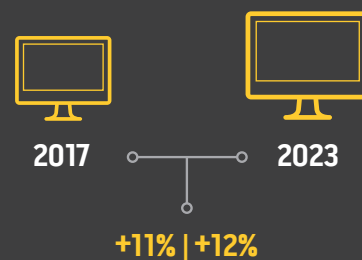
COMMISSIONS

Accelerating  
marketplace  
growth to  
improve  
profitability

### ePRICE GMV\* CAGR



### Online Tech market CAGR



\* Gross Merchandise Volume: includes revenue from products, shipping and volume generated by the 3PMarketplace, net of returns and including VAT.  
Does not include Infocommerce and B2B.

# How we will improve marginality in 2018

PLANNED ACTIONS WORTH UP TO 15-20%  
OF 2017 CASH COSTS

## Ongoing Key Actions at ePRICE

### HR + G&A

### GROSS MARGIN

### OPERATIONS

#### HEADCOUNT OPTIMISATION



#### MARKETPLACE EMPOWERMENT



#### FULFILMENT EFFICIENCY



#### G&A EFFICIENCIES



#### VENDOR RELATIONSHIP



#### IT ORGANIZATION REDESIGN



#### MGMT COMPENSATION & NON CASH MBO



#### PRICING STRATEGY



#### DAMAGED GOODS & RETURNS CONTROL



— visibility on YE target as of March 2018.



# Social Responsibility:

## School, culture and digitisation

**ePRICE** is an Italian company that has chosen to work in Italy thanks to Italy's significant potential, and because it is the most beautiful country in the world. **ePRICE** supports the spread of digital literacy in Italian schools and the development of a new digital consciousness in younger generations. Digitisation is a resource that will allow our country to advance its history, culture and aspirations.

In 2017 we continued to work with associations and organisations that aim to support the dissemination of future skills among boys and girls and bridge the gap of professional competences and courage that separates us from more advanced countries, including, for example, the promotion of womens' competences in the business world and digital sector.



# New digital skills: Mastercoder

Mastercoder organises workshops and courses for children aged 5 to 17 using technology as both a toy and educational tool that helps participants naturally develop problem-solving skills and try out new forms of creativity and sharing. Games fill an important role at MasterCoder because they are the most effective tools for nurturing children's enthusiasm and passions and the best way to learn. MasterCoder is a creative workshop that stimulates the imagination and trains the mind for tomorrow's challenges, because whatever form the future takes, it will still be digital.

In 2017, **ePRICE** supported MasterCoder in two ways:

1. **ePRICE Kids Day 2017**, dedicated to the children of **ePRICE** employees who wish to gain a better understanding of what Mom and Dad do all day, hosted 6 workshops for various age levels, where children were able to learn and personally experience a future made up of coding, programming and robotics through activities such as Scratch, Makey Makey, Scarabot, soft circuits and electrical circuits
2. **ePRICE sponsored Triennale Design Museum's Digital Summer School** organised by Mastercoder at Triennale in Milano, and several children of our company's employees also participated in this. The aim of the workshop was to guide boys and girls to discover two increasingly converging areas: design and digital technology. This entailed guiding them to develop what Munari defined as the "intelligence of things," which is characterised by a fundamental aspect: digital thought. Thanks to this workshop, children will be able to see, discover, touch and experiment with all their sense stories and masterpieces from the world of design, and develop new, fascinating forms of creativity based on technology.





# ePRICE scholarships for top students

In 2016, **ePRICE** supported the *Fuoriclasse della Scuola* (School Champions) project with two scholarships sponsored by **ePRICE**. **Fuoriclasse della Scuola** is the first project in Italy to reward talented high school students who are winners in the 'Olympiads' organised by the Ministry of Education, Universities and Research. The project rewards senior high school students who have already won in the Olympics in competitions for:

ITALIAN

MATHEMATICS

INFORMATICS

PHYSICS

CHEMISTRY

NATURAL SCIENCES

CLASSICAL LANGUAGES  
AND CIVILISATIONS

ASTRONOMY

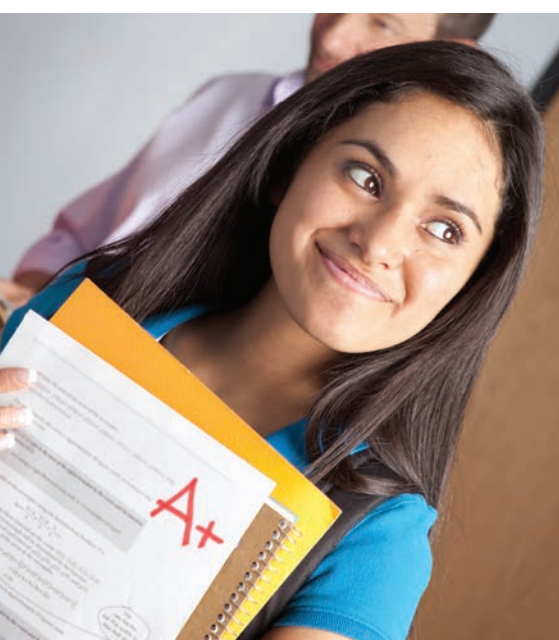
PHILOSOPHY

STATISTICS

NEW DESIGN COMPETITION

ECONOMICS

**ePRICE** has supported a project with two scholarships in **statistics**, because we believe that in the future, our country will have an increasing need for mathematical and scientific skills, and in **philosophy**, because we believe that our country will be able to grow and innovate by appreciating its unique cultural and social features and the history of its thought.





# Manifesto for female employment Valore D

In 2017, **ePRICE** decided to sign the Valore D Manifesto for female employment.

The business world, and in particular the Italian and global areas related to digital activities, start-ups and innovation need the contribution of women, and **ePRICE** has initiated a strategy to support individuals and organisations that work to bridge the gap that separates our country from more advanced countries in the area of diversity inclusion.



- 1 The company recognises the value of gender diversity as a key resource for innovation, productivity and growth. Thus, during the selection phase, the company undertakes to identify a short-list of candidates representing both sexes taking into account the specific features of the sector in which it operates. The company must give reasons if this balancing is not possible.
- 2 The company recognises the growing importance of skills in the area of STEM (science, technology, engineering and mathematics) for product and process innovation within the company. It realises, however, that if, on the one hand, these will be the professions of the future, on the other hand, women again risk being penalised since they are less present in these disciplines, and it undertakes to achieve a situation that is as fair as possible between genders for the same skills and professional capabilities.
- 3 The company undertakes to monitor its female workforce and analyse the related key indicators: absolute numbers and percentages of women joining and leaving the company during their professional development, analysis of restrictions and opportunities for growth, pay gap and presence of different generations at the company.
- 4 In addition to the protections already provided by law, the company undertakes to explore innovative methods that are useful and effective in supporting its female employees during the maternity period with the aim of improving the management of the leave period, and thus, encouraging a smoother reorganisation of work that takes the needs of new mothers into consideration when they return to work.
- 5 The company is in favour of the commitment of both parents to care for their children, and where possible, fosters an inclusive culture with proactive measures that enhance the parenting role of the father.
- 6 In keeping with its specific industry-related, size and financial characteristics, the company undertakes to implement company welfare policies to support its employees.
- 7 The company undertakes to assess, test and implement flexible work practices, which, while meeting its production and operating requirements, also meet the needs of employees by defining work on the basis of goals and results.
- 8 In keeping with its specific industry and size characteristics, the company undertakes to promote a programme to increase the presence of women in key strategic positions.
- 9 The company undertakes to actively involve management in issues of gender diversity and the employment and professional development of women, and to annually update senior management on these issues.



# Corporate Boards

## Board of Directors

Paolo Ainio

**Chairman**

Pietro Scott Jovane

**CEO**

(outgoing member)

Roland Berger

**Independent director**

Pierluigi Bernasconi

**Non-executive director**

Andrea Biasco

**Non-executive director**

Pietro Boroli

**Non-executive director**

Chiara Burberi

**Independent director**

Matteo Renzulli

**Non-executive director**

Serenella Rossano

**Independent director**

## Control and Risks and Related-Parties Committee

Serenella Rossano

**Independent director**

Chiara Burberi

**Independent director**

Roland Berger

**Independent director**

## Remuneration Committee

Roland Berger

**Independent director**

Serenella Rossano

**Independent director**

Pierluigi Bernasconi

**Non-executive director**

## Board of Statutory Auditors

The Statutory Auditors currently in office were appointed by the General Meeting of Shareholders of 14 April 2016 and will remain in office until approval of the financial statements as at 31 December 2018.

Francesco Perrini  
**Chairman**

Stefania Bettoni  
**Standing Auditor**

Luca Zoani  
**Alternate Auditor**

Gabriella Chersicla  
**Standing Auditor**

Beatrice Galli  
**Alternate Auditor**

## Supervisory Body

The Supervisory Board of Banzai S.p.A. appointed by the Board of Directors as at 25 November 2014 currently comprises three members.

Jean-Paule Castagno  
**Chairman**

Fabio Meda  
**Member**

Stefania Bettoni  
**Member**

## Independent Auditors

EY S.P.A.



# Share ownership and stock performance

## Main Shareholders

The share capital of **ePRICE** S.p.A. is equal to Euro 826,297 composed by n. 41,039,850 ordinary shares without par-value.



RELEVANT SHAREHOLDERS



NUMBER OF SHARES



% SHARE CAPITAL

<b>PAOLO AINIO*</b>	9,447,615	<b>22.87%</b>
<b>AREPO BZ S.A.R.L.</b>	8,613,850	<b>20.85%</b>
<b>PIETRO BOROLI</b>	2,138,997	<b>5.18%</b>
<b>TREASURY SHARES</b>	1,023,202	<b>2.48%</b>

\*of which 221,750 (0.54%) held through PUPS S.r.l., 80% controlled by Paolo Ainio.

There are no other shareholders, outside of those listed above, with a shareholding of more than 5% that have notified Consob and Banzai S.p.A. according to art. 117 of Consob Regulation no. 11971/99 on notification requirements of major holdings.

# Directors' Report

---

## DIRECTORS' REPORT

### Background

ePRICE S.p.A. is Italy's leading e-Commerce company. It was founded by Paolo Ainio, and has been listed on the STAR segment of Borsa Italiana since 2015. ePRICE is one of the country's most important Internet companies and is one of the leading online Italian stores specialising in the sale of high-tech products (electronics), and a leader in the segment of large appliances sold online.

The online component of the ePRICE target market - Tech&Appliance - was estimated at around €1.8 billion in 2017<sup>1</sup>, and represents 12% of a total retail market (offline + online) of €14 billion, with growth close to 10% in 2017 and it is below expectations. Forecasts are currently for growth that will lead to close to double the figure in 2023, recovering the accumulated delay in 17 and 18, reaching €3.4 billion. The market could have a further uplift of around €0.6-0.8 billion, between now and 2023, thanks to new IOT/Smart Home segment products (smart thermostats, security systems, energy monitoring, etc.). Also note that the technology applied to services, supplemented by the strong logistics component, will enable ePRICE to look at other markets as well, close to the needs of its customers, such as the domestic appliances repair and maintenance market, which is presently very fragmented and totally offline. It is estimated that this market is worth around €4.9 billion, and that a share of more than €1 billion could gradually open up online in 2023<sup>2</sup>.

### COMMENT ON THE RESULTS

The year just ended was characterised by the commissioning of the new Group ERP in the first quarter and the transfer of the new Truccazzano logistics centre in the third quarter of the year. In 2017, the related investments totalled about €8 million.

### ANALYSIS OF KEY OPERATING RESULTS

#### Revenue

In 2017 ePRICE revenues stood at €188.7 million, a fall of 4.6% compared with 2016, while the GMV was €253.3 million, essentially in line with 2016.

In 2017 the Tech and Appliance retail target market was generally weak and there was a high degree of promotional activity by all players, specifically from the second quarter of the year onwards. In spite of extensive promotional efforts, growth in the Tech and Appliance online market fell by more than half compared with 2016, going from around +24% to +9.5%, and below our expectations which were +16%.

The performance of ePRICE revenues and GMV differed in the various months of 2017 and was impacted by various developments, mainly one-off: a weak performance in February, as a result of the scheduled migration to SAP; April was affected by an unfavourable timetable in terms of working days; lastly, in the third quarter the warehouse moved to its new location in Truccazzano, while in the fourth quarter the performance was particularly weak.

<sup>1</sup> ePRICE calculations using GfK and Forrester data and other sources

<sup>2</sup> ePRICE calculations using ASAP, Findomestic and 2016 Assolombarda estimates

In the second half of 2017 an acceleration process was launched focusing the first party range on core products (household appliances, TVs and climate control), with a more marked move towards the marketplace for the remaining categories in order to improve the competitiveness of the range and recover margins. This action led to a slow-down in revenues, in favour of a better GMV, with the consequent expansion of the performance gap between the two, a development already seen in the third quarter.

The GMV<sup>3</sup> – which represents the effective spending of customers on our e-Commerce websites and in the marketplace – as stated previously was essentially stable compared with the previous year, standing at €253.3 million compared with €254.4 million in 2016, to a large extent thanks to the strong contribution of the marketplace, which increased by +44% compared with the previous year. The weighting of the Marketplace, launched in the second quarter of 2015, represented approximately 15% of the GMV in 2017 compared with 10% of the GMV in 2016 and 5.6% in 2015.

<i>(in thousands of Euros)</i>	2017	2016	% Change
<b>Revenues</b>	<b>188,715</b>	<b>197,894</b>	<b>-4.6%</b>
<i>(in millions of Euros)</i>			
<b>GMV</b>	<b>253.3</b>	<b>254.4</b>	<b>-0.4%</b>

The breakdown of Revenue and GMV by product type for 2017 compared with 2016 is as follows:

#### Revenue

<i>(In thousands of Euros)</i>	2017	2016	% Change
Electronics, Domestic Appliances and other products	170,976	180,806	-5.4%
Services / Other revenue	17,738	17,088	3.8%
<b>Revenue</b>	<b>188,715</b>	<b>197,894</b>	<b>-4.6%</b>

#### GMV

<i>(In millions of Euros)</i>	9M 2017	2016	% Change
Electronics, Domestic Appliances and other products	245.8	246.5	-0.2%
Services / Other revenue <sup>4</sup>	7.5	8.0	-7.0%
<b>GMV</b>	<b>253.3</b>	<b>254.4</b>	<b>-0.4%</b>

<sup>3</sup> Gross Merchandise Volume: includes revenues from products, shipments and volume generated by 3PMarketplace net of returns and including VAT. It does not include Infocommerce and B2B.

<sup>4</sup> Revenue from services include transport services, warranties, B2B revenues and other revenue. The GMV of services does not include B2B, advertising/Infocommerce. Revenues from warranties were reclassified under revenues from services for the entire year.

The breakdown of Revenue and GMV by product type in the fourth quarter of 2017 compared with the fourth quarter of 2016 is as follows:

#### Revenue

<i>(In thousands of Euros)</i>	Q4 2017	Q4 2016	% Change
Electronics, Domestic Appliances and other products	49,665	64,608	-23.1%
Services / Other revenue	5,876	6,087	-3.2%
<b>Revenue</b>	<b>55,542</b>	<b>70,695</b>	<b>-21.4%</b>

#### GMV

<i>(In millions of Euros)</i>	Q4 2017	Q4 2016	% Change
Electronics, Domestic Appliances and other products	72.6	88.3	-17.8%
Services / Other revenue	2.3	2.9	-20.8%
<b>GMV</b>	<b>74.9</b>	<b>91.2</b>	<b>-17.9%</b>

In 2017 ePRICE recorded €188.7 million of revenue, of which 171.0 million from product sales.

The 2017 performance was impacted in the period by the previously mentioned transition to SAP which took place in February and which led to a reduced promotional impetus in the weeks of the transition and by the unfavourable timetable in April. From the third quarter onwards the growth in revenue became negative, partly as a result of the more marked movement of some categories towards the marketplace; the fourth quarter proved to be particularly weak in terms of revenue, and GMV, in spite of the excellent results achieved during the Black Friday period. This negative trend was the result of both the further slow-down in the growth of the market in the period (particularly in October), and the above-mentioned transition to the Marketplace; the latter continued to grow significantly in the fourth quarter as well (+26.5%). The continued intense promotional activity, particularly by several traditional retailers should also be stressed.

In 2017, the core ePRICE categories (Large Household Appliances, TVs and Climate Control) made a more significant contribution in terms of revenue compared with the other categories (electronics, TCL, components and other) both at market level and for ePRICE. ePRICE's market share in the core categories was supported by the development of premium services (delivery, installation and removal of used appliances). In 2017, the number of installations of large domestic appliances grew by 51% compared with the same period in the previous year.

Revenue from sales of Services and Other, which also includes warranties, rose compared with 2016 (+4.2%), offsetting the lower contribution from revenue for transportation, as a result of the intense promotional activity in the first half of the year and a promotional policy which favoured free-shipping in response to lower discounts compared with 2016. Home Service continued to achieve a very high NPS and to be an important market share differentiation lever and driver. Home Service represents a series of installation services and the collection of used appliances, integrated with the ePRICE proprietary mobile platform and accessible via a smartphone App. Home Service allows customers constant interaction with ePRICE from the time of purchase until installation in their home. Home Service is also at the heart of the television campaign that began on 23 September 2016. The TV campaign was only broadcast in May and June 2017, with an enhanced service promise for the



convenience of e-Commerce and resumed at the end of October 2017 with a campaign on various media. In November specifically there was a Black Hour advertising campaign with significant results in terms of website visits and contacts.

As at 31 December 2017 the Pick&Pay and Lockers network, the only network on the Italian market, numbered 132 and 290 (134 and 290 as at 30 September 2017). Delivery services at Pick&Pay were opened from December 2016 to Marketplace merchants as well and from July 2017 ePRICE customers who selected this delivery option for products below 20 kg were offered free collection.

The GMV in 2017 was essentially stable compared with 2016, supported partly by the performance of the Marketplace, which reached around 1,500 merchants and achieved growth of 44% in the year, driven by growth in the electronics and mobile phones segment and, from the second half of the year onwards, from the previously mentioned accelerated migration of some categories to the marketplace. Note that the services included in the GMV do not include Infocommerce and Advertising, which saw double-digit growth. In addition to this, as pointed out above, revenue from transportation was down as a result of a different mix between free-shipping versus discounts, which saw free-shipping prevail compared with last year.

In terms of Key Performance Indicators the following trends can be identified:

	2017	2016	% Change
<i>Orders (thousands)</i>	919	962	-4.4%
<i>AOV (Euros)<sup>5</sup></i>	225	217	+3.9%
<i>Buyers (thousands)<sup>6</sup></i>	573	563	2.0%

In 2017, 919,000 orders were handled, with an average order value (AOV) of €225, up by around 4%, mainly due to the mix in favour of core and high-ticket categories. Lastly, the number of buyers was 573,000, up by 2.0% compared with 2016.

---

<sup>5</sup> Average order value (excluding VAT).

<sup>6</sup> Customers with at least 1 order in the period.

## Reclassified consolidated income statement

The table below illustrates the Reclassified Income Statement for the first nine months of 2017, compared with the corresponding period of the previous year, by destination according to the statements used by the Group's management. In the following statement, the Revenue total is stated net of revenues for logistics, IT and administrative services performed in favour of scopes that were sold or being disposed of, which have been restated as a reduction of the related costs.

€ thousand	31 December 2017	% of total revenues	31 December 2016	% of total revenues	% Change
<b>Total revenues</b>	<b>188,715</b>	<b>100.0%</b>	<b>197,894</b>	<b>100.0%</b>	<b>-4.6%</b>
Cost of sales <sup>7</sup>	(160,986)	-85.3%	(167,707)	-84.7%	-4.0%
Gross profit <sup>8</sup>	<b>27,729</b>	<b>14.7%</b>	<b>30,187</b>	<b>15.3%</b>	<b>-8.1%</b>
Sales and marketing costs	(13,589)	-7.2%	(11,038)	-5.6%	23.1%
Logistics costs	(19,688)	-10.4%	(18,962)	-9.6%	3.8%
IT costs	(1,818)	-1.0%	(1,414)	-0.7%	28.6%
General and administrative expenses	(6,590)	-3.5%	(7,274)	-3.7%	-9.4%
<b>Adjusted EBITDA</b>	<b>(13,957)</b>	<b>-7.4%</b>	<b>(8,501)</b>	<b>-4.3%</b>	<b>64.2%</b>
Non-recurring costs and income and stock option plans	(1,347)	-0.7%	(1,223)	-0.6%	10.1%
<b>EBITDA</b>	<b>(15,303)</b>	<b>-8.1%</b>	<b>(9,724)</b>	<b>-4.9%</b>	<b>57.4%</b>
Depreciation, amortisation and impairment	(7,529)	-4.0%	(4,259)	-2.2%	76.8%
<b>EBIT</b>	<b>(22,833)</b>	<b>-12.1%</b>	<b>(13,983)</b>	<b>-7.1%</b>	<b>63.3%</b>
Net financial expenses	95	0.1%	34	0.0%	179.4%
Minority interest in income of associates	(1,674)	-0.9%	(79)	0.0%	2019.0%
Write-down of financial assets	-		(668)		
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>(24,412)</b>	<b>-12.9%</b>	<b>(14,696)</b>	<b>-7.4%</b>	<b>66.1%</b>
Income Taxes	(1,023)		(18)		N/A
Net profit (loss) from discontinued operations	685		24,782		N/A
<b>NET PROFIT (LOSS)</b>	<b>(24,750)</b>	<b>-13.1%</b>	<b>10,068</b>	<b>5.1%</b>	<b>N/A</b>

## Gross Profit

Gross Profit was €27,729 thousand, down €2,458 thousand, equal to -8.1% compared with the figure of €30,187 thousand in the previous year and equivalent to 14.7% of sales for the period compared with 15.3% in 2016.

<sup>7</sup> The **Cost of goods sold** mainly includes the purchase cost of goods and the cost of some services, including the cost of collection fees.

<sup>8</sup> The **Gross Margin** is represented by net revenues minus cost of goods sold and is a management control indicator used by the Group's management to monitor and evaluate its sales performance. Gross Margin is not identified as an accounting method either under the scope of Italian Accounting Principles or under IFRS (International Financial Reporting Standards) and therefore it should not be considered as an alternative method for evaluating the performance of the Group's margin from sales. Since the composition of the Gross Margin is not regulated by reference accounting standards, the calculation criterion applied by the Group may not be standardised with the one adopted by others and, as such, is not comparable. The impact of Gross Margin on revenue is calculated by the Group as the ratio between the Gross Margin and Total Net Revenues.

The profit trend benefited positively from the contribution of the marketplace and infocommerce and advertising activities. This benefit was more than offset by strong competitive pressure, in a market context where there was a slow-down in growth compared with 2016 and which led to a high level of promotional activity and free-shipping. In addition, note an increase in 2017 in returns of damaged products in the large domestic appliances category which had a negative effect on gross profit, including through the devaluation of warehouse inventories. This development was particularly significant in the second part of the year also related to the transfer of the warehouse to the new Truccazzano logistics centre. In this regard, starting in September 2017, a number of measures were taken to contain and reduce these phenomena. Lastly, profits in 2017 also suffered from the impact of several opportunistic deals, specifically linked to the category of IT products.

## Adjusted EBITDA

Adjusted EBITDA stood at -€13,957 thousand, a decline compared to the -€8,501 thousand recorded in the previous year.

The change is mainly due to the increase in commercial and marketing costs +23.1% and, to a lesser extent, to the greater logistics costs +3.8% and IT costs +28.6%.

The increase in sales and marketing costs was mainly due to the focus during the year, and especially in 4Q17 on strengthening the ePRICE brand over the medium and long term. This led to a greater investment in TV, and also in the fourth quarter, the use, for the first time, of a radio campaign related to the "Black Hour." This is in addition to the expansion of the marketing unit, and partly due to the increase in costs to obtain new customers in order to support growth in gross merchandise volume. Lastly, it also impacted a growing shift toward mobile. Note that customer acquisition costs increased in percentage terms for the GMV by around 0.3 percentage points, lower, however, than anticipated.

The increase in logistics costs is linked to the growth of ePRICE in the household appliances category, while the increase in IT costs compared with the previous year is related to the implementation of the new corporate ERP system with associated maintenance expenses.

General and administrative costs fell compared with the previous year, thanks specifically to the greater contribution recorded by research and development activities relating to 2016 equal to €1,646 thousand compared with €1,023 thousand recorded in the previous year relating to investments made in 2015. Net of the above, general and administrative costs fell slightly by -0.7% compared with the previous year.

The breakdown of Operating profit (loss) and adjusted EBITDA is provided below:

<i>(In thousands of Euros)</i>	2017	% of revenues	2016	% of revenues
Operating profit (loss)	(22,833)	-12.1%	(13,983)	-7.1%
+ Depreciation, amortisation and impairment	7,529	4.0%	4,259	2.2%
Non-recurring costs and stock option plans	1,347	0.7%	1,223	0.6%
<b>Adjusted EBITDA</b>	<b>(13,957)</b>	<b>-7.4%</b>	<b>(8,501)</b>	<b>4.3%</b>
<b>EBITDA</b>	<b>(15,303)</b>	<b>-8.1%</b>	<b>(9,724)</b>	<b>-4.9%</b>

EBITDA in 2017 stood at -€15,303 thousand and includes the costs relating to the stock option plans equal to €391 thousand and one-off costs of €956 thousand mainly related to logistics costs incurred following some disorganisation in the first implementation phases of the new ERP (SAP) system which required extra goods movement and services activities for customers and goods relocation and shipment costs to the new Truccazzano logistics centre incurred in the third quarter.

The increase in amortisation and depreciation was due to investments made by Group companies, especially in the new Group ERP and the new logistics centre. EBITDA in 2016 stood at -€9,724 thousand and included €455 thousand relating to the stock option plan, one-off costs of €312 thousand relating to the new group headquarters and personnel reorganisation expenses of €456 thousand.

## EBIT

EBIT totalled -€22,833 thousand, compared with -€13,983 in 2016, as a result partly of the lower EBITDA, as described above, and partly due to greater amortisation and depreciation, which increased significantly by 76.8% compared with 2016, especially as a result of the significant investments made in 2016 and in 2017 to support growth, for the implementation of the new corporate ERP system. Amortisation and depreciation was recorded from September relating to investments in equipment and materials for the new Truccazzano logistics centre from 1 September.

## Earnings before tax from continuing operations

EBT was -€24,412 thousand, compared with -€14,696 thousand in 2016. Financial income, net of expenses, stood at €95 thousand, an improvement on the previous year (net income of €34 thousand). The share pertaining to associates amounts to a net expense of €1,674 thousand (expense of €79 thousand in 2016) and includes the Group share relating to the result achieved in the year by associates; specifically, the portion of income of the associate Il Post (€1,119 thousand) takes into account the write-down of goodwill implicit in the company.

## Income Taxes

This item reflected an expense during the year of €1,023 thousand representing the partial reversal of deferred tax assets posted in previous years, which was carried out to bring them into line with the projected tax benefit that is expected to be recovered during the 2018-2023 plan period.

## Profit (loss) from discontinued operations

The result from assets held for sale and discontinued operations refers mainly to the earn-out share accrued following the occurrence of certain contractually-planned conditions from the sale of the Vertical Content division to the Mondadori Group.

## Profit (loss) from discontinued operations

The profit (loss) from divestitures or discontinued operations refers to proceeds from earn-outs related to sales completed in the previous year as detailed below:

<i>(In thousands of Euros)</i>	2017	2016
<b>Vertical Content</b>		
Gross capital gain	723	18,861
Net profit (loss)	-	(982)
Transaction costs	(38)	(923)
<b>Vertical Content total</b>	<b>685</b>	<b>16,956</b>
<b>Flash Sales</b>		
Gross capital gain	-	12,070
Net profit (loss)	-	(3,798)
Transaction costs	-	(446)
<b>Flash Sales net profit</b>	<b>-</b>	<b>7,826</b>
<b>Profit (loss) from discontinued operations</b>	<b>685</b>	<b>24,782</b>

## SUMMARY OF DATA FOR THE FOURTH QUARTER

The table below illustrates the Reclassified Income Statement for the fourth quarter by destination according to the statements used by the Group's management.

€ thousand	Q4 2017	% of total revenues	Q4 2016	% of total revenues	% Change
<b>Total revenues</b>	<b>55,542</b>	100.0%	<b>70,695</b>	100.0%	-21.4%
Cost of sales <sup>9</sup>	(47,379)	-85.3%	(59,990)	-84.9%	-21.0%
Gross profit <sup>10</sup>	<b>8,162</b>	<b>14.7%</b>	<b>10,706</b>	<b>15.1%</b>	<b>-23.8%</b>
Sales and marketing costs	(4,873)	-8.8%	(3,942)	-5.6%	23.6%
Logistics costs	(6,162)	-11.1%	(6,638)	-9.4%	-7.2%
IT costs	(428)	-0.8%	(400)	-0.6%	6.9%
General and administrative expenses	(609)	-1.1%	(1,296)	-1.8%	-53.0%
<b>Adjusted EBITDA</b>	<b>(3,910)</b>	<b>-7.0%</b>	<b>(1,571)</b>	<b>-2.2%</b>	<b>148.8%</b>
Non-recurring costs and income and stock option plans	(309)	-0.6%	(566)	-0.8%	-45.5%
<b>EBITDA</b>	<b>(4,218)</b>	<b>-7.6%</b>	<b>(2,137)</b>	<b>-3.0%</b>	<b>97.4%</b>
Depreciation, amortisation and impairment	(2,454)	-4.4%	(1,373)	-1.9%	78.7%
<b>EBIT</b>	<b>(6,672)</b>	<b>-12.0%</b>	<b>(3,510)</b>	<b>-5.0%</b>	<b>90.1%</b>
Net financial expenses	(141)	-0.3%	(5)	0.0%	2720.0%
Minority interest in income of associates	(1,097)	-2.0%	3	0.0%	36666.7%
Write-down of financial assets	-		(229)		
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>(7,910)</b>	<b>-14.2%</b>	<b>(3,741)</b>	<b>-5.3%</b>	<b>111.4%</b>
Income Taxes	(1,023)		(18)		N/A
Net profit (loss) from discontinued operations	7		10,871		N/A
<b>NET PROFIT (LOSS)</b>	<b>(8,926)</b>	<b>-16.07%</b>	<b>7,112</b>	<b>10.06%</b>	<b>-211.13%</b>

Consolidated revenue in the fourth quarter totalled €55,542 thousand, down by 21.4% compared with the fourth quarter of 2016 (€70,695 thousand). This negative trend was the result of both the further slow-down in the growth of the market in the period (particularly in October), and the above-mentioned transition to the Marketplace; the latter continued to grow significantly in the fourth quarter as well (+26.5%). The continued intense promotional activity, particularly by several traditional retailers should also be stressed.

Adjusted EBITDA stood at €8,162 thousand, down on the €10,706 thousand recorded in the fourth quarter of 2016. The impact on revenue in percentage terms was 14.7% down compared with the figure of 15.1% recorded in the fourth quarter of 2016. Profits were penalised by strong competitive pressure, in a market context where there was a slow-down in growth compared

<sup>9</sup> The **Cost of sales** mainly includes the purchase cost of goods and the cost of some services, including the cost of transport to customers, the cost of collection fees, agent's commissions and sales commissions and external publishing costs.

<sup>10</sup> **Gross profit** is represented by net revenues minus cost of sales and is a management accounts indicator used by the Issuer to monitor and evaluate sales performance. Gross Margin is not identified as an accounting method either under the scope of Italian Accounting Principles or under IFRS (International Financial Reporting Standards) and therefore it should not be considered as an alternative method for evaluating the performance of the Group's margin from sales. Since the composition of the Gross Margin is not regulated by reference accounting standards, the calculation criterion applied by the Group may not be standardised with the one adopted by others and, as such, is not comparable. The impact of Gross Margin on revenue is calculated by the Group as the ratio between the Gross Margin and Total Net Revenues.

with 2016 and which led to a high level of promotional activity and free-shipping, as described previously. The devaluation of warehouse inventories as a result of the increase in damaged products that were returned also had a negative effect. The contribution to profits by the marketplace and infocommerce, on the other hand, was still positive.

Adjusted EBITDA stood at -€3,910 thousand, compared with the -€1,571 thousand recorded in the fourth quarter of 2016.

Specifically, commercial and marketing costs recorded a significant increase of 23.6% compared with the fourth quarter of 2016 mainly as a result of the costs related to the TV and radio advertising campaign as described above.

Also note the 53% fall in general and administrative costs due to the positive impact of the contribution from research and development activities as described above.

EBIT was -€6,672 thousand after depreciation, amortisation and impairment of €2,454 thousand, compared to -€3,510 thousand in the fourth quarter of 2016.

EBT was -€7,910 thousand compared with -€3,741 thousand in the fourth quarter of 2016, and was negatively impacted by the result of associated companies, specifically Il Post Srl as described in the Notes to the Financial Statements.

## ANALYSIS OF KEY RESULTS FROM THE STATEMENT OF FINANCIAL POSITION

The following table presents the statement of financial position of the Eprice Group reclassified by sources and uses:

<i>(thousands of Euros)</i>	31 December 2017	31 December 2016
<b>USES</b>		
Net working capital	(5,452)	(4,356)
Fixed assets	40,996	33,554
Long-term assets	8,992	9,996
Personnel fund	(2,024)	(2,131)
Long-term liabilities	(438)	(396)
Net Invested Capital	<b>42,074</b>	<b>36,667</b>
<b>SOURCES</b>		
Net Financial Liquidity/Debt	21,339	56,176
Net Equity	(63,415)	(92,843)
<b>FUNDING SOURCES TOTAL</b>	<b>(42,074)</b>	<b>(36,667)</b>

### Net Working Capital

Net Working Capital dropped by €1,095 thousand mainly due to the reduction in inventories and trade receivables and an increase in payables to suppliers. Specifically, inventories fell by €1,822 thousand both as a result of the allocation to the provision for obsolete inventory of €150 thousand and as a result of a reduction in rotation following the policy aimed at reducing

warehouse provisions. The increase in the other current receivables and payables item is due mainly to the increase in the item relating to VAT credit.

The table below provides a breakdown of Net Working Capital:

<i>(In thousands of Euros)</i>	31 December 2017	31 December 2016
Inventories	20,270	22,092
Trade receivables and other accounts receivable	8,908	9,798
Trade and other payables	(37,737)	(36,874)
<b>Trade Working Capital</b>	<b>(8,559)</b>	<b>(4,984)</b>
Other current receivables and payables	3,107	628
<b>Net Working Capital</b>	<b>(5,452)</b>	<b>(4,356)</b>

## Fixed assets

Fixed assets rose by €7,442 thousand, specifically due to investments in intangible assets of €7,263 thousand during the period, largely related to the implementation of the new ERP, and investments in tangible assets totalling €6,155 thousand, related to improvements, equipment and furnishings for the new logistical centre, the purchase of investments in associates totalling €1,484 thousand and loans provided to the latter totalling €1,150 thousand. Decreases were mainly for amortisation and depreciation totalling €6,923 thousand.

## Net Equity

Net Equity decreased during the period from €92,843 thousand to €63,414 thousand mainly due to the overall loss of €24,937 thousand. In addition, there was a decrease in net equity of €5,252 thousand due to the payment of dividends approved at the shareholders' meeting, and of €675 thousand relating to the purchase of treasury shares during the period. Increases for the period were for capital increases totalling €1,045 thousand resulting from the exercise of 22 2014-2018 warrants, and €391 thousand for the stock option reserve to cover the cost connected with employee incentive plans.



The breakdown of the Net Financial Position is provided below, in accordance with the CONSOB Communication of 28 July 2006 and in compliance with the ESMA/2011/81 Recommendation.

**Net Financial Position**

<i>(thousands of Euros)</i>	31 December 2017	31 December 2016
(A) Cash	(150)	(243)
(B) Other cash and cash equivalents	(20,944)	(54,468)
(C) Stocks held for trading	-	-
<b>(D) Liquidity (A)+(B)+(C)</b>	<b>(21,094)</b>	<b>(54,711)</b>
(E) Current financial receivables	(2,877)	(1,700)
(F) Current financial payables	-	-
(G) Current portion of non-current debt	2,001	-
(H) Other current financial payables	94	109
<b>(I) Current financial debt (F)+(G)+(H)</b>	<b>2,095</b>	<b>109</b>
<b>(J) Net current financial liquidity/debt (D)+(E)+(I)</b>	<b>(21,876)</b>	<b>(56,302)</b>
(K) Non-current bank payables	501	-
(L) Bonds issued	-	-
(M) Other non-current payables	35	126
<b>(N) Non-current financial debt (K)+(L)+(M)</b>	<b>536</b>	<b>126</b>
<b>(O) Net Financial (Liquidity)/Debt (J)+(N)</b>	<b>(21,339)</b>	<b>(56,176)</b>

As at 31 December 2017, the Group reported net liquidity of €21,339 thousand. The change compared with 31 December 2016 was mainly due to the funds used in operations totalling €15,129 thousand, and in the investment activities described above totalling €14,826 thousand. Financing activities absorbed funds totalling €3,662 thousand, mainly due to the payment of dividends totalling €5,252, which were partially offset by a loan of €4 million obtained maturing in 24 months, which has been partially repaid, and by capital increases due to the exercise of warrants.

## SIGNIFICANT EVENTS IN THE YEAR

The new group ERP came into operation in February 2017.

In February 2017, the Group invested a further €300 thousand in the capital of Termostore S.r.l., increasing its holding to 43%.

Also in February 2017, the Group completed the sale of the equity investment held in Uollet S.r.l., which had already been written down in the previous year.

In April 2017, the Group acquired a 15% minority interest in Click & Quick Distributions S.r.l., a shipping company that manages the transport and delivery of merchandise using a logistical and transportation network spread throughout Italy.

Effective 1 May 2017, the merger of Banzai Commerce into ePRICE S.r.l. was completed, and at the same time the latter changed its name to ePRICE Operations S.r.l. This merger had no impact on the Group's structure since these are wholly-owned companies.

In July 2017 the Group acquired a 17.2% minority interest in Apprice SAGL, a company specialising in the development of applications for tablets and smartphones.

In August 2017 the new Truccazzano logistical centre was launched replacing warehouses previously used at Caleppio di Settala.

## Operating and financial performance of ePRICE S.p.A.

The table below provides a summary of the income statement of ePRICE S.p.A.:

<i>(Thousands of euros)</i>	2017	2016
Total Revenues	3,026	2,826
EBITDA <sup>11</sup>	(5,133)	(5,667)
Operating profit (EBIT)	(6,509)	(6,082)
Profit (loss) from continuing operations	(8,921)	(6,123)
Profit (loss) from discontinued operations	686	11,718
Net profit (loss)	(8,236)	5,595

Revenue during 2017 amounted to €3,026 thousand, compared with the €2,826 thousand generated in 2016. These consisted almost exclusively of revenues from charge-backs to Group companies or former Group companies during the course of the year. The increase over the previous year was mainly due to the charge-back to the subsidiary ePRICE S.r.l. of advertising costs amounting to €1,270 thousand, which in the previous period totalled €850 thousand.

**EBITDA**, which was a negative figure of €5,133 thousand, improved by €534 thousand compared with 2016 due mainly to lower costs for services.

The operating loss of €6,509 thousand was affected by amortisation and depreciation of €1,375 thousand, which rose sharply over the previous year due to the commissioning of the new Group ERP.

The profit (loss) from discontinued operations relates mainly to the earn-out applicable to 2017 related to the sale of the Vertical Content segment following the sale of the entire equity investment held in Banzai Media Holding to Mondadori Editore S.p.A.

<sup>11</sup> **EBITDA** is operating profit before amortisation, depreciation and impairment. EBITDA is thus defined as a measure used by the Issuer to monitor and evaluate operating performance. EBITDA is not identified as an accounting measurement either in Italian GAAP or international IFRS accounting standards and, therefore, should not be considered an alternative measurement for evaluating the operating result of the Group. Since the composition of EBITDA is not regulated by the applicable accounting standards, the methods employed by the Group may not be consistent with those adopted by others and therefore are not comparable. The Group calculates EBITDA as a percentage of revenue as the ratio of EBITDA to revenue.

The following table presents the statement of financial position of ePRICE S.p.A. reclassified by sources and uses:

**Statement of Financial Position**

*(Thousands of euros)*

	31 December 2017	31 December 2016
<b>USES</b>		
Net Working Capital	3,319	2,582
Fixed assets	86,090	61,189
Long-term assets	5,109	6,130
Personnel fund	(286)	(267)
Long-term liabilities	(437)	(397)
<b>Net invested capital</b>	<b>93,975</b>	<b>69,237</b>
<b>SOURCES</b>		
Net Financial Liquidity/Debt	5,813	43,097
Net Equity	(99,608)	(112,334)
<b>FUNDING SOURCES TOTAL</b>	<b>(93,795)</b>	<b>(69,237)</b>

**Net Working Capital** rose by €737 thousand mainly as a result of an increase in trade receivables from the subsidiary Eprice Operations.

**Fixed assets** were up by €24,901 thousand, mainly owing to loans made to the subsidiary Eprice Operations, which were partly waived to pay for its investments.

**Long-term assets** relate mainly to deferred tax assets; the reduction for the year was mainly due to the reversal of the portion of deferred tax assets whose recoverability is not included in the 2018-2023 business plan approved by the board of directors on 8 March 2018.

**Net equity** decreased during the period from €112,335 thousand to €99,608 thousand mainly due to the overall loss of €8,236 thousand. In addition, there was a decrease in net equity of €5,252 thousand due to the payment of dividends approved at the shareholders' meeting, and of €675 thousand due to the purchase of treasury shares during the period. Increases for the period were for capital increases totalling €1,045 thousand resulting from the exercise of 22 2014-2018 warrants, and €391 thousand for the stock option reserve to cover the cost connected with employee incentive plans.

The breakdown of the **Net Financial Position** is provided below, in accordance with the CONSOB Communication of 28 July 2006 and in compliance with the ESMA/2011/81 Recommendation.

<i>(In thousands of Euros)</i>	At 31 December 2017	At 31 December 2016
(A) Cash	-	(1)
(B) Other cash and cash equivalents	(8,418)	(43,259)
(C) Stocks held for trading	-	-
<b>(D) Liquidity (A)+(B)+(C)</b>	<b>(8,418)</b>	<b>(43,260)</b>
(E) Current financial receivables	-	-
(F) Current financial payables	-	-
(G) Current portion of non-current debt	2,001	-
(H) Other current financial payables	67	67
<b>(I) Current financial debt (F)+(G)+(H)</b>	<b>2,068</b>	<b>67</b>
<b>(J) Net current financial liquidity/debt (D)+(E)+(I)</b>	<b>(6,350)</b>	<b>(43,193)</b>
(K) Non-current bank payables	501	-
(L) Bonds issued	-	-
(M) Other non-current payables	35	96
<b>(N) Non-current financial debt (K)+(L)+(M)</b>	<b>536</b>	<b>96</b>
<b>(O) Net Financial (Liquidity)/Debt (J)+(N)</b>	<b>(5,814)</b>	<b>(43,097)</b>

As at 31 December 2017, the Company reported net liquidity of €5,814 thousand. The change compared with 31 December 2016 (net liquidity of €43,097 thousand) was mainly attributable to funds used to finance the subsidiary Eprice Operations S.r.l..

## RESEARCH, DEVELOPMENT AND INNOVATION

Development activities are of particular importance for the Group: the aim is to conceive new solutions and new products and services to be included in the range offered by ePRICE, and to continuously innovate existing products and services, including with regard to the introduction of new technologies and new business development models. The Group takes an interdisciplinary approach, the greatest strength of which lies in the close collaboration between development, production and marketing, in order to respond quickly and effectively to the constant changes in the preferences expressed by consumers.

During the period, the Group continued to invest in improving the quality of services offered to customers, in existing processes and in platform components to make them scalable for increasing volumes. The Group continued to develop the technology platform by integrating the components available on the market as much as possible. The benchmark architectural paradigm follows a structure which is exposed to services in which the software components can be integrated and cooperate through standard technologies.

The development of a platform for the management of specialist local services related to the world of household appliances (MDA) and the construction/activation of the premium delivery and professional installation network both continued. This network is being developed to provide a system to manage transportation and installation services, designed particularly for sales of Domestic appliances. The platform includes many innovative services: for example, the availability and scheduling of installers can be managed in real time; an operator monitors the customer order end-to-end (and a dedicated call centre is provided); a sequence of blocking questions that are nestable and differentiated by product type is presented to the customer

while the features of the service are being defined (e.g. floor, availability and width of lift access, width of staircase, etc.); the customer is informed about the technical installer who will come to their home; and service prices are compared with a standard list.

The expansion of the access infrastructure and DataCenters has continued, specifically the storage has been increased and new security software for access to corporate applications has been purchased.

Logistics software platform development activities continued and a rental agreement was established for the new fulfilment centre, which will be operational during the year, and the initial investments in tangible assets were made to equip it.

The Group is also investing in new management platforms, such as the pricing platform, which will enable better monitoring of competition and customer behaviour, or the new WMS, which will allow for even more proactive management of the entire logistics function.

The Group has also made further investments in the new Group ERP, which was commissioned in the first quarter of 2017, although certain development activities were carried out at the time of its launch.

## Human resources and talent acquisition

The following table shows the average and actual number of employees by category:

	31 December 2017		31 December 2016	
	Average	Actual	Average	Actual
Senior managers	7	7	8	6
Middle managers	20	20	31	21
Clerical workers	145	141	241	146
Manual workers	2	2	3	2
<b>Total</b>		<b>170</b>		<b>175</b>

## Management of business risks

Operating risk factors that could have a negative impact on the Group's and Parent Company's operations include:

- Risks connected with exposure to unfavourable economic conditions in Italy and adverse macroeconomic scenarios
- Risks connected with e-Commerce fraud
- Risks connected with services provided by third parties and reliance on specific suppliers
- Risks linked to changes in business models and technology
- Risks connected with heavy competition in the group's reference markets
- Risks connected with legislation and the regulation of business segments in which the group operates
- Risks connected with the handling of goods and logistics.

The Group and companies included in consolidation have taken a series of monitoring measures in order to mitigate the operating and financial risks noted above.

The identification, analysis and assessment of the main risks are accompanied by a search for measures to mitigate the impact or occurrence of the risk. The ePRICE Group uses a systematic approach in the management of strategic, operating and financial risks.

Based on relevant best practices, these risk management processes are carried out through the following phases:

- identification;
- analysis;
- assessment;
- mitigation;
- control and monitoring,

and they are translated into action plans to mitigate "inherent risk" identified and/or into audits of the effectiveness of controls to reduce risks to an acceptable level ("residual risk").

## Corporate Governance

ePRICE adheres to and complies with the Corporate Governance Code of Listed Italian Companies (the “Code”), and has adapted it to suit its own characteristics.

In order to meet the transparency obligations required by sectoral regulations, the “*Report on Corporate Governance and the Ownership Structure*” was prepared as required by Art. 123-bis of the Consolidated Finance Law and provides a general description of the Group’s governance system and information on ownership structure, the organisational model adopted pursuant to Legislative Decree no. 231 of 2001 and the level of compliance with the Corporate Governance Code, including the main governance practices applied and the characteristics of the risk management and internal control system in relation to the financial reporting process.

This document is available at the Company’s website at [www.ePRICE.it](http://www.ePRICE.it), Investor section.

## Remuneration Report

The Remuneration Report, which was prepared pursuant to Art. 123-ter of the Consolidated Finance Law, is available on the Company’s website at [www.ePRICE.it](http://www.ePRICE.it), in the Governance section.

## Right to waive the obligation to publish an information document in the event of material transactions

The Issuer has exercised the option to waive the obligation provided for in Art. 70, para. 6 and Art. 71, para. 1 of the Issuer Regulations, as defined by Art. 70, para. 8 and Art. 71, para. 1-bis of the Issuer Regulations.

## Reconciliation of Shareholders’ Equity and Profit for the year

The following table summarises the reconciliation between the profit and the shareholders’ equity of ePRICE S.p.A. as shown in the separate financial statements and the respective values of the ePRICE Group as shown in the consolidated financial statements:

	Profit	Shareholders’ Equity
ePRICE S.p.A.	(8,235)	99,608
IFRS profits of the subsidiaries and the difference between book value and their shareholders’ equity	(16,780)	(36,194)
Minority interest in income of associates not included in the financial statements	265	0
ePRICE Group	(24,750)	63,414

## RELATED-PARTY TRANSACTIONS

Contractual relations between the ePRICE Group and its associated companies during the year consisted mainly of commercial transactions concluded on normal market terms and conditions.

The effects of related-party transactions are shown in the statement of assets and liabilities, in the income statement and in the related explanatory notes.

## SIGNIFICANT EVENTS AFTER THE CLOSE OF THE YEAR

No significant events affecting this financial report occurred between the closing date for the year and the approval of this report.

On 8 March 2018 the CEO Pietro Scott Jovane resigned with effect from 15 April 2018. The Board of Directors conferred management powers on the Chairman, Paolo Ainio, who will also take on the role of CEO. Dr. Jovane will retain the 975,000 stock options that had already accrued at the effective date of the termination of employment.

## OUTLOOK

As noted above, based on general market performance, in the second half of 2017 ePRICE's management recognised the need to introduce new internal organisational and business measures. In the third and fourth quarters of 2017, analyses were immediately initiated and new projects were launched to apply specific corrective measures to the market place and logistics management to limit damage from transportation, and negotiations were carried out with major suppliers.

After these measures were initiated, on 8 March 2018, the board of ePRICE approved the updating of the ePRICE strategic plan guidelines for the period 2018-2023, which are based on strong, coordinated development in the sale of large domestic appliances, strong growth of the marketplace and the opening of its own platform to new services aimed at Italian consumers and their families.

The 2018-2023 strategic plan confirms and updates the 4 strategic guidelines indicated in the plan presented to the market in November 2016:

Through leadership in the core categories (Large Domestic Appliances, TVs and Climate Control) on a 1st party basis, ePRICE expects to increase its sales in the core categories, and also increase the importance of brands, with positive effects on profits, and it will leverage its service capabilities, which are a distinctive factor of ePRICE. The new logistics centre, which was commissioned in Q3 17, will gradually increase available capacity by 50%.

The expansion of the Marketplace, also thanks to the more marked movement of categories unrelated to service and to the introduction of new categories. The penetration of the marketplace on the GMV of these categories - excluding core categories is expected to gradually reach 50%.

Consolidation of the Pick&Pay network, which currently covers about 92% of the population and has a Net Promoter Score<sup>12</sup> of around 80 (best sales channel according to this criterion). The Pick&Pay channel has demonstrated customer loyalty, encouraging repeat purchasing thanks to the possibility of the customer benefiting from free delivery.

Gradual growth of ePRICE as a Services platform to complete the existing offer of core category products (Large Domestic Appliances, TVs and Climate Control and, in the future, Smart Homes), but also as a platform for maintenance and repair

<sup>12</sup> The Net Promoter Score is calculated by subtracting the percentage of detractors from the percentage of promoters obtained.



services by leveraging the existing network of installers. In fact, Home Service is proving to be an extremely effective factor for loyalty creation. The goal is to double the installer network from the current level of 500 installers.

In management's opinion, the action plans implemented and described above will allow the ePRICE Group in 2018 to consolidate its leadership in service-driven categories and achieve strong growth in the Marketplace. The greatest emphasis will be placed on defending profitability, even at the expense of a reduction in revenue growth, and on a decisive move of several categories to the Marketplace, where revenues are accounted for only to the extent of the commission.

These measures will result in improved EBITDA in 2018, including through a more streamlined organisation, and an efficiency plan implemented in recent months that projects efficiencies of 20%. Company budgets show a sustainable growth in cash flow and a positive financial position at year-end 2018.

In the years following 2018, the impact of measures already taken will generate strong GMV and revenue growth driven by large domestic appliances, services and the 3P marketplace, and an EBITDA margin at 5-6% in the medium term thanks to the efficiency plan implemented starting in 2018, the strong growth in the GED and the increase in Marketplace and Services penetration.

The plans also show positive cash flow effects in 2018 and 2019 generated by divestments and earn-outs from the sales of BMH and Saldiprivati.

In addition, agreements have already been implemented with banks, which already provided an additional unsecured loan of €5 million with a term of 12 months in February 2018.

The results already achieved and the measures under way lead us to project that the goals stated in plans will be achieved, and that the operating and financial situation of ordinary operations can be sustained.



# Consolidated Financial Statements as at 31 December 2017

---

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(In thousands of Euros)</i>	Notes	31 December 2017	Of which related parties	31 December 2016	Of which related parties
<b>NON-CURRENT ASSETS</b>					
Plant and equipment	1	7,788		3,013	
Intangible assets	2	28,560		26,853	
Investments in associates	3	2,278	2,278	2,468	2,468
Non-current financial assets	4	2,370	1,361	1,220	211
Other non-current assets	5	292		273	
Deferred tax assets	6	8,700		9,723	
<b>NON-CURRENT ASSETS TOTAL</b>		<b>49,988</b>		<b>43,550</b>	
<b>CURRENT ASSETS</b>					
Inventories	7	20,270		22,092	
Trade receivables and other receivables	8	8,908	1,255	9,798	309
Other current assets	9	14,680		12,285	
Cash and cash equivalents	10	21,094	422	54,711	2,722
<b>CURRENT ASSETS TOTAL</b>		<b>64,952</b>		<b>98,886</b>	
<b>ASSETS TOTAL</b>		<b>114,940</b>		<b>142,436</b>	
<b>LIABILITIES AND NET EQUITY</b>					
<b>NET EQUITY</b>					
Share capital		826		821	
Reserves		87,338		81,954	
Profit (loss) for the period		(24,750)		10,068	
<b>TOTAL NET EQUITY</b>	<b>11</b>	<b>63,414</b>		<b>92,843</b>	
<b>NON-CURRENT LIABILITIES</b>					
Payables to banks and other lenders	12	536		126	
Provisions for personnel	13	2,024		2,130	
Provisions for risks and charges	14	360		360	
Other non-current liabilities	16	78		37	
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,998</b>		<b>2,653</b>	
<b>CURRENT LIABILITIES</b>					
Trade and other payables	15	37,737	1,769	36,874	1,009
Payables to banks and other lenders	12	2,095		109	
Other current liabilities	16	8,696		9,957	
<b>TOTAL CURRENT LIABILITIES</b>		<b>48,528</b>		<b>46,940</b>	
Liabilities from discontinued operations		0		0	
<b>TOTAL LIABILITIES</b>		<b>51,526</b>		<b>49,593</b>	
<b>TOTAL NET EQUITY AND LIABILITIES</b>		<b>114,940</b>		<b>142,436</b>	

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>(In thousands of Euros)</i>	Notes	31 December 2017	Of which related parties	31 December 2016	Of which related parties
Revenue	17	192,567	3,453	205,398	1,495
Other income	18	3,152		2,280	
Costs for raw materials and goods for resale	19	(158,207)		(166,297)	
Costs for services	20	(43,532)	(9,647)	(40,669)	(2,467)
<i>Of which non-recurring</i>					
Personnel expenses	21	(8,916)		(9,852)	
<i>Of which non-recurring</i>					
Depreciation, amortisation and impairment	22	(7,529)		(4,259)	
Other costs	23	(368)		(584)	
<b>Operating profit (loss)</b>		<b>(22,833)</b>		<b>(13,983)</b>	
Financial expenses	24	(87)		(182)	
Financial income	24	182		216	23
Minority interest in income of associates	25	(1,674)		(79)	
Write-downs of financial assets	26	0		(668)	
<b>Profit (loss) before tax from continuing operations</b>		<b>(24,412)</b>		<b>(14,696)</b>	
Income Taxes	27	(1,023)		(18)	
<b>Profit (loss) from continuing operations</b>		<b>(25,435)</b>		<b>(14,714)</b>	
Net profit (loss) from discontinued operations	28	685		24,782	
<b>Profit (loss) for the period</b>		<b>(24,750)</b>		<b>10,068</b>	
<b>Other components of comprehensive income:</b>					
<i>That will not subsequently be reclassified into profit (loss) for the year</i>					
Employee benefits		(187)		(20)	
Tax effect				5	
<b>Total</b>		<b>(187)</b>		<b>(15)</b>	
<i>That will subsequently be reclassified into profit (loss) for the year</i>					
<b>Comprehensive profit/(loss) for the period</b>		<b>(24,937)</b>		<b>10,053</b>	
Earnings per share	29	-0.59		0.25	
Diluted earnings per share	29	-0.59		0.23	

## CONSOLIDATED STATEMENT OF CASH FLOW

(In thousands of Euros)	31 Of which		31 Of which	
	December	related parties	December	related parties
	2017		2016	
<b>NET CASH FLOW FROM OPERATIONS</b>				
Net result from operations	(25,435)		(14,714)	
<i>Adjustments to reconcile profit for the year with cash flow generated by operating activities:</i>				
Depreciation and Amortisation	6,922		4,105	
Bad debt provision	606		155	
Employee benefit fund provision	326		544	
Inventory write-down	150		276	
Employee benefit fund change	(620)		(394)	
Change in deferred tax assets and liabilities	1,023		17	
Share of the result pertaining to associated companies	1,674		79	
Impairment losses on non-current assets	0		668	
Change in other non-current liabilities	41		35	
Other non-monetary items	391		455	
<i>Changes in working capital</i>				
Change in inventories	1,672		(6,853)	
Change in trade receivables	283	(946)	(4,787)	(65)
Change in other current assets	(1,763)		(1,291)	
Change in trade payables	863	760	12,263	582
Change in other payables	(1,262)		1,282	
<b>NET CASH FLOW GENERATED (ABSORBED) BY OPERATIONS</b>	<b>(15,129)</b>		<b>(8,160)</b>	
<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Acquisition of tangible assets	(6,155)		(1,370)	
Disposal of tangible assets	14		24	
Change in other non-current assets	(18)		(121)	
Acquisition of intangible assets	(7,263)		(6,219)	
Provision of financing	(1,150)	(1,150)	(270)	(270)
Purchase of associates	(1,484)	(1,484)	(1,499)	(1,499)
Other investments	0		(2,150)	
Cash flow from discontinued operations	1,230		52,228	
<b>NET CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITIES</b>	<b>(14,826)</b>		<b>40,623</b>	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Financial payables	2,397		(8,539)	
Share capital increase	1,045			
Current financial receivables	(1,177)		(962)	
Treasury shares	(675)		(1,794)	
Dividends	(5,252)			
<b>NET CASH FLOW ABSORBED BY FINANCING ACTIVITIES</b>	<b>(3,662)</b>		<b>(11,295)</b>	
(Decrease)/Increase in cash and cash equivalents	(33,617)		21,168	
<b>CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD</b>	<b>54,711</b>		<b>33,543</b>	
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>21,094</b>		<b>54,711</b>	

## CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

	Share capital	Share premium	Legal reserve	Treasury shares	Stock Option reserve	Other capital reserves	Retained earnings (losses)	FTA Reserve	Employee benefits	Total
<b>Balance as at 31 December 2016</b>	<b>821</b>	<b>124,154</b>	<b>1</b>	<b>(2,586)</b>	<b>554</b>	<b>538</b>	<b>(30,066)</b>	<b>(487)</b>	<b>(86)</b>	<b>92,843</b>
Result for the year							(24,750)			(24,750)
<b>Other components of comprehensive income:</b>										0
that will not subsequently be reclassified into profit (loss) for the year									(187)	(187)
that will subsequently be reclassified into profit (loss) for the year										0
<b>Total income</b>							<b>(24,750)</b>		<b>(187)</b>	<b>(24,937)</b>
Transactions on treasury shares				(625)	(50)					(675)
Share capital increase	5	1,040								1,045
Share-based payment					391					391
Allocation of the result			163				(5,415)			(5,252)
Reclassifications					(99)		99			0
<b>Balance as at 31 December 2017</b>	<b>826</b>	<b>125,194</b>	<b>164</b>	<b>(3,211)</b>	<b>796</b>	<b>538</b>	<b>(60,132)</b>	<b>(487)</b>	<b>(273)</b>	<b>63,415</b>

	Share capital	Share premium	Legal reserve	Treasury shares	Stock Option reserve	Other capital reserves	Retained earnings (losses)	FTA Reserve	Employee benefits	Total
<b>Balance as at 31 December 2015</b>	<b>821</b>	<b>124,154</b>	<b>1</b>	<b>(791)</b>	<b>220</b>	<b>538</b>	<b>(39,289)</b>	<b>(1,351)</b>	<b>(170)</b>	<b>84,133</b>
Result for the year							10,068			10,068
<b>Other components of comprehensive income:</b>										0
that will not subsequently be reclassified into profit (loss) for the year									(15)	(15)
that will subsequently be reclassified into profit (loss) for the year										0
<b>Total income</b>	<b>-</b>	<b>-</b>	<b>-</b>			<b>-</b>	<b>10,068</b>	<b>-</b>	<b>(15)</b>	<b>10,053</b>
Transactions on treasury shares				(1,795)						(1,795)
Reclassification pursuant to IFRS 5					(121)		(844)	864	101	0
Share-based payment					454					454
<b>Balance as at 31 December 2016</b>	<b>821</b>	<b>124,154</b>	<b>1</b>	<b>(2,586)</b>	<b>554</b>	<b>538</b>	<b>(30,066)</b>	<b>(487)</b>	<b>(86)</b>	<b>92,843</b>



## EXPLANATORY NOTES

### Accounting principles and measurement criteria used to prepare the consolidated financial statements as at 31 December 2017.

The consolidated financial statements of the ePRICE Group as at 31 December 2017 were approved by the Board of Directors on 08 March 2018.

The consolidated financial statements for the year ended 31 December 2017 (hereinafter, the “Consolidated Financial Statements”) were prepared in accordance with the provisions of Regulation EC 809/2004 and pursuant to the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union (IFRS).

“IFRS” refers to all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously called the Standard Interpretations Committee (SIC), which, at the date of approval of the consolidated financial statements, had been endorsed by the European Union in accordance with the procedure provided for by Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002.

#### **Criteria and scope of consolidation**

The Consolidated Financial Statements include the consolidated statement of financial position, consolidated comprehensive income statement for the period, consolidated cash flow statement and consolidated statement of changes in shareholders' equity. The Group has chosen to prepare the statement of comprehensive income, which includes profit (loss) for the year as well as changes in shareholders' equity relevant to income statement items which, by express provision of the international accounting standards, are recognised as components of shareholders' equity.

The Consolidated Financial Statements were prepared on the basis of the financial statements of the parent company, ePRICE S.p.A., and of the subsidiaries which it directly or indirectly controls, as approved by the respective shareholders' meetings or designated governing bodies and adjusted as necessary for compliance with IFRS. Subsidiaries are fully consolidated as of the acquisition date, i.e. the date at which the Group takes control, and cease to be consolidated as of the date at which control is transferred outside the Group. A company is able to exercise control if it is exposed or entitled to variable returns arising from its relationship with the investee, and can also use its power to affect said returns.

Specifically, a company is able to exercise control if, and only if, it has:

- the power over the investee (i.e. it holds substantive rights that give it the current ability to direct the relevant activities of the investee);
- exposure or entitlement to variable returns arising from its relationship with the investee;

- the capacity to exercise its power over the investee to affect its returns.
- When a Group company holds less than the majority of voting (or similar) rights of an investee, it takes into consideration all relevant facts and circumstances to determine whether it controls the investee, including:
  - contractual agreements with other holders of voting rights;
  - rights arising from contractual agreements;
  - existing and potential voting rights of the Group.

The Group reconsiders whether it has control over an investee and if the facts and circumstances indicate that there have been changes in one or more of the three relevant elements for the purpose of defining control. A subsidiary is consolidated when the Group obtains control over it and is deconsolidated when the Group loses that control. The assets, liabilities, revenue and costs of the subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date on which the Group obtains control until the date on which the Group no longer exercises control over the company.

The profit (loss) for the year and each of the items of other comprehensive income are attributed to the shareholders of the parent company and to minority interests, even if this results in a negative balance for the latter. When necessary, the appropriate adjustments are made to the financial statements of the subsidiaries to ensure that they comply with Group accounting policies. All assets and liabilities, shareholders' equity, revenue and costs, and intra-Group cash flows relating to transactions between Group entities are fully eliminated upon consolidation.

When the portion of shareholders' equity held by the parent company changes, but there is no loss of control, that change must be recognised in shareholders' equity. If the Group loses control, it must:

- derecognise the assets (including any goodwill) and liabilities of the subsidiary;
- derecognise the carrying amount of all minority interests;
- derecognise cumulative exchange differences posted to shareholders' equity;
- recognise the fair value of the consideration received;
- recognise the fair value of any shareholding retained;
- recognise the profit or loss in the income statement for the year;
- reclassify the parent company's share of items previously recognised in the consolidated statement of items of other comprehensive income to the income statement or retained earnings, as required under the specific accounting principles, as if the Group had directly disposed of the related assets or liabilities.

Effective 1 May 2017, the merger of Banzai Commerce into ePRICE S.r.l. was completed, and at the same time the latter changed its name to ePRICE Operations S.r.l. Since these are wholly-owned subsidiaries, this merger had no impact on the scope of consolidation, which remained unchanged from the previous year as reported below:

#### SUBSIDIARIES

*(With an explanation of the activity conducted and percentage owned)*

Name	Activity	Registered offices	Ownership percentage
ePRICE S.p.A.	Parent Company	Italy	Parent Company
ePRICE Operations S.r.l.	e-Commerce	Italy	100

## Translation of financial statements into currencies other than the euro and foreign currency accounting entries

The Consolidated Financial Statements are presented in euros, which is the functional and presentation currency of the parent company, ePRICE S.p.A., and the other Group companies. If companies belonging to the Group are corporations organised under Italian law, and carry out their business activities in Italy, there is no requirement to translate their financial statements into euros.

Foreign currency transactions are initially recognised at the exchange rate (with reference to the functional currency) in effect at the transaction date. Cash assets and liabilities denominated in foreign currency are retranslated into the functional currency at the exchange rate in effect at the reporting date. Any exchange differences are recognised in the income statement. Non-cash entries, valued at historical cost in foreign currency, are translated using the exchange rates in effect at the date of initial recognition of the transaction.

## Accounting principles

No exemptions to the IFRS were applied during the preparation of these consolidated financial statements.

The Consolidated Financial Statements were prepared with the expectation that the business is a going concern and in light of the consideration expressed in the paragraph “Business Outlook” of the Directors’ Report, according to the principle of historical cost, and the assets and liabilities in the Group financial statements are classified according to the current/non-current criterion.

The Consolidated Financial Statements are presented in euros. All amounts are rounded to the nearest thousand euros, unless otherwise indicated.

There are no changes compared to the accounting standards used in the previous year.

## Measurement criteria

### Plant, equipment and finance and operating leases

Plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any impairment loss. The cost includes directly attributable charges incurred to make the assets ready for use and financial expenses, if they meet the requirements set forth in IAS 23.

Expenses for ordinary maintenance and repair are recognised directly in the income statement when incurred. Costs associated with the expansion, modernisation or improvement of structural elements that are owned or used by third parties are capitalised to the extent to which they comply with requirements for separate classification as an asset or part of an asset.

Plant and equipment held under financial lease agreements, through which the risks and benefits linked to ownership are substantially transferred to the Group, are recognised as Group assets at their current value or, if lower, at the present value of the minimum payments due for the lease, including any amount to be paid to exercise the purchase option. The assets are depreciated by applying the method and rates set forth below for property, plant and equipment, unless the term of the lease agreement is shorter than the useful life represented by those rates, and it is not reasonably certain that the ownership of the leased asset will be transferred at the natural expiry of the agreement. In that case, the depreciation period is identical to the term of the lease.

Leases in which the lessor substantially retains the risks and benefits linked to ownership of the assets are classified as operating leases. The costs of operating leases are recognised on a straight-line basis in the income statement for the term of the lease agreement.

Depreciation is recognised on a straight-line basis by applying rates that make it possible to depreciate the assets until the end of their useful life.

The table below shows the depreciation rates applied by the Group to individual categories of plant and equipment, which remained unchanged from the previous year, based on their estimated useful life:

Category	Rate
Data processing centre equipment	20%
Other equipment	15%
Display systems	20%-50%
Office furniture	12%
Fixtures	12%
Office machinery	20%-33%
Motor vehicles	25%-33%

The useful life of property, plant and equipment and their residual values are revised and updated, where necessary, when the financial statements are prepared.

## **Business combinations**

The acquisition of subsidiaries is accounted for using the acquisition method (IFRS 3).

The identifiable assets acquired and liabilities assumed are measured at fair value at the acquisition date. The consideration transferred in a business combination includes the fair value at the acquisition date of the assets and liabilities transferred and the equity interests issued by the Group, as well as the fair value of any potential consideration and incentives featured in share-based payments recognised by the acquired company. If the business combination entails the settlement of a pre-existing relationship between the Group and the acquired company, the price to settle that pre-existing relationship, as established in the contract, or the off-market value of the element, whichever is lower, is subtracted from the consideration transferred and recognised under other costs.

A contingent liability of the acquired company is assumed in a business combination only if the liability represents a present obligation that arises from past events and if its fair value can be reliably determined.

For each business combination, any minority interest in the acquired company is measured at fair value, or in proportion with the minority interest's share in the acquired company's identifiable net assets.

Goodwill arising from the acquisition is recognised as an asset and initially measured as the excess between the consideration transferred and the net value at the acquisition date of the identifiable assets acquired and the identifiable liabilities assumed.

If a business combination is carried out in stages, the equity investment held in the acquired company previously is recalculated at its fair value at the acquisition date, and any resultant gain or loss is recognised in the consolidated income statement.

The acquisition-related costs are recognised in the consolidated income statement in the periods in which those costs were incurred and the services were received, with the sole exception of costs of issuing debt or equity securities.

## **Intangible assets with an indefinite useful life**

### **Trademarks**

Trademarks are considered assets with an indefinite useful life and therefore are not amortised, but are subject to impairment tests in accordance with IAS 36.

### **Goodwill**

Goodwill is calculated as the excess of the sum of considerations transferred in the business combination, the value of shareholders' equity attributable to minority interests and the fair value of any equity investment held previously in the acquired company, over the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and liabilities assumed at the acquisition date exceeds the sum of considerations transferred, the value of shareholders' equity attributable to minority interests and the fair value of any equity investment held previously in the acquired company, that excess is immediately recognised in the consolidated statement of comprehensive income as income.

After initial recognition, goodwill is measured at cost, net of accumulated impairment. Goodwill is considered an asset with an indefinite useful life and therefore is not amortised, but is tested for impairment. For the purposes of impairment testing, the goodwill acquired as part of a business combination is allocated at the acquisition date to each cash-generating unit (CGU) of the Group expected to benefit from combination synergies. An impairment loss is recognised on goodwill if the recoverable amount of the goodwill is lower than its carrying amount. The recoverable amount is the fair value of the CGU net of disposal costs, or its value in use, whichever is greater. An impairment loss previously recognised on goodwill cannot be reversed. If the impairment loss arising from the test exceeds the value of goodwill allocated to the CGU, the residual excess is allocated to the other assets of the CGU in question in proportion with their carrying amount.

Impairment testing takes place in line with the provisions of IAS 36, i.e. at least annually, or whenever indicators of impairment are identified.

If goodwill is allocated to a CGU and the Group disposes of part of the assets of this unit, the goodwill associated with the asset disposed of is included in the carrying amount of the asset when the gain or loss on the disposal is calculated. Goodwill associated with the asset disposed of is calculated on the basis of the values for the asset disposed of and the retained portion of the CGU.

## Intangible assets with a finite useful life

Intangible assets consist of non-monetary, identifiable elements with no physical substance, which can be controlled and are expected to generate future economic benefits. Such elements are recognised at acquisition and/or production cost, including directly attributable expenses to make the asset ready for use, net of accumulated amortisation and any impairment losses.

The costs incurred internally to develop new services and platforms constitute intangible assets generated internally and are recognised as assets only if all the following requirements are met:

- the cost attributable to the development activity can be reliably determined;
- the entity has the intention, the availability of financial resources and the technical capacity to make the asset ready for use or sale;
- it can be demonstrated that the asset is able to produce future economic benefits.

Capitalised development costs include only expenses incurred that can be directly attributed to the process of developing new products and services.

Intangible assets with a finite useful life are amortised over their useful lives and are subject to fair-value testing whenever there are indications of possible impairment. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at least at the end of each financial year. Changes in expected useful life, or in the ways in which the future economic benefits associated with the asset are generated, are recognised through a change in the amortisation method or period, depending on the case, and are regarded as changes in accounting estimates. The amortisation rates for intangible assets with a finite useful life are recognised in the income statement for the year, in the appropriate non-monetary cost category for the function of the intangible asset.

The Group's estimates of the useful lives of the various intangible asset categories, which remained unchanged from the previous year, are shown below:

Category	Useful life
Software, patents, concessions and licences	3-5 years
Platform development	3-5 years

Profits or losses arising from the disposal of an intangible asset are measured as the difference between the net revenue from disposal and the carrying amount of the intangible asset, and are recognised in the income statement for the year in which the disposal takes place.

## Impairment of non-financial assets

The Group checks for any indications of asset impairment at each reporting date. If these exist, or when an annual impairment test is due, the Group estimates the asset's recoverable amount. The recoverable amount is the greater of the fair value of the asset or CGU, net of disposal costs, and its value in use. The recoverable amount is determined for each individual asset or CGU. If the carrying amount of an asset or CGU is greater than its recoverable amount, the asset is impaired and is consequently written down to the recoverable amount.

When it calculates the value in use, the Group discounts estimated future cash flows to present value using a pre-tax discount rate that reflects market valuations of the present value of money and the specific risks of the asset. In calculating fair value net of disposal costs, recent market transactions are taken into account. If such transactions cannot be identified, an appropriate valuation model is used. These calculations are corroborated by appropriate valuation multiples, the price of equity securities listed for publicly traded investee companies and other available indicators of fair value.

The Group bases its impairment tests on detailed budgets and provisional calculations that are prepared separately for each Group CGU to which separate assets are allocated. These budgets and provisional calculations usually cover a period of three or five years. For longer periods, a long-term growth rate is calculated, which is used to project future cash flows beyond the third or fifth year.

Impairment of operating assets, including inventory impairment, is recognised in the income statement for the year in the respective cost categories for the impaired assets. For fixed assets that have already been revalued, the revaluation is booked to items of other comprehensive income. In these cases, the impairment is also recognised in items of other comprehensive income up to the level of the previous revaluation.

For assets other than goodwill, at each reporting date the Group checks for any indications that previously recognised impairment no longer exists (or has decreased). If so, it estimates the recoverable amount of the asset or the CGU. The value of an asset previously written down may be reversed only if there have been changes in the assumptions on which the calculation of the recoverable amount was based, after recognition of the most recent impairment. The write-back must not exceed the carrying amount that would have been calculated, net of depreciation and amortisation, assuming that no impairment had been recognised in previous years. The write-back is recognised in the income statement for the year, unless the fixed asset is not booked at a revalued amount, in which case the write-back is treated as a revaluation increase.

## Equity investments in associates

An associate is a company over which the Group exercises significant influence. Significant influence refers to the power to participate in determining the operational and financial policies of the investee without having control or joint control over it.

The analyses used to determine significant influence are similar to those used to determine control.

The Group's equity investments in associates are measured using the equity method.

Under the equity method, equity investments in associates are initially recognised at cost. The carrying amount of the equity investment increases or decreases to recognise the portion of profits and losses of the investee attributable to the parent company after the acquisition date. Goodwill associated with the associate is included in the carrying amount of the equity investment and is not subject to amortisation or separately tested for impairment.

The Group's share of the profit (loss) for the year of the associate is recognised in the income statement. Any changes in items of other comprehensive income relating to these investees are presented in the Group's statement of comprehensive income. In addition, if an associate recognises a change directly in shareholders' equity, the Group recognises its share, when applicable, in the statement of changes in shareholders' equity. Unrealised gains and losses arising from transactions between the Group and associates are eliminated in proportion with the shareholding in the associates.

The aggregated share attributable to the Group of the profit (loss) for the year of associates is recognised in the income statement for the year, after the operating profit (loss), and represents the profit (loss) net of taxes and shares of the associate attributed to other shareholders.

The financial statements of associates are prepared at the same date as the Group's financial statements. Where necessary, the financial statements are adjusted to ensure compliance with Group accounting principles.

Following the application of the equity method, the Group evaluates whether it is necessary to recognise an impairment loss on its equity investment in associates. On each reporting date, the Group evaluates whether there is objective evidence that the equity investments in associates have suffered an impairment loss. If they have, the Group calculates the amount of the loss as the difference between the recoverable amount of the associate and its carrying amount in its own financial statements. That difference is recognised in the income statement for the year in the item "share of profit (loss) of associates".

When significant influence over an associate is lost, the Group measures and recognises its remaining equity investment at fair value. The difference between the carrying amount of the equity investment at the date of loss of significant influence and the fair value of the remaining equity investment and the considerations received is recognised in the income statement.

## Treasury shares

Repurchased treasury shares are recognised at cost as a decrease to shareholders' equity. The acquisition, sale or cancellation of treasury shares does not give rise to any profit or loss in the income statement. If the shares are re-issued, the difference between the purchase value and the consideration is recognised in the share premium reserve. If options on shares are exercised during the period, they are satisfied with treasury shares.



## Financial assets

### Initial recognition and measurement

When initially recognised, financial assets are classified, depending on the case, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets or hedging derivatives, if the hedge is effective.

All financial assets are initially recognised at fair value in addition to transaction costs directly attributable to the acquisition, except for financial assets at fair value through profit or loss.

The purchase or sale of a financial asset requiring delivery within the time frame established by regulation or market convention (a 'regular-way trade') is recognised on the trade date, i.e. the date on which the Group has committed to purchase or sell the asset.

### Subsequent measurement

Financial assets are classified in four categories for measurement purposes subsequent to initial recognition:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

### Financial assets at fair value through profit or loss

This category includes assets held for trading and assets designated on initial recognition as financial assets at fair value with changes recognised in the income statement. Assets held for trading are all assets purchased in order to be sold or repurchased in the short-term. Derivatives, including separated derivatives, are classified as financial instruments held for trading unless they are designated as effective hedging instruments, as defined in IAS 39.

The Group has not classified any financial asset at fair value through profit or loss. Financial instruments at fair value through profit or loss are posted to the statement of financial position at fair value, while changes in fair value are recognised as financial income or expenses in the income statement.

Embedded derivatives contained in the host contract are accounted for as separated derivatives and recognised at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not held for trading or measured at fair value through profit or loss. These embedded derivatives are measured at fair value through profit or loss. A recalculation takes place only when a change in the terms of the agreement significantly changes the cash

flows that would have otherwise been expected, or if a financial asset is reclassified to a category other than fair value through profit or loss.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less impairment losses. The amortised cost is calculated to reflect any discounts, premiums associated with the purchase, fees or costs that are an integral part of the effective interest rate. The effective interest rate is recognised as financial income in the income statement. Impairment losses are recognised as financial expenses in the income statement. This category normally includes trade and other receivables.

### **Held-to-maturity investments**

Financial assets that are not derivatives and have fixed or determinable payments are classified as “held-to-maturity investments” if the Group has the intention and the capacity to retain them in the portfolio until maturity. After initial recognition, held-to-maturity financial investments are measured at amortised cost using the effective interest method, less impairment losses. The amortised cost is calculated to reflect any discounts, premiums associated with the purchase, fees or costs that are an integral part of the effective interest rate. The effective interest rate is recognised as financial income in the income statement. Impairment losses are recognised as financial expenses in the income statement.

### **Available-for-sale financial assets**

Available-for-sale financial assets include shares and debt securities. Shares classified as available for sale are those that are not classified as held for trading or designated at fair value through profit or loss. Debt securities are included in this category if they are held for an indefinite period or if they may be sold to meet liquidity needs or due to changing market conditions. Equity investments in companies other than subsidiaries and associates are also included in this category.

After initial recognition, available-for-sale financial assets are measured at fair value (if this can be reliably determined) and their unrealised gains and losses are recognised as items of other comprehensive income in the reserve for available-for-sale assets, until the investment is derecognised – at which time the cumulative gain or loss is recognised as other operating income or expenses – or until there is an impairment loss, when the cumulative loss is deducted from the reserve and reclassified to the income statement as financial expenses. Interest received during the period in which available-for-sale financial assets are held is recognised as financial income using the effective interest method. The Group evaluates whether it still has the capacity and the intent to sell its available-for-sale financial assets in the short-term. If, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, it may choose to reclassify them if the management has the capacity and the intention to keep the assets for the foreseeable future or until maturity.

For financial assets reclassified from the available-for-sale category, the gain or loss recognised previously is amortised in the income statement on the basis of the remaining life of the investment, using the effective interest rate. The difference between the new amortised cost and the expected cash flows is amortised on the basis of the remaining useful life of the asset using the effective interest rate. If an impairment loss is subsequently recognised on the asset, the amount accounted for in shareholders' equity is reclassified to the income statement.

## **Derecognition**

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is derecognised (i.e. removed from the statement of financial position) when:

the rights to receive cash flows from the asset have expired;

the Group has transferred to a third party the right to receive cash flows from the asset or assumed the contractual obligation to pay them in full and without delay and (a) has substantially transferred all risks and benefits of ownership of the financial asset, or (b) has not substantially retained or transferred all risks and benefits of the asset, but it has transferred control over it.

When the Group has transferred the rights to receive cash flows from an asset or has entered into an agreement based on which it retains the contractual rights to receive cash flows from the financial asset but also assumes a contractual obligation to pay the cash flows to one or more recipients (a pass-through), the Group evaluates whether and to what extent it has retained the risks and benefits inherent in ownership. If the Group has neither substantially retained nor transferred all risks and benefits, or it has not lost control over it, the asset continues to be recognised in the Group's financial statements to the extent of the Group's continuing involvement in the asset. In this case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured so as to reflect the rights and obligations that continue to be held by the Group.

## **Impairment losses on financial assets**

At each reporting date, the Group verifies whether a financial asset, or a group of financial assets, has been subject to impairment. Impairment exists only when, subsequent to initial recognition, one or more events take place ("a loss event") that have an impact, which can be reliably estimated, on the estimated future cash flows of the financial asset or the group of financial assets. Evidence of impairment may include indications that a debtor or a group of debtors are having financial difficulty, are unable to meet their obligations, are unable to pay or late in paying interest or making significant payments, or are likely to be subject to bankruptcy proceedings or other forms of financial restructuring, and observable data that indicate a measurable decrease in estimated future cash flows, such as changes in context or in economic conditions associated with a financial crisis.

For financial assets accounted for at amortised cost, the Group first evaluates whether there is any impairment of each individually significant financial asset. This assessment is carried out collectively for financial assets that are not individually significant. If there is no evidence of impairment in the individually assessed financial asset, regardless of whether it is significant, the asset is included in a group of financial assets with similar credit risk and tested on a collective basis in order to identify any impairment. Assets considered individually when testing for impairment and for which impairment is recognised or remains are not included in the impairment test carried out on a collective basis.

The amount of any impairment loss identified is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding credit losses expected in the future that have not yet taken place). The present value of cash flows is discounted at the original effective interest rate of the financial asset.

The carrying amount of the asset is reduced by accounting for an impairment provision, and the loss is recognised in the income statement. Interest income (recognised as financial income in the income statement) continues to be estimated on the reduced carrying amount and is calculated by applying the interest rate used to discount the future cash flows in order to measure the impairment loss. The loans and relative impairment provisions are written off when there is no reasonable expectation of future recovery and the guarantees have been realised or transferred to the Group. If, in a subsequent year, the amount of the estimated impairment increases or decreases due to an event that takes place after the impairment loss is recognised, this is reflected by adjusting the provision. If a written-off asset is subsequently recovered, the reversal of the impairment loss is recognised in the income statement as a reduction to financial expenses.

The Group evaluates whether there is objective evidence of impairment of an available-for-sale financial asset or a group of available-for-sale financial assets at each reporting date.

For equity instruments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the instrument below its cost. The term 'significant' is assessed with respect to the original cost of the instrument and the term 'prolonged' with respect to the period for which the fair value remains below the original cost. If there is evidence of impairment, the cumulative loss – measured as the difference between the purchase cost and the current fair value, less impairment losses on the financial asset recognised previously in the income statement – is reversed from items of other comprehensive income and recognised in the income statement.

The reversal of impairment losses on equity instruments is not recognised in the income statement. Increases in their fair value subsequent to the impairment are recognised directly in the statement of comprehensive income.

Impairment on debt instruments classified as available for sale is determined using the same criteria as those used for financial assets at amortised cost. However, the amount of the impairment is given by the cumulative loss, i.e. the difference between the amortised cost and the current fair value, less any impairment losses on the investment recognised previously in the income statement.

Future interest income continues to be estimated on the basis of the reduced carrying amount of the asset and is estimated using the interest rate applied to discount future cash flows in order to calculate impairment. Interest income is recognised as financial income. If the fair value of the debt instrument increases in a subsequent year and this increase can be correlated objectively with an event that took place after the impairment was recognised in the income statement, the impairment is adjusted, again in the income statement.

## Inventories

Inventories are recognised at purchase or production cost or at the net realisable value represented by the amount that the Company expects to receive from their sale in the ordinary course of business, whichever is lower. The cost of inventories is calculated as the specific cost for clearly identifiable goods for resale or, for fungible goods, using the FIFO method.

## Cash and cash equivalents

Cash and cash equivalents include cash, bank current accounts, deposits repayable on demand and other short-term and highly liquid financial investments that are readily convertible into cash, or that can be converted into cash within 90 days of the original date of acquisition, and carry an insignificant risk of a change in value.

## Financial liabilities

### Initial recognition and measurement

Financial liabilities are classified when initially recognised as financial liabilities at fair value through profit or loss, loans and borrowings or derivatives designated as hedging instruments.

All financial liabilities are initially measured at fair value, to which are added, in the case of loans, borrowings and payables, the transaction costs directly attributable to them.

The Group's financial liabilities include trade and other payables, loans and borrowings, including current account overdrafts, guarantees granted and derivatives.

### Subsequent measurement

Measurement of financial liabilities depends on their classification, as described below:

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include liabilities held for trading and financial liabilities initially recognised at fair value through profit or loss.

Liabilities held for trading are all those sustained for the purpose of their resale in the short-term. This category also includes the derivative financial instruments bought by the Group which are not designated as hedging instruments in a hedging relationship as defined by IAS 39. Derivatives are classified as financial instruments held for trading unless they are designated as true hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement for the year. Financial liabilities are designated at fair value through profit or loss as of the date of initial entry, only if the criteria of IAS 39 are satisfied.

#### Liabilities for loans

After initial recognition, liabilities for loans are measured at amortised cost, using the effective interest rate method. Gains and losses are booked through profit or loss when the liability is extinguished, as well as through the amortisation process.

The amortised cost is calculated by measuring the acquisition discount or premium and fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is included among financial expenses in the income statement.

### **Financial guarantees**

Financial guarantees issued by the Group are contracts that stipulate a payment to reimburse the holder of a debt security for a loss it suffered as a result of the debtor's failure to pay by the contractual due date. Financial guarantee contracts are initially recognised as a liability at fair value, plus transaction costs directly attributable to the issuance of the guarantee. The liability is subsequently measured as either the best estimate of the disbursement required to meet the guaranteed obligation at the reporting date, or the amount initially recorded, net of cumulative amortisation, whichever is the greater.

### **Derecognition**

A financial liability is derecognised when the underlying obligation is extinguished, cancelled or honoured. If an existing financial liability is replaced by another with the same lender, under materially different conditions, or the conditions of an existing liability are materially changed, this replacement or change is accounted for by derecognising the initial liability and recognising a new liability, with any differences in carrying value entered in the income statement.

### **Offsetting of financial instruments**

A financial liability and asset may be offset and the net amount presented in the statement of financial position when there is a present legal right to offset the recognised amounts and there is an intention either to settle the residual net amount, or to realise the assets and extinguish the liabilities simultaneously.

## **Trade and other payables**

Trade and other payables are initially recognised at fair value, net of directly attributable accessory costs. They are subsequently measured at amortised cost, applying the effective interest method. If there is a change, which can be estimated, in expected cash flows, the value of the liabilities is recalculated to reflect that change on the basis of the present value of the new expected cash flows and the internal rate of return determined initially.

## **Employee benefits**

The employee benefits disbursed at the time of or subsequent to termination of the employment relationship mainly consist of the employee severance pay governed by Italian law in Article 2120 of the Italian Civil Code. The employee severance pay is a defined-benefit plan, i.e. a formalised plan of benefits subsequent to the termination of the employment relationship which constitutes a future obligation and for which the Group bears actuarial and investment risk. As required by IAS 19R, the Group uses the Projected Unit Credit method to determine the present value of the obligations and the related current service cost; this calculation method requires the use of objective actuarial and accounting assumptions regarding demographic variables (mortality rate, personnel turnover rate) and financial variables (discount rate, future increases in wage levels). Actuarial gains and losses are immediately and fully recognised in the statement of comprehensive income, pursuant to IAS 19R.

For companies with more than 50 employees, the severance pay accrued following the entry into force of the pension reform (1 January 2007) is allocated to pension funds or to the treasury fund established at INPS (Italian Social Security Institution). For companies with fewer than 50 employees, the severance pay may remain with the company as was the case in previous years or be contributed to pension funds. The portion of accruing employee severance pay contributed to pension funds or to INPS must be classified as a defined-contribution plan since the Company's obligation consists exclusively of making contributions to the pension fund or to INPS. The liability for prior employee severance pay continues to be classified as a defined-benefit plan to be measured using actuarial assumptions.

From an accounting perspective, the actuarial valuation results in recognising the interest cost, i.e. the figurative cost that the Company would incur if it applied for a loan in the market for an amount equal to the severance pay, in the income statement under "Financial income/expenses", and the current service cost, i.e. the amount of benefits accrued during the year by employees who have not transferred benefits accrued after 1 January 2007 to supplementary pension plans, under "Employee costs". Actuarial gains and losses, which reflect changes in the actuarial assumptions, are recognised directly in shareholders' equity without ever being transferred to the income statement, and are included in the statement of comprehensive income.

## **Provisions for risks and charges**

Provisions for risks and charges are recognised for losses and charges of a particular nature that are certain or likely to exist, the amount and/or timing of which cannot, however, be determined. The provisions are recognised only when there is a current obligation (legal or constructive) for a future outflow of economic resources as a result of past events, and it is likely that such outflow will be required to fulfil the obligation. This amount is the best estimate of the cost of settling the obligation. The rate used to calculate the present value of the liability reflects current market values and takes into consideration the specific risk associated with each liability.

Where the effect of the time value of money is material and the obligation payment dates can be reliably estimated, the provisions are measured at the present value of the expected outflow using a rate which reflects market conditions, changes in the cost of money over time and the specific risk linked to the obligation. The increase in the value of the provision due to changes in the cost of money over time is accounted for as a financial expense.

No provisions are recognised for risks that will only possibly result in a liability. Instead, these risks are identified in the dedicated section on contingent liabilities.

## **Non-current assets held for sale or distribution to shareholders of the parent company and discontinued operations**

The Group classifies non-current assets and disposal groups as held for sale or for distribution to shareholders of the parent company if their carrying amount will be recovered principally through sale or distribution rather than through continuing use. These non-current assets and disposal groups classified as held for sale or for distribution to shareholders are measured at the carrying amount or the fair value net of the costs of sale or disposal, whichever is lower. Disposal costs are additional costs directly attributable to the disposal, excluding financial expenses and taxes.

The condition for classification as held for sale is only deemed met when sale is highly probable and the asset or group under sale is available for immediate sale in its current condition. The actions required to complete the sale should indicate that it is

unlikely that significant changes to the sale will be made or that the sale will be withdrawn. The management must be committed to the sale, which should be expected to be completed within one year from the date of classification. Similar rules also apply for assets and disposal groups held for sale.

The depreciation of plant and equipment and the amortisation of intangible assets cease when they are classified as available for sale or for distribution to shareholders.

Assets and liabilities classified as held for sale or for distribution to shareholders are presented separately under current assets and liabilities.

A disposal group is classified as discontinued operations if it is:

- a component of the Group that is a CGU or a group of CGUs;
- classified for sale or for distribution to shareholders or was already disposed of as such;
- a separate major business unit or geographical area of operations.

Assets held for sale are excluded from profit (loss) from continuing operations and are presented in the income statement on a single line as “Net profit (loss) from assets held for sale”.

## Share-based payment

The ePRICE Group pays additional benefits to several directors, senior managers, clerical workers, consultants and employees through capital participation schemes (stock option plans). According to IFRS2 - Share-based payment - such payments are considered an “equity settlement”; therefore, the total amount of the current value of the stock options at the grant date is recorded in the income statement at cost. Changes in the current value after the grant date do not have an effect on the initial valuation. The cost of compensations, corresponding to the current value of the options at the grant date, is recorded under personnel costs on a straight-line basis for the period between the grant date and the maturity date, with the matching entry recorded under shareholders’ equity.

## Recognition of revenue

### Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or due, taking account of the value of any returns, allowances, trade discounts and quantity-related premiums. Revenue is recognised when the significant risks and benefits associated with ownership of the assets are transferred to the acquirer, when the consideration is likely to be recovered, the relative costs or any refunding of goods may be reliably estimated, and if management ceases to exercise the ongoing level of activity usually associated with the ownership of the good sold. The transfer of risks and benefits usually coincides with delivery to the customer, which corresponds to the time of consignment of the goods to the carrier.



### Provision of services

Revenue relating to the provision of services is recognised according to the stage of effective completion of the service at the reporting date, and is shown net of discounts and allowances. Specifically, the provision of advertising services is recognised based on outlay.

## Recognition of costs

Costs are recognised when the good or service is acquired.

## Tax

Current taxes and the tax benefit for the year are valued at the amount expected to be paid to the tax authorities or recovered. The tax rates and regulations used to calculate the amount are issued, or substantively enacted, as at the reporting date in the countries where the Group operates and generates its taxable income. Current taxes relating to elements directly recognised in shareholders' equity are also recognised in shareholders' equity and not in the income statement for the year. Management periodically reviews the tax return position if tax regulations are subject to interpretation, and makes provisions when appropriate.

Deferred taxes are calculated by applying the "liability method" to the temporary differences at the reporting date between the tax values of assets and liabilities and the corresponding carrying amounts.

Deferred tax liabilities are recognised on all taxable temporary differences, with the following exceptions:

- the deferred tax liabilities arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, does not influence either the accounting profit (loss) or the taxable profit (loss);
- the reversal of taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures can be verified, and it is likely that this will not occur in the foreseeable future.
- deferred tax assets are recognised in relation to all deductible temporary differences, receivables and tax losses not used and which can be carried forward, to the extent that it is likely that sufficient future taxable amounts will be available to allow the use of deductible temporary differences and receivables and tax losses carried forward, except in cases where:
- the deferred tax asset related to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, does not influence either the accounting profit (loss) or the taxable profit (loss);
- in the case of deductible temporary differences associated with equity investments in subsidiaries, associates and joint ventures, the deferred tax assets are recognised only to the extent that it is likely that they will be reversed in

the foreseeable future and that there will be sufficient future taxable amounts to allow the recovery of said temporary differences.

- The portion of prepaid taxes, including those relating to previous tax losses, which is not offset by deferred taxes is recognised to the extent to which it is likely that future taxable income will be available against which such assets can be recovered, as inferred from the Group business plans and strategic guidelines. Deferred and prepaid taxes are measured using the tax rates expected to be applicable in the years in which the differences will be realised or extinguished, on the basis of the tax rates that have been enacted or substantively enacted at the reporting date.
- The carrying amount of deferred tax assets is reviewed at each reporting date and reduced if it is no longer likely that sufficient taxable amounts will be available in future to enable the receivable to be utilised, in whole or in part. The deferred tax assets not recognised are reviewed at each reporting date and recognised if it becomes likely that taxable income will be sufficient to allow for their recovery.
- Current, deferred and prepaid taxes are recognised in the income statement, except for those relating to items directly charged or credited to shareholders' equity, in which case the tax effect is recognised directly in shareholders' equity. Taxes are offset only when they are levied by the same taxing authority and there is a legal right to settle on a net basis.

## Earnings (loss) per share

### Basic

Earnings (loss) per share is the ratio between the Group's profit (loss) and the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares.

### Diluted

Diluted earnings (loss) per share is the ratio between the Group's profit (loss) and the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares. To calculate diluted earnings per share, the weighted average of outstanding shares is adjusted to reflect the dilutive effects of the conversion of all instruments that could result in the issue of shares, while the Group's profit (loss) is also adjusted to reflect the effects, net of taxes, of the conversion.

## Significant accounting estimates and judgements

To prepare the consolidated financial statements in accordance with IFRS, the directors must apply accounting principles and methodologies which, in certain circumstances, rely on judgements and estimates based on past experience and assumptions that are deemed reasonable and realistic on a case-by-case basis in the light of the circumstances. Such estimates and assumptions impact the amounts recognised and the disclosures provided in the financial statements. The actual amounts of the items based on those estimates and assumptions may differ from those reported in the financial statements, which reflect the occurrence of the event subject to estimation, due to the uncertainty of the assumptions and conditions on which the estimates are based.

A brief list is provided below of the Group's items that require greater subjectivity on the part of the directors when preparing estimates, and for which a change in the conditions underlying the assumptions used could have a significant impact on the Group's financial results.

#### **Goodwill**

Goodwill is tested for impairment annually, to ascertain whether the value of the asset has decreased. An impairment loss is recognised when the net carrying amount of the cash-generating unit to which the goodwill is allocated is greater than its recoverable amount (calculated as value in use or fair value, whichever is greater). The impairment test requires the directors to express subjective judgements based on information available within the Group and from the market, as well as past experience. In addition, when potential impairment is identified, the Group calculates it using the measurement techniques deemed appropriate. The same testing and measurement techniques are applied to intangible assets and property, plant and equipment with a definite useful life when indicators reveal that it may be difficult to recover the net carrying amount through use. The correct identification of indicators of potential impairment and the estimates made to calculate it depend on factors that could change over time, thereby impacting the directors' measurements and estimates.

#### **Provision for bad debts**

The provision for bad debts reflects the directors' best estimate of losses on the portfolio of trade receivables. This estimate is based on expected losses by the Group, determined in the light of past experience for similar receivables, current and historical past-due receivables, close monitoring of credit quality and projections regarding economic and market conditions.

#### **Prepaid taxes**

Prepaid taxes are accounted for based on the expectation that there will be sufficient taxable amounts in the future to recover them. The measurement of expected taxable amounts in order to account for prepaid taxes depends on factors that could change over time and significantly impact the recoverability of the prepaid taxes.

#### **Provisions for risks and charges**

Provisions representing the risk of a negative outcome for the Company are recognised for legal and tax risks. The amount of the provisions recognised for those risks is the directors' best estimate at the reporting date. This estimate requires reliance on assumptions that depend on factors that could change over time and therefore could significantly impact the directors' current estimates used in preparing the Group's financial statements.

#### **Provision for obsolete inventory**

The provision for obsolete inventory reflects management estimates of the impairment expected by the Group, based on past experience and previous and forecast market trends.

## Changes in accounting principles, new accounting principles, changes in estimates and reclassifications

The table below shows the new accounting principles and amendments which came into force on 1 January 2017 and were adopted by the Company:

The nature and impact of each new accounting principle and amendment are described below. Although these new principles and amendments have been applied for the first time in 2017, they have not had any material impact on the financial statements of the Company.

### IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments require an entity to provide supplemental information on changes in liabilities relating to lending activities including both changes tied to cash flows and non-monetary changes. At the time of initial application of this amendment, the entity is not required to present comparative information relating to previous years.

### Amendments to IAS 12 - Income taxes

The amendments clarify that an entity must consider whether tax regulations limit sources of taxable income against which it could apply deductions related to the transfer of deductible temporary differences. In addition, the amendment provides guidelines on how an entity should determine future taxable income and explains the circumstances in which taxable income could include the recovery of certain assets in an amount greater than their carrying amount. Entities must apply these amendments retroactively. However, at the time of initial application of the amendments, the change in the beginning balance of shareholders' equity for the first comparison period could be recognised under the beginning balance of retained earnings (or in another shareholders' equity item as applicable) without allocating the change to the beginning balance of retained earnings and other shareholders' equity items. Entities applying this option must provide disclosure thereof. These amendments had no impact on the Group's consolidated financial statements.

### 2014-2016 annual improvement cycle

### **IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters**

The short-term exemption specified in paragraphs E3-E7 of IFRS1 were cancelled since they fulfilled their purpose. The amendment enters into force on 1 January 2018. This amendment is not applicable to the Group.

**IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice**

The modifications clarify that:

- An entity that is a venture capital organisation or other qualified entity could decide, at the time of initial recognition and with regard to the individual investment, to measure its investments in associates and joint ventures at fair value recognised in the income statement.
- If an entity that is not qualified as an investment entity has an investment in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, decide to maintain the fair value measurement applied by that investment entity (whether it is an associate or joint venture) when measuring its (those of the associate or joint venture) investments. This choice shall be made separately for each associate or joint venture that is an investment entity on the latest (in terms of occurrence) of the following dates: (a) initial recognition of the investment in the associate or joint venture that is an investment entity; (b) the date on which the associate or joint venture becomes an investment entity; and (c) the date on which the associate or joint venture that is an investment entity becomes a parent company for the first time.

The amendments should be applied retroactively starting 1 January 2018; early application is allowed. The Group will not apply this amendment in advance.

**Amendments to IFRS 12 Disclosure of Interests in Other Entities**

The amendments clarify that the disclosure requirements of IFRS 12, other than those stated in paragraphs B10-B16, shall apply to an entity's equity investments in a subsidiary, joint venture or associate (or to the equity stake in a joint venture or associate) that is classified (or included in a classified disposal group) as available for sale.

**Standards, modifications, amendments and interpretations issued but not yet in force**

The standards and interpretations which had been issued but were not yet effective at the date of preparation of the Group's consolidated financial statements are described below. The Group intends to adopt these standards once they become effective.

**IFRS 9 Financial Instruments**

In July 2014, IABS issued the final version of IFRS 9 Financial Instruments, which replaced the IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 combines all three aspects relating to the project for financial instrument accounting: classification and valuation, impairment and hedge accounting. The IFRS 9 is effective for the years starting on 1 January 2018 or later; advanced application is permitted. With the exception of hedge accounting, retroactive application of the standard is required, but it is not obligatory to provide the comparative information. With regard to hedge accounting, the standard generally applies prospectively, with some limited exceptions.

The Group will adopt the new standard as of its effective date. The Company does not expect any significant impact on its balance sheet or net assets.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and introduces a new model in five phases which will apply to revenue from contracts with customers. The IFRS 15 imposes reporting of revenues for an amount, to which the entity considers having the rights to in exchange for transfer of merchandise or services to the client.

The new standard will replace all present requirements of the IFRS regarding the recognition of revenue. The standard is effective for the years starting on 1 January 2018 or later with full retroactive or modified application. Advanced application is allowed.

The Company plans to apply the new standard as of the obligatory effective date, using the method of full retroactive application. Based on the evaluations of the 2017 activities, we do not expect the application of this standard to have a significant effect. However, because the Group is increasing the services it offers to its customers, we cannot preclude that more significant effects may be generated in the future.

#### IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB has issued amendments to IFRS 2 Share-based Payments covering three main areas: the effects of vesting conditions on the measurement of a share-based payment transaction settled in cash; the classification of a share-based payment transaction settled net of withholding tax obligations; the accounting where a change to the terms and conditions of a share-based payment transaction changes its classification from a cash-settled to an equity-settled transaction.

At the time of adoption, the entities must apply the amendments without restating previous periods, but retrospective application is permitted if all three amendments are chosen and the other criteria are also respected. These amendments are effective for the financial years starting on after 1 January 2018, and early application is permitted. The Group is assessing the effects of these amendments on its own consolidated financial statements.

#### IFRS 16 – Leases

The standard stipulates that, unlike how it was in the past, the leases must be represented in assets and liabilities of companies, increasing the visibility of their assets and liabilities,

The IFRS 16 abolishes the distinction between operative leases and financial leases (for the lessee), treating all such agreements as financial leases.

Short-term agreements (up to 12 months) and those involving goods of low value are exempted from this treatment.

The new standard will be effective from 1 January 2019. Advance application is permitted as long as the recent standard IFRS 15 - Revenue from Contracts with Customers is also applied.

The company has initiated an analysis of the potential impact of applying this standard and has estimated the recognition of long-term usage rights at 1 January 2019 at about €13 million.

#### **IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a completely new standard related to insurance contracts that covers recognition and measurement and presentation and disclosures. When IFRS 17 goes into effect, it will replace IFRS 4 Insurance Contracts, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g. life insurance, non-life, direct insurance and re-insurance) regardless of the type of entity that issues them, and also to certain guarantees and financial instruments with characteristics of a discretionary equity investment.

IFRS 17 will be in force for years beginning on or after 1 January 2021, and will require the presentation of comparison balances. This standard does not apply to the Group.

#### **Transfers of Investment Property — Amendments to IAS 40**

The amendments clarify when an entity should transfer property, including properties under construction or development, within or outside the “investment property” category. The amendment states that a change in use applies when the property satisfies, or ceases to satisfy, the definition of investment property and there is evidence of the change in use. A simple change in management intentions related to the property’s use does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning date of the annual period in which the entity applies the amendments for the first time. An entity should reassess the classification of properties held on that date, and if applicable, reclassify them to reflect the existing conditions on that date. Retrospective application in accordance with IAS 8 is permitted only if it is possible without the use of hindsight. These amendments apply to annual periods beginning on or after 1 January 2018. Early application is permitted and must be disclosed. The Group expects no impact on its consolidated financial statements.

#### **Amendments to IFRS 9 – “Prepayment Features with Negative Compensation”**

In December 2017, the IASB published an amendment to IFRS 9 allowing companies to measure specific prepayable financial assets with so-called negative compensation at amortised cost or fair value through “other comprehensive income” if a specific condition is met, instead of at fair value in the income statement. The standard goes into effect on 1 January 2019. The Group is currently assessing the impact of adopting the interpretation on the Group's consolidated financial statements.

#### **Amendments to IAS 28 – “Long-term interests in associates and joint ventures”**

In October 2017, the IASB issued amendments to IAS 28 clarifying how entities should use IFRS 9 to present long-term interests in associates or joint ventures for which the equity method is not applied. The standard goes into effect on 1 January 2019. The Group is currently assessing the impact of adopting the amendments on the Group's consolidated financial statements.

#### **2015-2017 IFRS annual improvement cycle**

On 12 December 2017, the IASB published several amendments to: IAS 12 (Income Taxes) that clarify that the income-tax-related impact from dividends (i.e. the distribution of profits) should be recognised in the income statement regardless of how the tax arises; IAS 23 (Borrowing Costs) that clarify that a company treats, as a part of overall debt, any debt originally created for the development of an asset when the asset is ready for its projected use or for sale; IFRS 3 (Business Combinations) that clarify how a company must re-measure an equity investment previously held in a joint venture once control over the business is acquired; and IFRS 11 (Joint Arrangements), based on which a company shall not re-measure an equity investment previously held in a joint venture when it acquires joint control of the asset. The amendments go into effect on 1 January 2019. However, they may also be applied in advance. The Group is currently assessing the impact of adopting the amendments on the Group's consolidated financial statements.

#### **Amendments to IAS 19- “Plan Amendment, Curtailment or Settlement”**

In February 2018, the IASB issued amendments to IAS 19 that specify how companies must determine pension expenses when changes are made to a specific pension plan. IAS 19 (Employee Benefits) specifies how a company accounts for a defined benefit pension plan. When a modification (an adjustment, reduction or regulation) is made to a plan, IAS 19 requires a company to re-measure the net defined benefit asset or liability. The amendments require a company to use assumptions updated by this recalculation to determine the cost of the current service and net interest for the rest of the reference period after the plan is modified. The amendments go into effect on 1 January 2019. The Group is currently assessing the impact of adopting the amendments on the Group's consolidated financial statements.

#### **IFRIC 22 - Foreign Currency Transactions and Advance Consideration**

On 8 December 2016, the IASB published this interpretation which indicates the foreign exchange rate to be used in foreign currency transactions when payment is made or received in advance.

#### **IFRIC 23 – Uncertainty over Income Tax Treatment.**

On 7 June 2017, the IASB published this interpretation that clarifies the application of the recognition and measurement requirements of IAS 12 in the event of uncertainty over tax treatment for the purposes of income taxes. This interpretation will apply to years beginning on or after 1 January 2019.

## **Information by operating segment**

IFRS 8 defines an operating segment as a component:

- that engages in business activities which generate revenue and costs;
- for which operating results are reviewed regularly by the chief operating decision maker;
- for which distinct financial information is available.



For the purposes of IFRS 8 - Operating segments, the Group's activity consists of only the e-Commerce operating segment.

No operating segments have been combined to determine the reportable segments.

## NOTES TO THE KEY ITEMS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 1. Plant and equipment

The "Plant and equipment" item amounted to €7,788 thousand as at 31 December 2017 (€3,013 thousand as at 31 December 2016), as shown below:

<i>(In thousands of Euros)</i>	At 31 December 2017			At 31 December 2016		
	Hist. cost	Acc. amort.	Net value	Hist. cost	Acc. amort.	Net value
Plant and equipment	4,456	(538)	3,918	379	(276)	103
Equipment	1,647	(674)	973	924	(377)	547
Electronic machinery	2,710	(1,712)	998	2,400	(1,266)	1,134
Electronic machinery under leasing	705	(452)	253	705	(347)	358
Fixtures and furnishings	694	(507)	187	721	(503)	218
Other assets	2,013	(554)	1,459	805	(152)	653
<b>Total</b>	<b>12,225</b>	<b>(4,437)</b>	<b>7,788</b>	<b>5,934</b>	<b>(2,921)</b>	<b>3,013</b>

Note that as at 31 December 2017, no owned operating assets were encumbered by any type of guarantee issued to third parties, and that during the year, no indications emerged of any potential impairment of plant and equipment.

The following table shows changes in plant and equipment:

<i>(In thousands of Euros)</i>	At 31 December 2016	Increases	Decreases	Depreciation and Amortisation	Write-downs	At 31 December 2017
Plant and equipment	103	4,076	(4)	(257)	-	3,918
Equipment	547	742	-	(176)	(140)	973
Electronic machinery	1,134	302	-	(438)	-	998
Electronic machinery under leasing	358	-	-	(105)	-	253
Fixtures and furnishings	218	28	(10)	(49)	-	187
Other assets	653	1,007	-	(201)	-	1,459
<b>Total</b>	<b>3,013</b>	<b>6,155</b>	<b>(14)</b>	<b>(1,226)</b>	<b>(140)</b>	<b>7,788</b>

The main investments during the year refer to plant, equipment and leasehold improvements related to the Group's new logistical centre, which has been in use since August 2017.

## 2. Intangible assets

Intangible assets stood at €28,560 thousand (€26,853 thousand as at 31 December 2016) and break down as indicated below.

### Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life consisted entirely of goodwill totalling €14,292 thousand, which was unchanged from 31 December 2016.

The goodwill recognised as at 31 December 2017 refers to the excess of the purchase value over the fair value of the assets and liabilities acquired.

As at 31 December 2017, the intangible assets with an indefinite useful life were tested for impairment by comparing the recoverable amount of the CGUs with the net carrying amount of the related assets, including goodwill. The recoverable amount is the greater of the fair value of the asset, net of disposal costs, and its value in use, and is calculated as the present value of the future cash flows that are expected to be associated with the CGUs, discounted at a rate that reflects the specific risks of the individual CGUs at the valuation date.

Key assumptions used to calculate value in use and sensitivity to changes in the assumptions

The key assumptions used by the management are the estimate of future sales growth, cash flows from operations, terminal value growth rates and the discount rate (weighted average cost of capital - WACC). The determination of the residual value is based on the estimate of the value in use obtained as the current value of expected cash flows inferred from the guidelines to the 2018-2023 strategic plan. The impairment test relating to the Consolidated Financial Statements was approved by the Board of Directors on 08 March 2018.

The discount rates (WACC), defined as the weighted average cost of capital net of taxes, applied to expected cash flows are reported in the table below:

Cash Generating Unit	At 31 December 2017	At 31 December 2016
E-Commerce	10.27%	8.23%

The growth rate (g) used to define the cash flows of the CGUs as at 31 December 2017 was 1.40%.

The results of the impairment test showed that, as at 31 December 2017, the recoverable amount exceeded the carrying amount.

A sensitivity analysis was also performed and, in every case, the values in use was greater than the carrying amounts, even alternatively assuming the following changes in key parameters:

- a 100-basis-point change in the discount rate;
- a 20-basis-point change in the growth rate;

- a 10% change in EBITDA.

Calculations were also made to determine the WACC, growth rate and percentage change in EBITDA which would individually render the recoverable amount equal to the corresponding carrying amount as at 31 December 2017:

Terminal growth rate	n.a.
WACC	15.4%
Change in EBITDA	-21.5%

The terminal growth rate was not considered to be a significant parameter, insofar as the value in use equals the net invested capital specified in the guidelines of the 2018-2023 strategic plan.

The Group's directors therefore confirmed the value of goodwill recognised in the Consolidated Financial Statements.

It is noted that the Company has performed an annual analysis on the recoverability of other intangible fixed assets. This check is carried out annually by identifying the existence of impairment indicators. As at 31 December 2017, no impairment indicators were identified.

#### **Intangible assets with a finite useful life**

Intangible assets with a finite useful life stood at €14,268 thousand as at 31 December 2017 (€12,561 thousand as at 31 December 2016).

The following table provides a breakdown of the historical cost, accumulated amortisation and net carrying amount of intangible fixed assets as at 31 December 2017 and 31 December 2016:

<i>(In thousands of Euros)</i>	At 31 December 2017			At 31 December 2016		
	Hist. cost	Acc. amort.	Net value	Hist. cost	Acc. amort.	Net value
Software, patents, concessions and licences	6,783	(2,602)	4,181	2,321	(1,296)	1,025
Platform development	19,284	(9,608)	9,676	15,076	(8,277)	6,799
Other fixed assets	26	(22)	4	788	(750)	38
Fixed assets under development	407		407	4,699		4,699
<b>Total intangible assets</b>	<b>26,500</b>	<b>(12,232)</b>	<b>14,268</b>	<b>22,884</b>	<b>(10,323)</b>	<b>12,561</b>

The following table shows changes in intangible fixed assets during the year:

<i>(In thousands of Euros)</i>	At 31 December 2016	Increases	Decreases	Depreciation and Amortisation	Reclassification ns	At 31 December 2017
Software, patents, concessions and licences	1,025	2,327	-	(1,466)	2,295	4,181
Platform development	6,799	4,822	-	(4,056)	2,111	9,676
Other fixed assets	38	-	-	(34)	-	4
Fixed assets under development	4,699	114	-	-	(4,406)	407
<b>Total intangible assets</b>	<b>12,561</b>	<b>7,263</b>	<b>-</b>	<b>(5,556)</b>	<b>0</b>	<b>14,268</b>

The main investments made by the Group during the period were specific projects with the aim of developing innovative solutions for the creation and management of online platforms. They include internal employee costs and costs for services rendered by third parties. Expenses for research undertaken to obtain new knowledge and make discoveries are recognised in the income statement at the time that they are incurred.

The increase in software, due to both increases for the period and reclassifications from fixed assets under development, was related to the launch of the Group's new ERP which was commissioned in February 2017. Platform-related capitalisation was mainly for the development of owned systems to improve service provided to customers and allow them to interface with the new ERP.

Fixed assets under development, equal to €407 thousand (€4,699 thousand at 31 December 2016) relate to projects under development, specifically related to the platform. The decrease from the previous year was mainly due to the commissioning of the new Group ERP, and thus, to the inception of the amortisation process.

### 3. Investments in associates

The changes in the year in investments in associates are indicated in the table below:

<i>(In thousands of Euros)</i>	At 31 December 2016	Share of profit (loss)	Increases due to purchases	Reclassifications	At 31 December 2017
Investments in associates	2,468	(1,674)	1,484	-	2,278
<b>Total equity investments in associates</b>	<b>2,468</b>	<b>(1,674)</b>	<b>1,484</b>	<b>-</b>	<b>2,278</b>

The breakdown of the item at 31 December 2017 is as follows:

At 31 December 2017	Registered offices	% shareholding held directly	Carrying amount
Il Post S.r.l.	Milan	38.16%	38
Giornalettismo S.r.l.	Milan	30.00%	0
Ecommerce Outsourcing S.r.l.	Rho	20.00%	205
Installo S.r.l.	Rovigo	39.00%	368
Termostore S.r.l.	Reserves	43.00%	853
Click & Quick Distributions S.r.l.	Milan	15.00%	502
Apprice SAGL	Chiasso	17.20%	312
<b>Total equity investments in associates</b>			<b>2,278</b>

Equity investments in associates are booked in the Consolidated Financial Statements using the equity method, pursuant to IAS 28.

Increases during the year were for: the acquisition of a further 20% interest in Termostore S.r.l. for €300 thousand, in addition to which a capital increase of €281 thousand was subscribed in the latter company; a further 15% in Click & Quick Distribution S.r.l., a shipping company that manages the transport and delivery of merchandise through a logistical and transportation company spread throughout Italy in the amount of €593 thousand; an investment in Apprice SAGL, a company specialising in the development of mobile apps totalling €310 thousand. During the year, the equity investment in Uollet was sold; it had been entirely written down as at 31 December 2016.

Based on available information and/or business plans concerning the individual associates, management believed that as at 31 December 2017 there were no impairment indicators with the exception of the company Il Post, whose portion of income reflects the write-down of implied goodwill.

## 4. Non-current financial assets

The breakdown of other non-current financial assets is as follows:

Non-current financial assets	At 31 December 2017	At 31 December 2016	Change
Investments in other companies	1,009	1,009	-
Loans to associates	1,361	211	1,150
<b>Total non-current assets</b>	<b>2,370</b>	<b>1,220</b>	<b>1,150</b>

Equity investments in other companies have been measured at cost, in accordance with IAS 39, paragraph 46c, in the case of investments in equity instruments that do not have a quoted market price in an active market and for which the fair value cannot be reliably measured.

The balance of €1,009 thousand of equity investments in other companies as at 31 December 2017 was unchanged compared with the previous year.

<i>(In thousands of Euros)</i>	At 31 December 2017	At 31 December 2016
<i>Quadrante S.r.l. in liquidation</i>	-	-
<i>Interactive Thinking S.r.l.</i>	1,005	1,005
<i>Consortia and collective credit guarantee cooperatives</i>	4	4
<b>Total equity investments in other companies</b>	<b>1,009</b>	<b>1,009</b>

Based on available information, management believed that as at 31 December 2017 there were no impairment indicators or objective evidence that the equity investments in other companies were impaired.

Quadrante S.r.l. in liquidation was entirely written down in previous years; it is not considered necessary to record the liabilities in the accounts because ePRICE has no legal obligations nor does it intend to provide support for this subsidiary.

Financial receivables of €1,361 thousand refer to the disbursement of interest-free loans, repayable on request, to investee companies. Specifically, most of the change during the year relates to the €1,150 thousand loan provided to Click & Quick Distribution S.r.l.

## 5. Other non-current assets

Other non-current assets totalled €292 thousand (€273 thousand as at 31 December 2016), and mainly included security deposits for leases, utilities and purchasing consortia.

## 6. Deferred tax assets

This item incorporates the balance of prepaid taxes on tax losses which can be reported in future years and on the temporary differences between the value attributed to an asset or a liability in the financial statements and the tax value of the same asset or liability.

<i>(In thousands of Euros)</i>	At 31 December 2017	At 31 December 2016
Deferred tax assets	8,700	9,723

The deferred tax assets recorded were those considered to be recoverable during the specific period of the 2018-2023 plan, the guidelines for which were approved by the Board of Directors on 8 March 2018.

The Group has fiscally relevant losses of approximately a further 48.3 million which may be carried forward to future years, against which no deferred tax assets have been allocated.

## 7. Inventories

The breakdown of inventories is as follows:

<i>(In thousands of Euros)</i>	At 31 December 2017	At 31 December 2016
Goods	20,270	22,092
<b>Total inventories</b>	<b>20,270</b>	<b>22,092</b>

The gross and net amounts of goods inventories break down as follows:

<i>Inventories</i>	At 31 December 2017	At 31 December 2016
Goods inventories	20,820	22,492
Provision for obsolete inventory	(550)	(400)
<b>Total inventories</b>	<b>20,270</b>	<b>22,092</b>

Goods inventories comprise assets acquired for subsequent resale on the e-commerce platforms. The provision for obsolete inventory, which rose by €150 thousand, reflects the obsolescence risk for some slower moving goods.

## 8. Trade receivables and other receivables

Trade and other receivables totalled €8,908 thousand, compared with €9,798 thousand at the end of the previous year, as indicated below:

<i>(In thousands of Euros)</i>	At 31 December 2017	At 31 December 2016
Trade receivables	5,601	6,539
Invoices to be issued	4,079	3,447
Provision for bad debts	(772)	(188)
<b>Total trade and other receivables</b>	<b>8,908</b>	<b>9,798</b>

Receivables are recognised net of the relative provision for bad debts. Please note that there are no receivables due in more than five years.

Allocations to the provision for bad debts are made for specific credit positions that recently arose, primarily in relation to carriers for invoices for damages from transportation, and that present specific risks in order to reflect their presumed realisable value. The change during the year is shown below:

<i>(In thousands of Euros)</i>	At 31 December 2017	At 31 December 2016
Opening provision	188	749
Increases	606	144
Uses/Releases	(22)	(21)
Change in scope of consolidation	-	(684)
<b>Provision for bad debts</b>	<b>772</b>	<b>188</b>

The following table shows the clients' bill book before the provision for bad debts:

<i>Amounts (in € 000s)</i>	At 31 December 2017	At 31 December 2016
To become due	<b>7,371</b>	<b>8,340</b>
Due for <30 days	1,045	664
Due for 30-90 days	382	695
Due for 90-180 days	242	31
Due for >180 days	640	256
<b>Total due</b>	<b>2,309</b>	<b>1,646</b>
<b>Total</b>	<b>9,680</b>	<b>9,986</b>

## 9. Other current assets

The breakdown of other current assets is as follows:

<i>(In thousands of Euros)</i>	At 31 December 2017	At 31 December 2016
Tax credits	5,945	3,187
Deferred collection receivables	2,877	1,700
Other receivables	4,260	4,099
Advances to suppliers	1	10
Accruals and deferrals	1,597	3,289
<b>Total other current assets</b>	<b>14,680</b>	<b>12,285</b>

Tax credits consist mainly of VAT credits of €3,589 and the tax credit deriving from the research and development activities carried out in 2016 totalling €1,627.



Deferred collection receivables include the proceeds from sales made just before the end of the year and paid by credit card but not yet credited at the date of the financial statements since they were finalised soon after the end of the period, and the receivables from logistics operators from whom payment on delivery is requested. The increase compared with the previous year, and calendar year-end 2017, is closely related to a greater percentage of payments on delivery.

Other receivables, totalling €4,260 thousand, include a deposit of €2,500 thousand made by SRP Group into an escrow account to secure payment of the Retained Amount, which will mature in 2018 based on results for 2017.

Prepayments and accrued income include, in particular, multi-year advertising prepayments of €880 thousand.

There are no prepayments and accrued income extending for more than five years.

## 10. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

<i>(In thousands of Euros)</i>	<i>At 31 December 2017</i>	<i>At 31 December 2016</i>
Bank and postal deposits	20,944	54,468
Cash	150	243
<b>Total cash and cash equivalents</b>	<b>21,094</b>	<b>54,711</b>

Cash and cash equivalents, denominated entirely in Euros, represents cash and cash equivalents at the reporting dates.

Cash and cash equivalents as at 31 December 2017 were free from any constraints or restrictions on use.

## 11. Shareholders' equity

Net Equity decreased during the period from €92,843 thousand to €63,414 thousand mainly due to the overall loss of €24,937 thousand. In addition, there was a decrease in net equity of €5,252 thousand due to the payment of dividends approved at the shareholders' meeting, and of €675 thousand relating to the purchase of treasury shares during the period. Increases for the period were for capital increases totalling €1,045 thousand resulting from the exercise of 22 2014-2018 warrants, and €391 thousand for the stock option reserve to cover the cost connected with employee incentive plans.

The total number of treasury shares held by the company amounted to 1,023,202.

### 11.1 Stock option plans

The extraordinary shareholders' meeting held on 22 December 2014 resolved, subject to the start of trading of the Company's shares on the MTA, on the adoption of a stock option plan for executive directors, contract workers and Group company employees (the "2015 Plan"). The 2015 Plan involves the allocation of up to 2,750,000 options, each of which entitles the holder to subscribe to one newly issued ordinary share. With regard to the 2015 Plan, on 14 May 2015 the Board of Directors of the Company approved the Plan Regulations for 2015 and assigned a maximum of 1,100,000 options conferring the right to subscribe to one newly issued ordinary share for the amount of €6. After verification of the objectives inferable from the

approval of the consolidated financial statements as at 31 December 2015 and the sale of the Vertical Content business, all first tranche options were unassigned or lapsed. On 15 October 2015, the Company's Board of Directors assigned another maximum 1,300,000 options to the Managing Director, conferring the right to subscribe to one newly issued ordinary share for the amount of €5.

The general shareholders' meeting of 14 April 2016 resolved to approve a stock option plan to award up to 1,700,000 warrants, each of which confers the right to subscribe to one newly issued ordinary share of ePRICE S.p.A., referred to as the '2016-2018 Stock Option Plan', and a Stock Grant Plan to award a maximum of 280,000 ordinary shares of ePRICE S.p.A., referred to as the '2016-2018 Stock Grant Plan'. On 9 May 2016, the Company's Board of Directors assigned 363,900 options as the first tranche of the 2016-2018 Stock Option Plan to certain senior managers with key responsibilities at the Company and the subsidiaries, setting the strike price at €3.68, and assigned 75,263 shares as the first tranche of the 2016-2018 Stock Grant Plan to certain employees of the Company and the subsidiaries.

On 31 December 2016, following the departure of a number of persons who were beneficiaries of awards of stock options and stock grants and in view of the results achieved by the Group, consideration was given to the award of 975,000 stock options under the 2015 Plan, 195,375 stock options under the 2016-2018 Stock Option Plan and 43,326 stock grants for the 2016-2018 Stock Grant Plan.

The following table shows the number and weighted average prices for the year ('WAPY') of the options during the year:

	2017	2017 WAPY	2016	2016 WAPY
Outstanding at 1 January	1,170,375	4.57	1,590,400	5.18
No. assigned	0	0	363,900	3.68
No. cancelled/not vested	25,500	0	783,925	5.09
No. exercised	0	0	0	
No. lapsed	0	0	0	
No. outstanding	1,144,875	4.67	1,170,375	4.57
No. exercisable	543,559	4.73	0	

## 12. Current and non-current payables due to banks and other lenders

The breakdown of non-current payables due to banks and other lenders as at 31 December 2017 is as follows:

<i>(In thousands of Euros)</i>	At 31 December 2017	At 31 December 2016
Due to banks	501	-
Due to other lenders	35	126
<b>Total non-current payables due to banks and other lenders</b>	<b>536</b>	<b>126</b>

The breakdown of current payables due to banks and other lenders as at 31 December 2017 is as follows:

<i>(In thousands of Euros)</i>	At 31 December 2017	At 31 December 2016
Due to banks	2,001	-
Due to other lenders	94	109
<b>Total current payables due to banks and other lenders</b>	<b>2,095</b>	<b>109</b>

Payables due to other lenders refer exclusively to payables due to leasing companies.

Payables due to banks consist of a loan obtained during the year with the following features:

<i>(In thousands of Euros)</i>			At 31 December 2017						
Lending institution	Loan type	Interest rate	Amount disbursed	Year taken out	Year of expiry	Accounting balance	Within 1 year	From 1 to 5 years	More than 5 years
UBI Banca Commerciale Industria	Unsecured	3-month Euribor + spread	4,000	2017	2019	2,502	2,001	501	-
<b>Total bank loans</b>			<b>4,000</b>			<b>2,502</b>	<b>2,001</b>	<b>501</b>	<b>-</b>

During the year, the Group did not take out any loans in any currency other than Euros. Note also that instalments maturing during the year were properly paid.

**Liquidity/net financial debt**

The breakdown of net financial debt as at 31 December 2017 is reported below, in accordance with the Consob Communication of 28 July 2006 and in compliance with the ESMA/2011/81 Recommendations:

**Net Financial Position***(thousands of Euros)*

	31 December 2017	31 December 2016
(A) Cash	(150)	(243)
(B) Other cash and cash equivalents	(20,944)	(54,468)
(C) Stocks held for trading	-	-
<b>(D) Liquidity (A)+(B)+(C)</b>	<b>(21,094)</b>	<b>(54,711)</b>
(E) Current financial receivables	(2,877)	(1,700)
(F) Current financial payables	-	-
(G) Current portion of non-current debt	2,001	-
(H) Other current financial payables	94	109
<b>(I) Current financial debt (F)+(G)+(H)</b>	<b>2,095</b>	<b>109</b>
<b>(J) Net current financial liquidity/debt (D)+(E)+(I)</b>	<b>(21,876)</b>	<b>(56,302)</b>
(K) Non-current bank payables	501	-
(L) Bonds issued	-	-
(M) Other non-current payables	35	126
<b>(N) Non-current financial debt (K)+(L)+(M)</b>	<b>536</b>	<b>126</b>
<b>(O) Net Financial (Liquidity)/Debt (J)+(N)</b>	<b>(21,339)</b>	<b>(56,176)</b>

### 13. Provisions for personnel

This item includes the recognition of severance pay related to employees of the Group companies, as provided for in Article 2120 of the Italian Civil Code, discounted according to the procedures governed by IAS 19.

The changes in severance pay during the course of the year and the previous year were as indicated below.

<i>(In thousands of Euros)</i>	At 31 December 2016	Service cost	Interest cost	Advances and settlements	Actuarial gains/losses	At 31 December 2017
Severance pay	2,130	416	19	(728)	187	2,024
<b>Total provisions for employee benefits</b>	<b>2,130</b>	<b>416</b>	<b>19</b>	<b>(728)</b>	<b>187</b>	<b>2,024</b>

<i>(In thousands of Euros)</i>	At 31 December 2015	Service cost	Interest cost	Advances and settlements	Actuarial gains/losses	Chg. scope of cons.	At 31 December 2016
Severance pay	3,741	544	40	(130)	(15)	(2,050)	2,130
<b>Total provisions for employee benefits</b>	<b>3,741</b>	<b>544</b>	<b>40</b>	<b>(130)</b>	<b>(15)</b>	<b>(2,050)</b>	<b>2,130</b>

According to Italian legislation (Article 2120 of the Italian Civil Code), severance pay is seen as a “defined benefit plan” from an accounting perspective.

The following table shows the key assumptions used to determine the present value of employee benefits on retirement (severance pay) according to IAS 19:

	At 31 December 2017	At 31 December 2016
<b>Economic and financial assumptions</b>		
Discount rate	1.30%	1.31%
Inflation rate	1.5%	1.5%
Rate of pay increase	2.8%	2.8%
<b>Demographic assumptions</b>		
Probability of dismissals and redundancies	10%	10%
Probability of early severance pay	1%	1%

### 14. Provisions for risks and charges

This item, which was unchanged from the previous year, totalled €360 thousand and included the allocation related to provisions for risks for contractual guarantees.

## 15. Trade and other payables

Trade payables stood at €37,737 thousand (€36,874 thousand as at 31 December 2016) and are recorded at their nominal value. All payables mature within the next year, so there are no payables to be discounted. Trade payables include both payables due to suppliers of finished goods and raw materials and suppliers of services. All payables for significant amounts are denominated in Euros.

The following table provides a breakdown of trade payables by maturity:

<i>Amounts (in € 000s)</i>	<i>At 31 December 2017</i>	<i>At 31 December 2016</i>
To become due	<b>32,659</b>	<b>29,714</b>
Due for <30 days	2,045	5,736
Due for 30-90 days	1,995	1,286
Due for 90-180 days	999	45
Due for >180 days	39	93
<b>Total due</b>	<b>5,078</b>	<b>7,160</b>
<b>Total trade payables and other payables</b>	<b>37,737</b>	<b>36,874</b>

## 16. Other current and non-current liabilities

Other non-current liabilities stood at €78 thousand, representing directors' severance pay.

Other current liabilities amounted to €8,696 thousand, broken down as follows:

<i>(In thousands of Euros)</i>	<i>At 31 December 2017</i>	<i>At 31 December 2016</i>
Due to employees/directors	940	1,052
Due to social security bodies	691	574
Advances from customers	522	1,506
Tax payables	395	737
Accruals and deferrals	459	527
Other payables	5,689	5,561
<b>Total other current liabilities</b>	<b>8,696</b>	<b>9,957</b>

Other payables to employees/directors include liabilities for pay, unused leave and the relative contributions.

Advances from customers relate to the e-Commerce sales process.

Other payables include the payment on account of €5 million received from the SRP Group following the sale of BNK4 Saldiprivati completed in 2016 in respect of the Retained Amount.

## Notes on the main items of the consolidated income statement

Following the sale of Banzai Media Holding and BNK4 Saldiprivati in 2016, the operating results of the Vertical Content segment and Flash Sales business as at 31 December 2016 presented for comparison purposes were classified in the profit (loss) from discontinued operations.

### 17. Revenue

The breakdown of revenue is as follows:

<i>(In thousands of Euros)</i>	For the financial year ended 31 December	
	2017	2016
e-Commerce revenues	188,715	197,894
Other	3,852	7,504
<b>Revenue</b>	<b>192,567</b>	<b>205,398</b>

Revenue is recognised net of refunds on sales. Refunds on sales for the years 2017 and 2016 amounted to €7,487 thousand and €6,329 thousand, respectively. Marketplace revenues are only indicated for the commission component.

The “Other” mainly includes recharged logistics costs to BNK4 Saldiprivati S.r.l.

In terms of the breakdown of revenues by region, the revenues were generated in Italy.

### 18. Other income

Other income amounted to €3,152 thousand (€2,280 thousand in 2016) and consisted mainly of charge-backs to companies belonging to the Vertical Content segment and BNK4 SaldiPrivati in respect of services carried out by them, including after the sale in 2016. This item also includes the income represented by subsidies paid in the form of tax credits for research and development activities, amounting to €1,646 thousand (€1,023 thousand in the previous year).

### 19. Costs for raw materials and goods for resale

The breakdown of the item costs for raw materials and goods for resale is as follows:

<i>(In thousands of Euros)</i>	For the financial year ended 31 December	
	2017	2016
Raw materials and goods for resale	(156,328)	(172,874)
Change in inventories	(1,879)	6,577
<b>Total costs for raw materials and goods for resale</b>	<b>(158,207)</b>	<b>(166,297)</b>

The decrease in purchases of goods relates mainly to the decrease in turnover.

## 20. Costs for services

The breakdown of costs for services is as follows:

Costs for services	2017	2016
Sales and marketing costs	12,180	10,322
Transport and logistics	19,151	17,828
Consulting and contract workers	1,248	1,779
IT services and technical consulting	2,396	1,610
Rentals and leases	2,847	2,556
Deposit fees and bank expenses	2,155	2,466
Travel expenses	221	332
Utilities	478	262
Directors' remuneration	1,284	1,249
Others	1,572	2,265
<b>Total costs for services</b>	<b>43,532</b>	<b>40,669</b>

Costs for services totalled €43,532 thousand compared with €40,669 thousand for the previous year.

During the year, there was an increase in costs for services, especially for transport, marketing, logistics and IT consulting services related to the use of the new Group ERP.

Sales and marketing costs include, in particular, customer acquisition costs and loyalty promotional activities. The increase compared with the previous year is due mainly to the decision to accelerate the growth in acquiring customers, in line with the strategy announced after the listing.

The costs of rentals and leases mainly reflect lease agreements for offices and warehouses; the increase relates to the need for more space for administrative and logistics departments.

Costs for transport and logistics relate to transport expenses incurred to send products to customers and costs incurred to transport products from suppliers to Group warehouses and from the latter to Pick&Pay collection points. Handling, packaging and preparation costs are also included.



## 21. Personnel expenses

The breakdown of employee costs is as follows:

	2017	2016
Salaries and wages	7,792	7,994
Social security charges	2,331	2,224
Severance pay	326	544
Capitalised costs	(1,924)	(1,364)
Stock option	391	454
<b>Employee costs</b>	<b>8,916</b>	<b>9,852</b>

Personnel expenses decreased slightly from the previous year strictly related to the departure of several employees whom it was not necessary to replace.

Employee costs are shown net of internal costs capitalised in intangible fixed assets for development projects relating to the Group's businesses.

### Workforce

The following table shows the average and actual number of employees by category for the financial years ended 31 December 2017 and 2016:

	31 December 2017		31 December 2016	
	Average	Actual	Average	Actual
Senior managers	7	7	8	6
Middle managers	20	20	31	21
Clerical workers	145	141	241	146
Manual workers	2	2	3	2
<b>Total</b>		<b>170</b>		<b>175</b>

## 22. Depreciation, amortisation and impairment

The breakdown of depreciation, amortisation and write-downs is as follows:

Depreciation, amortisation and impairment	At 31 December 2017	At 31 December 2016
Amortisation of intangible assets	5,556	3,277
Amortisation of tangible assets	1,226	827
Write-down of receivables and fixed assets	747	155
<b>Total amortisation and impairments</b>	<b>7,529</b>	<b>4,259</b>

The increase in depreciation and amortisation relates to investments made by Group companies.

## 23. Other costs

Other costs stood at €368 thousand (€584 thousand in 2016) and consist mainly of indirect taxes, subscriptions, membership fees and losses incurred for various reasons.

## 24. Financial income and expenses

Financial income, net of expenses, stood at €95 thousand, an improvement on the previous year (net income of €34 thousand). Specifically, costs fell from €182 thousand to €87 thousand thanks to the termination of the loans outstanding during the course of 2016; income fell from €216 thousand to €182 thousand and was mainly related to cash discounts obtained from certain suppliers.

## 25. Minority interest in income of associates

This item amounts to a net expense of €1,674 thousand (expense of €79 thousand in 2016) and includes the Group share relating to the result achieved in the year by associates; specifically, the portion of income of the associate Il Post (€1,119 thousand) takes into account the write-down of goodwill implicit in the company.

## 26. Impairment losses on financial assets

This item stood at 0 (€688 thousand as at 31 December 2016 when it included write-downs of fixed financial receivables granted to the associate Uollet S.r.l., sold at the beginning of 2017 for the price of one euro).

## 27. Income Taxes

This item reflected an expense for the year of €1,023 thousand representing the partial reversal of deferred tax assets posted in previous years so that total deferred tax assets recorded in the consolidated financial statements would represent the tax benefit that can be recovered during the 2018-2023 plan period.

## 28. Profit (loss) from discontinued operations

The profit (loss) from divestitures or discontinued operations refers to proceeds from earn-outs related to sales completed in the previous year as detailed below:

<i>(In thousands of Euros)</i>	2017	2016
<b>Vertical Content</b>		
Gross capital gain	723	18,861
Net profit (loss)	-	(982)
Transaction costs	(38)	(923)
<b>Vertical Content total</b>	<b>685</b>	<b>16,956</b>
<b>Flash Sales</b>		
Gross capital gain	-	12,070
Net profit (loss)	-	(3,798)
Transaction costs	-	(446)
<b>Flash Sales net profit</b>	<b>-</b>	<b>7,826</b>
<b>Profit (loss) from discontinued operations</b>	<b>685</b>	<b>24,782</b>

## 29. Earnings per share

Basic earnings per share is calculated by dividing the profit (loss) for the year attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit (loss) attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year, in addition to potential shares that would be generated by the exercise of warrants existing at the reporting date and in the money.

Earnings per share and the share information used to calculate basic and diluted earnings per share are provided below:

<i>In thousands of Euro</i>	At 31 December 2017	At 31 December 2016
Profit (loss) attributable to the parent company's ordinary shareholders (In thousands of Euro)	(24,750)	10,068
Average number of shares outstanding	40,248,037	40,464,439
Dilution effect	-	3,107,875
Average number of outstanding shares for the purposes of calculating diluted earnings	40,248,037	43,572,314
<i>Earnings per share (Euros)</i>	-0.61	0.25
<i>Diluted earnings per share (Euros)</i>	-0.61	0.23

The weighted average number of treasury shares used for basic earnings per share takes into account the weighted average effect of changes due to transactions on treasury shares that took place during the year.

Because they are out of the money, the dilutive effect of stock options and warrants outstanding has not been taken into account.

## Primary and secondary reporting formats

The Group's activity consists of only the e-Commerce operating segment.

## Other information

### Related-party transactions

The following table shows details of related-party transactions:

In thousands of Euro

As at 31 December 2017

	Trade receivables	Equity investments	Non-current financial assets	Cash	Trade payables	Costs for services	Revenue
Banca Profilo S.p.A.	-	-	-	422	-	-	-
Il Post S.r.l.	-	38	35	-	-	-	-
Ecommerce Outsourcing S.r.l.	39	205	-	-	-	-	1,109
Installo S.r.l.	66	368	176	-	1,296	4,812	110
Termostore S.r.l.	809	853	-	-	-	-	1,218
Click & Quick	341	502	1,150	-	451	4,835	1,016
Apprice	-	312	-	-	22	-	-
<b>Total</b>	<b>1,255</b>	<b>2,278</b>	<b>1,361</b>	<b>422</b>	<b>1,769</b>	<b>9,647</b>	<b>3,453</b>
<b>Total balance sheet item</b>	<b>8,908</b>	<b>2,278</b>	<b>2,370</b>	<b>21,094</b>	<b>37,737</b>	<b>43,532</b>	<b>192,567</b>
<b>Weight %</b>	<b>14.09%</b>	<b>100.00%</b>	<b>57.43%</b>	<b>2.00%</b>	<b>4.69%</b>	<b>22.16%</b>	<b>1.79%</b>

Banca Profilo is a related party of ePRICE since Sator Fund controls Banca Profilo indirectly, and holds an indirect equity investment in the share capital of the company, over which it exercises significant influence. In addition, Banca Profilo is a related party of Arepo BZ S.à r.l., a company indirectly controlled by Sator Fund, through which Sator Fund holds the above-mentioned stake in the parent company Eprice S.p.A. The other companies are related parties because there is a shareholding relationship connecting them with ePRICE Group companies. The Group also received services from the associate Apprice in the amount of €150 thousand, which was capitalised under intangible assets.

The following is a breakdown of the transactions with related parties as at 31 December 2016:

In thousands of Euro

As at 31 December 2016

	Trade receivables	Investments in associates	Non-current financial assets	Cash	Trade payables	Costs for services	Revenue	Financial income
Banca Profilo S.p.A.	-	-	-	2,722	-	-	-	23
Il Post S.r.l.	-	1,154	35	-	-	-	7	-
Ecommerce Outsourcing S.r.l.	309	212	-	-	-	-	1,482	-
Installo S.r.l.	-	399	176	-	1,009	2,467	5	-
Giornalettismo S.r.l.	-	3	-	-	-	-	-	-
Termostore S.r.l.	-	700	-	-	-	-	1	-
<b>Total</b>	<b>309</b>	<b>2,468</b>	<b>211</b>	<b>2,722</b>	<b>1,009</b>	<b>2,467</b>	<b>1,495</b>	<b>23</b>
<b>Total balance sheet item</b>	<b>9,798</b>	<b>2,468</b>	<b>1,220</b>	<b>54,711</b>	<b>36,874</b>	<b>40,669</b>	<b>205,398</b>	<b>216</b>
<b>Weight %</b>	<b>3.2%</b>	<b>100.0%</b>	<b>17.3%</b>	<b>5.0%</b>	<b>2.7%</b>	<b>6.1%</b>	<b>0.7%</b>	<b>10.6%</b>

### Commitments and guarantees given by the Group

There were no commitments or guarantees given by Group companies in favour of third parties in the financial year ended 31 December 2017 other than those issued in 2016 as part of the sale of the Vertical Content to BKN4 Saldiprivati.

For the Vertical Content sale, ePRICE also issued to the purchaser the usual statements and guarantees applicable to sales transactions: specifically, for tax and labour law guarantees, the maximum charge back amount is equal to the total value of the transaction. The best estimate of the risks of enforcement of these guarantees is reflected in the provision for risks and charges provided in this annual report.

For the sale of BNK4 Saldiprivati, the ePRICE Group has also made to the purchaser the representations and warranties which are usual in a sale. The maximum amount which can be repaid in the first 24 months from signature of the contract of sale is €3.5 million, which thereafter becomes €3 million.

### Financial risk management policy

The Group's objective is to maximise the return on net invested capital while retaining its ability to operate over time, and guaranteeing adequate shareholder returns and benefits for other stakeholders, with a sustainable financial structure.

To achieve these objectives, as well as generating cash flows and solid results, the Group may take measures concerning the dividend policy and the capital configuration.

## **Types of financial risk**

The Group is primarily exposed to financial risks linked to the ability of its customers to meet their obligations to the Group (credit risk), obtaining financial resources on the market (liquidity risk), and interest rate and exchange rate fluctuations (market risk).

Financial risk management is an integral part of Group business management and is carried out centrally based on guidelines developed by the Finance Department as part of the more general risk management strategies defined by the Board of Directors.

- **Liquidity risk**

Liquidity risk refers to the failure to obtain the financial resources needed for the business to function and for the development of operations.

The two main factors that impact the Group's liquidity are the resources generated or absorbed by operations and investment activities, and the contractual maturity of debt or financial investments and market conditions.

- **Credit risk**

Credit risk is exposure to potential losses arising from default by trade counter-parties on their obligations.

The Group closely monitors its credit exposure using an internal reporting system. Since receipts for sales are generally obtained in advance, credit risk is marginal with respect to the overall size of the business.

- **Market risk**

With regard to financial assets and liabilities, the Group is primarily exposed to market risk linked to fluctuations in interest rates on floating-rate loans and cash investments, which may affect the cost of borrowing and the return on investments.

- **Currency risk**

As regards currency risk, the Group operates primarily in the euro area.

## Disclosure of the carrying amount and fair value of financial instruments

The carrying amount and fair value of financial instruments for the year ended 31 December 2017 are shown below:

(In thousands of Euros)	At 31 December 2017					
	Financial instruments at fair value held for trading	Held-to-maturity assets	Receivables and loans	AFS financial instruments	Fair value	Fair value hierarchy
<b>Other financial assets</b>						
Equity investments	-	-	-	1,009	<b>1,009</b>	Level 3
Other financial assets	-	-	1,361	-	<b>1,361</b>	Level 3
Other assets			292		<b>292</b>	Level 3
<b>Trade receivables</b>						
Trade receivables	-	-	8,908	-	<b>8,908</b>	Level 3
<b>Cash and cash equivalents</b>						
Bank and postal deposits	-	-	21,094	-	<b>21,094</b>	Level 1

(In thousands of Euros)	At 31 December 2017			
	Financial instruments at fair value held for trading	Liabilities at amortised cost	Fair value	Fair value hierarchy
<b>Non-current financial payables and liabilities</b>				
Payables to banks and other lenders	-	536	<b>536</b>	Level 3
<b>Current liabilities</b>				
Payables to banks and other lenders	-	2,095	<b>2,095</b>	Level 3
Due to suppliers	-	37,734	<b>37,734</b>	Level 3



**Consolidated Financial Statements**  
**As at 31 December 2017**

The carrying amount of financial instruments in the financial year ended 31 December 2016 is shown below:

<i>(In thousands of Euros)</i>	At 31 December 2016					
	Financial instruments at fair value held for trading	Held-to-maturity assets	Receivables and loans	AFS financial instruments	Fair value	Fair value hierarchy
<b>Other financial assets</b>						
Equity investments	-	-	-	1,009	<b>1,009</b>	Level 3
Other financial assets	-	-	211	-	<b>211</b>	Level 3
Other assets			273		<b>273</b>	Level 3
<b>Trade receivables</b>						
Trade receivables	-	-	9,798	-	<b>9,798</b>	Level 3
<b>Cash and cash equivalents</b>						
Bank and postal deposits	-	-	54,711	-	<b>54,711</b>	Level 1

<i>(In thousands of Euros)</i>	At 31 December 2016			
	Financial instruments at fair value held for trading	Liabilities at amortised cost	Fair value	Fair value hierarchy
<b>Non-current financial payables and liabilities</b>				
Payables to banks and other lenders	-	126	<b>126</b>	Level 3
<b>Current liabilities</b>				
Payables to banks and other lenders	-	109	<b>109</b>	Level 3
Due to suppliers	-	36,874	<b>36,874</b>	Level 3

#### Contingent liabilities

No contingent liabilities requiring the allocation of additional provisions for risks with respect to what was set aside or a mention in these explanatory notes were identified.

#### Atypical or unusual transactions

In compliance with the provisions of the Consob Communication of 28 July 2006, in the financial year ended 31 December 2017, there were no atypical and/or unusual transactions as defined in that Communication.

## Independent auditor compensation

The table below, prepared in accordance with Art. 149-duodecies of the Consob Issuer Regulations, shows the fees for auditing and other non-auditing services provided by the independent auditors or by companies belonging to the Ernst & Young network.

Service	Entity providing the service	Beneficiary	Amount
Limited audit of the half-year report	EY S.p.A.	ePRICE S.p.A.	42
Statutory audit on 31 December	EY S.p.A.	ePRICE S.p.A.	49
Other services	Ernst & Young Financial Business Advisor S.p.A.	ePRICE S.p.A.	14
<b>Total ePRICE S.p.A.</b>			<b>105</b>
Statutory audit on 31 December	EY S.p.A.	ePRICE Group companies	38
<b>Total ePRICE Group</b>			<b>143</b>

*Chairman*  
Paolo Ainio

**Certification of the consolidated financial statements in accordance with Article 81-ter of Consob Regulation No. 11971 of 14 May 1999, as subsequently amended and supplemented.**

1. We the undersigned, Paolo Ainio as Chairman and Emanuele Romussi as Manager responsible for preparing the financial reports of ePRICE S.p.A., hereby certify, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, the suitability of the description of the company and the actual application of administrative and accounting procedures for the preparation of the consolidated financial statements during 2017.
2. We further certify that:
  - 2.1. The consolidated financial statements
    - have been prepared in accordance with the international accounting standards adopted by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
    - accurately reflect the accounting books and records;
    - provide a true and accurate representation of the balance sheet, income statement and financial position of the issuer and of all the companies included in the consolidation.
  - 2.2. The management report includes a reliable analysis of the changes and results of management, and of the position of the issuer and companies included in the scope of consolidation, together with a description of the principal risks and uncertainties faced.

Milan, 08 March 2018

*Chairman*

Paolo Ainio

*The Manager Responsible for Preparing the Financial Reports*

Emanuele Romussi

## INDEPENDENT AUDITORS' REPORT



### ePRICE S.p.A.

Consolidated financial statements as at December 31, 2017

Independent auditor's report in accordance with article 14 of  
Legislative Decree n. 39, dated 27 January 2010, and article  
10 of EU Regulation n. 537/2014



EY S.p.A.  
Via Meravigli, 12  
20123 Milano

Tel: +39 02 722121  
Fax: +39 02 722122037  
ey.com

Independent auditor's report in accordance with article 14 of  
Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU  
Regulation n. 537/2014  
(Translation from the original Italian text)

To the Shareholders of  
ePRICE S.p.A.

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of ePRICE Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in net equity and consolidated statement of cash flow for the year then ended, and explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of ePRICE S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.  
Sede Legale: Via Po, 32 - 00198 Roma  
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 3.100.000,00 i.v.  
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma  
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904  
P.IVA 00891231003  
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998  
Iscritta all'Albo Speciale delle società di revisione  
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited



We identified the following key audit matters:

Key Audit Matter	Audit Response
<p><b>Valuation of intangible assets with indefinite useful life</b></p> <p>As at December 31, 2017 intangible assets with indefinite useful life amount to Euro 14.3 million and are entirely related to goodwill. The Group identified a single Cash Generating Unit (CGU) for the valuation of goodwill recoverability. The processes and methodologies for assessing and determining the recoverable amount of the CGU, in terms of value in use, are based on assumptions, sometimes complex, that by their nature are based on the directors' judgment, in particular with reference to the forecast of future cash flows, relating to both the period covered by the Group's strategic plan 2018-2023 (the "Plan"), and the determination of the normalized cash flows on which the estimate of the terminal value is based, as well as to the determination of long-term growth and discounting rates applied to the forecast of these cash flows.</p> <p>In consideration of the judgment required and of the complexity of the assumptions used in the estimate of the recoverable amount of goodwill, we have considered that this area represents a key audit matter.</p> <p>The Group provides disclosures on the recoverability of goodwill in note 2 "Intangible Assets" and in the note "Significant accounting estimates and judgements" of the consolidated financial statements.</p>	<p>Our audit procedures in response to the key audit matter included, among others:</p> <ul style="list-style-type: none"> <li>• Assessment of the Group's procedure for the assessment of the recoverability of the goodwill;</li> <li>• analysis of the forecast of future cash flows, also compared with the previous forecasts as well as market trends, taking into account forecasting assumptions from external sector sources;</li> <li>• testing of the consistency of the forecasts of future cash flows with the Plan;</li> <li>• testing of long-term growth rates and discounting rates.</li> </ul> <p>In our audit we also used our internal experts in valuation techniques, which performed an independent recalculation and performed sensitivity analysis on key assumptions in order to determine the changes that could significantly impact the valuation of recoverable amount.</p> <p>Lastly, we considered the adequacy of the disclosures in the explanatory notes in relation to the key audit matter.</p>



Key Audit Matter	Audit Response
<p>Recoverability of deferred tax assets</p> <p>As at December 31, 2017 deferred tax assets recorded in the financial statements amount to Euro 8.7 million and derive mainly from tax losses that can be carried forward indefinitely. The recoverability of the book value of these assets is subject to valuation by the Group Management based on the forecast of expected taxable income.</p> <p>The processes and methodologies for assessing the recoverability of deferred tax assets are based on assumptions, sometimes complex, that by their nature are based on the directors' judgment, in particular with reference to the forecast of future taxable income expected for Group companies, consistent with the provisions of the Plan.</p> <p>In consideration of the judgment required in the forecast of future taxable income we have considered that this area represents a key audit matter.</p> <p>The Group provides disclosures on the recoverability of deferred tax assets in note 6 "Deferred tax assets" and in the note "Significant accounting estimates and judgements" of the consolidated financial statements.</p>	<p>Our audit procedures in response to the key audit matter, in addition to those described in relation to the previous key audit matter, included, among other things, the analysis of the forecasts of future taxable income and their consistency with the forecasts of the pre-tax results included in Plan.</p> <p>Lastly, we considered the adequacy of the disclosures in the explanatory notes in relation to the key audit matter.</p>



Key Audit Matter	Audit Response
<p><b>Business outlook</b></p> <p>The Group's 2017 fiscal year resulted in a comprehensive loss and an overall reduction in cash and cash equivalents balance. On March 8, 2018 the Board of Directors of ePRICE S.p.A. approved the Group's strategic plan for the period 2018-2023.</p> <p>The Plan includes actions aimed at recovering efficiency and consolidating current market positions, as well as possible disposal of non-core assets, in order to achieve improvements in profitability and cash flows over the period covered by the plan. The assumptions underlying the Plan present uncertainties typical of any forecast activity and, therefore, the results of the planned actions could potentially manifest their effects with different results and timing compared to current forecasts and therefore influence subsequent assessments of the assumption of the going concern basis of accounting, relating to at least, but not limited to, twelve months after the balance sheet date, also taking into account the liquidity, loans and lines of credit currently in place.</p> <p>In consideration of the valuations and of the judgment required to Group Management in its forecast activities and of their possible future effects on the determination of the going concern basis of accounting, we have considered that this area represents a key audit matter.</p> <p>Paragraphs "Comment on the results" and "Outlook" of the Directors' report, describe the results achieved in the fiscal year and the actions taken by the Directors, which represent the basis of the forecasts assumed in the Plan.</p>	<p>Main audit procedures in response to the key audit matter included, among the others:</p> <ul style="list-style-type: none"> <li>• Assessment of the circumstances that led to the achievement of a comprehensive loss in the year;</li> <li>• understanding of the process for the preparation of the Plan approved by the Board of Directors of ePRICE S.p.A. on March 8, 2018 and analysis of the main assumptions underlying the forecasts contained therein;</li> <li>• sensitivity analysis of the main assumptions of the Plan with respect to the forecast of future cash flows;</li> <li>• obtaining written representations from Management relating to future action plans and their feasibility;</li> <li>• analysis of the deviations of the results of the first months of 2018 compared to the budget.</li> </ul> <p>We also considered the adequacy of the disclosures reported in the directors' report in relation to the key audit matter.</p>





## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; have designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements



- or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
  - we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

#### Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholder of ePRICE S.p.A., in the general meeting held on November 6, 2014, engaged us to perform the audits of the consolidated financial statements of each years ending December 31, 2014 to December 31, 2022.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared in accordance with article 11 of the EU Regulation n. 537/2014.



## Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of ePRICE S.p.A. are responsible for the preparation of the Directors' Report and of the Report on Corporate Governance and Ownership Structure of the Group as at December 31, 2017, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Directors' Report and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of the Group as at December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Directors' Report and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of the Group as at December 31, 2017 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, March 23, 2018

EY S.p.A.  
Signed by: Paolo Zocchi, Partner

*This report has been translated into the English language solely for the convenience of international readers.*



# **ePRICE S.p.A. Separate Financial Statements**

---

## STATEMENT OF FINANCIAL POSITION

(In Euros)	Notes	31 December 2017	Of which related parties	31 December 2016	Of which related parties
<b>NON-CURRENT ASSETS</b>					
Plant and equipment	1	910,058		1,109,128	
Intangible assets	2	3,731,413		2,603,666	
Investments	3	45,990,638	45,990,638	32,317,354	32,317,354
Non-current financial assets	4	35,458,437	34,453,435	25,158,437	24,153,435
Other non-current assets	5	15,211		13,990	
Deferred tax assets	6	5,093,249		6,116,313	
<b>NON-CURRENT ASSETS TOTAL</b>		<b>91,199,006</b>		<b>67,318,888</b>	
<b>CURRENT ASSETS</b>					
Trade receivables and other receivables	7	3,298,031	3,271,016	797,830	632,547
Other current assets	8	3,030,953		4,051,990	
Cash and cash equivalents	9	8,417,948	421,448	43,259,620	2,721,761
<b>CURRENT ASSETS TOTAL</b>		<b>14,746,932</b>		<b>48,109,440</b>	
<b>ASSETS TOTAL</b>		<b>105,945,938</b>		<b>115,428,328</b>	
<b>LIABILITIES AND NET EQUITY</b>					
<b>NET EQUITY</b>					
Share capital		826,297		820,797	
Reserves		107,016,992		105,918,550	
Profit (loss) for the year		(8,235,540)		5,595,575	
<b>TOTAL NET EQUITY</b>	<b>10</b>	<b>99,607,749</b>		<b>112,334,922</b>	
<b>NON-CURRENT LIABILITIES</b>					
Payables to banks and other lenders	11	536,530		96,355	
Provisions for personnel	12	285,766		266,657	
Provisions for risks and charges	13	360,000		360,000	
Other non-current liabilities	15	78,027		36,680	
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,260,323</b>		<b>759,692</b>	
<b>CURRENT LIABILITIES</b>					
Trade and other payables	14	1,949,903		1,330,690	102,122
Payables to banks and other lenders	11	2,067,968		66,605	
Other current liabilities	15	1,059,995	244,654	936,419	129,025
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,077,866</b>		<b>2,333,714</b>	
<b>TOTAL LIABILITIES</b>		<b>6,338,189</b>		<b>3,093,406</b>	
<b>TOTAL NET EQUITY AND LIABILITIES</b>		<b>105,945,938</b>		<b>115,428,328</b>	

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(In thousands of Euros)	Notes	31 December 2017	Of which related parties	31 December 2016	Of which related parties
Revenue	16	3,025,599	2,293,331	2,825,897	1,825,161
Other income	17	290,746		6,850	
Costs for raw materials and goods for resale	18	(39,165)		(45,088)	
Costs for services	19	(5,659,926)		(5,863,967)	
<i>Of which non-recurring</i>				(312,044)	
Personnel expenses	20	(2,548,675)		(2,355,420)	
<i>Of which non-recurring</i>				-	
Depreciation, amortisation and impairment	21	(1,375,577)		(414,532)	
Other costs	22	(202,073)		(235,592)	
<b>Operating profit (loss)</b>		<b>(6,509,071)</b>		<b>(6,081,852)</b>	
Financial expenses	23	(12,621)		(84,383)	
Financial income	24	363		43,395	22,662
Minority interest in income of associates	25	(1,376,710)			
<b>Profit (loss) before tax from continuing operations</b>		<b>(7,898,039)</b>		<b>(6,122,840)</b>	
Income Taxes	26	(1,023,064)		0	
<b>Profit (loss) from continuing operations</b>		<b>(8,921,103)</b>		<b>(6,122,840)</b>	
Net profit (loss) from discontinued operations	27	685,563		11,718,415	
<b>Profit (loss) for the period</b>		<b>(8,235,540)</b>		<b>5,595,575</b>	
<b>Other components of comprehensive income:</b>					
<i>That will not subsequently be reclassified into profit (loss) for the year</i>					
Employee benefits		(680)		(9,293)	
Tax effect		0		0	
<b>Total</b>		<b>(680)</b>		<b>(9,293)</b>	
<i>That will subsequently be reclassified into profit (loss) for the year</i>					
<b>Comprehensive profit/(loss) for the period</b>		<b>(8,236,220)</b>		<b>5,586,282</b>	

## STATEMENT OF CASH FLOW

	(In thousands of Euros)	31 December 2017	Of which related parties	31 December 2016	Of which related parties
<b>NET CASH FLOW FROM OPERATIONS</b>					
Profit (loss) for the year		(8,921)		(6,280)	
<i>Adjustments to reconcile profit for the year with cash flow generated by operating activities:</i>					
Depreciation and Amortisation		1,339		371	
Bad debt provision		36		43	
Employee benefit fund provision		116		109	
Employee benefit fund change		(98)		(65)	
Change in deferred tax assets and liabilities		1,023		0	
Other non-monetary items		341		394	
Share of the result pertaining to associated companies		1,377		157	
Change in other non-current liabilities		41		37	
<i>Changes in working capital</i>					
Change in trade receivables		(2,537)	(2,639)	38	120
Change in other current assets		1,021		1,139	
Change in trade payables		619	(102)	(55)	(32)
Change in other payables		124	116	487	129
<b>NET CASH FLOW GENERATED (ABSORBED) BY OPERATIONS</b>		<b>(5,519)</b>		<b>(3,625)</b>	
<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>					
Acquisition of tangible assets		(71)		(1,051)	
Disposal of tangible assets		14		0	
Change in other non-current assets		(3)		7	
Acquisition of intangible assets		(2,209)		(1,007)	
Provision of financing		(25,300)	(25,300)	(480)	(480)
Cash flow from discontinued operations		686		29,857	
Other investments		0		(2,150)	
<b>NET CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITIES</b>		<b>(26,883)</b>		<b>25,176</b>	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Financial payables		2,442		(7,707)	
Share capital increase		1,045			
Treasury shares		(675)		(1,794)	
Dividends paid		(5,252)			
<b>NET CASH FLOW ABSORBED BY FINANCING ACTIVITIES</b>		<b>(2,440)</b>		<b>(9,501)</b>	
(Decrease)/Increase in cash and cash equivalents		(34,842)		12,051	
<b>CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR</b>		<b>43,260</b>		<b>31,209</b>	
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>8,418</b>		<b>43,260</b>	



## STATEMENT OF CHANGES IN NET EQUITY

	Share capital	Share premium	Legal reserve	Treasury shares	Stock Option reserve	Other capital reserves	Retained earnings (losses)	FTA Reserve	Employee benefits	Total
<b>Balance as at 31 December 2016</b>	<b>821</b>	<b>124,154</b>	<b>1</b>	<b>(2,586)</b>	<b>554</b>	<b>538</b>	<b>(10,686)</b>	<b>(449)</b>	<b>(12)</b>	<b>112,335</b>
Result for the year							(8,235)			(8,235)
<b>Other components of comprehensive income:</b>										0
that will not subsequently be reclassified into profit (loss) for the year									(1)	(1)
that will subsequently be reclassified into profit (loss) for the year										0
<b>Total income</b>							(8,235)		(1)	(8,236)
Transactions on treasury shares				(625)	(50)					(675)
Share capital increase	5	1,040								1,045
Share-based payment					391					391
Allocation of the result			163				(5,415)			(5,252)
Reclassifications					(99)		99			0
<b>Balance as at 31 December 2017</b>	<b>826</b>	<b>125,194</b>	<b>164</b>	<b>(3,211)</b>	<b>796</b>	<b>538</b>	<b>(24,237)</b>	<b>(449)</b>	<b>(13)</b>	<b>99,608</b>

	Share capital	Share premium	Legal reserve	Treasury shares	Stock Option reserve	Other capital reserves	Retained earnings (losses)	FTA Reserve	Employee benefits	Total
<b>Balance as at 31 December 2015</b>	<b>821</b>	<b>124,154</b>	<b>1</b>	<b>(791)</b>	<b>221</b>	<b>538</b>	<b>(16,403)</b>	<b>(449)</b>	<b>(3)</b>	<b>108,089</b>
Result for the year							5,596			5,596
<b>Other components of comprehensive income:</b>										0
that will not subsequently be reclassified into profit (loss) for the year									(9)	(9)
that will subsequently be reclassified into profit (loss) for the year										0
<b>Total income</b>							5,596		(9)	5,587
Transactions on treasury shares				(1,795)						(1,795)
Reclassification pursuant to IFRS 5					(121)		121			0
Share-based payment					454					454
<b>Balance as at 31 December 2016</b>	<b>821</b>	<b>124,154</b>	<b>1</b>	<b>(2,586)</b>	<b>554</b>	<b>538</b>	<b>(10,686)</b>	<b>(449)</b>	<b>(12)</b>	<b>112,335</b>

## EXPLANATORY NOTES

### Accounting standards and measurement criteria used to prepare the financial statements as at 31 December 2017

The separate financial statements of ePRICE S.p.A. for the year ended 31 December 2017 were approved by the Board of Directors on 8 March 2018.

The separate financial statements for the year ended 31 December 2017 (hereinafter referred to as the “Financial Statements”) were prepared in accordance with the provisions of Regulation EC 809/2004 and pursuant to the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union (IFRS).

### Statement of compliance with IFRS

The Financial Statements of ePRICE S.p.A. for the year ended 31 December 2017 were prepared in accordance with IFRS.

“IFRS” refers to all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously called the Standard Interpretations Committee (SIC), which, at the date of approval of the financial statements, had been endorsed by the European Union in accordance with the procedure provided for by Regulation (EC) 1606/2002 of the European Parliament and of the European Council of 19 July 2002.

### Accounting principles

No exceptions to IFRS were applied during the preparation of these financial statements of ePRICE S.p.A.

The Financial Statements were prepared with the expectation that the business is a going concern and in light of the consideration expressed in the paragraph “Business Outlook” of the Directors’ Report, according to the principle of historical cost, and the assets and liabilities in the Company’s financial statements are classified according to the current/non-current criterion.

The financial statements are presented in Euros. All amounts are rounded to the nearest thousand Euros, unless otherwise indicated.

### Measurement criteria

- **Plant, equipment and finance and operating leases**

Plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any impairment loss. The cost includes directly attributable charges incurred to make the assets ready for use and financial expenses, if they meet the requirements set forth in IAS 23. Expenses for ordinary maintenance and repair are recognised directly in the income

statement when incurred. Costs associated with the expansion, modernisation or improvement of structural elements that are owned or used by third parties are capitalised to the extent to which they comply with requirements for separate classification as an asset or part of an asset.

Plant and equipment held under finance leases, through which the risks and benefits linked to ownership are substantially transferred to the Company, are recognised as Company assets at their current value or, if lower, at the present value of the minimum payments due for the lease, including any amount to be paid to exercise the purchase option. The assets are depreciated by applying the method and rates set forth below for property, plant and equipment, unless the term of the lease agreement is shorter than the useful life represented by those rates, and it is not reasonably certain that the ownership of the leased asset will be transferred at the natural expiry of the agreement. In that case, the depreciation period is identical to the term of the lease.

Leases in which the lessor substantially retains the risks and benefits linked to ownership of the assets are classified as operating leases. The costs of operating leases are recognised on a straight-line basis in the income statement for the term of the lease agreement.

Depreciation is recognised on a straight-line basis by applying rates that make it possible to depreciate the assets until the end of their useful life.

The table below shows the depreciation rates applied by the Company to individual categories of plant and equipment based on their estimated useful life:

Category	Rate
Data processing centre equipment	20%
Other equipment	15%
Display systems	20%-50%
Office furniture	12%
Fixtures	12%
Office machinery	20%-33%
Motor vehicles	25%-33%

The useful life of property, plant and equipment and their residual values are revised and updated, where necessary, when the financial statements are prepared.

- **Business combinations and goodwill**

Business combinations are recorded using the acquisition method. Acquisition cost is determined as the sum of consideration transferred, measured at fair value on the acquisition date, and the amount of the minority equity investment in the acquired company. For each business combination, the Company determines whether to measure the minority interest in the acquired company at fair value, or in proportion with the minority interest's share in the acquiree's identifiable net assets. Acquisition costs are expensed during the year and classified under administrative expenses.

When the Company acquires a business, it classifies or designates the financial assets acquired or liabilities assumed in accordance with contractual terms, economic conditions and other relevant conditions on the acquisition date. This includes an audit to determine whether an embedded derivative must be separated from the host contract.

If the business combination occurs over several phases, the previously held equity investment is restated at fair value at the acquisition date and any resulting profit or loss is recognised in the income statement. This is therefore taken into account in the determination of goodwill.

Any potential consideration to be paid is recognised by the buyer at fair value on the acquisition date. The change in the fair value of the potential consideration classified as an asset or liability, such as a financial instrument falling within the scope of IAS 39 - Financial Instruments: Recognition and Measurement, must be reported in the income statement or in other components of comprehensive income. If the potential consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. If the potential consideration is classified under shareholders' equity, its value is not redetermined, and its subsequent adjustment is recorded in shareholders' equity.

Goodwill is initially recognised at cost represented by the excess of all consideration paid and the amount recorded for the minority interests over the identifiable net assets acquired and liabilities assumed by the Company. If the fair value of net assets acquired exceeds the consideration paid, the Company must again verify whether it has properly identified all assets acquired and all liabilities assumed and review the procedures used to determine the amounts to be recognised on the acquisition date. If the new assessment still shows that the fair value of the net assets acquired is greater than the consideration, the (meaningful) difference is recognised in the income statement.

After initial recognition, goodwill is measured at cost, net of accumulated impairment. For the purposes of impairment testing, the goodwill acquired in a business combination is allocated at the acquisition date to each cash-generating unit (CGU) of the Company expected to benefit from combination synergies, irrespective of whether other assets or liabilities of the acquired company are assigned to these units.

If goodwill is allocated to a CGU and the entity disposes of part of the assets of this unit, the goodwill associated with the asset disposed of is included in the carrying amount of the asset when the gain or loss on the disposal is calculated. Goodwill associated with the asset disposed of is calculated on the basis of the values for the asset disposed of and the retained portion of the CGU.

## Intangible assets with a finite useful life

Intangible assets consist of non-monetary, identifiable elements with no physical substance, which can be controlled and are expected to generate future economic benefits. Such elements are recognised at acquisition and/or production cost, including directly attributable expenses to make the asset ready for use, net of accumulated amortisation and any impairment losses.

The costs incurred internally to develop new services and platforms constitute intangible assets generated internally and are recognised as assets only if all the following requirements are met:

- the cost attributable to the development activity can be reliably determined;

- the entity has the intention, the availability of financial resources and the technical capacity to make the asset ready for use or sale;
- it can be demonstrated that the asset is able to produce future economic benefits.

Capitalised development costs include only expenses incurred that can be directly attributed to the process of developing new products and services.

Intangible assets with a finite useful life are amortised over their useful lives and are subject to fair-value testing whenever there are indications of possible impairment. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at least at the end of each financial year. Changes in expected useful life, or in the ways in which the future economic benefits associated with the asset are generated, are recognised through a change in the amortisation method or period, depending on the case, and are regarded as changes in accounting estimates. The amortisation rates for intangible assets with a finite useful life are recognised in the income statement for the year, in the appropriate non-monetary cost category for the function of the intangible asset.

The Company's estimates of the useful lives of the various intangible asset categories are shown below:

Category	Useful life
Software, patents, concessions and licences	3-5 years
Platform development	3-5 years

Profits or losses arising from the disposal of an intangible asset are measured as the difference between the net revenue from disposal and the carrying amount of the intangible asset, and are recognised in the income statement for the year in which the disposal takes place.

## Impairment of non-financial assets

The Company checks for any indications of asset impairment at each reporting date. If these exist, or when an annual impairment test is due, the Company estimates the asset's recoverable amount. The recoverable amount is the greater of the fair value of the asset or CGU, net of disposal costs, and its value in use. The recoverable amount is determined for each individual asset or CGU. If the carrying amount of an asset or CGU is greater than its recoverable amount, the asset is impaired and is consequently written down to the recoverable amount.

When it calculates the value in use, the Company discounts estimated future cash flows to present value using a pre-tax discount rate that reflects market valuations of the present value of money and the specific risks of the asset. In calculating fair value net of disposal costs, recent market transactions are taken into account. If such transactions cannot be identified, an appropriate valuation model is used. These calculations are corroborated by appropriate valuation multiples, the price of equity securities listed for publicly traded investee companies and other available indicators of fair value.

The Company bases its impairment tests on detailed budgets and projected calculations that are prepared separately for each Company CGU to which separate assets are allocated. These budgets and provisional calculations usually cover a period of

three or five years. For longer periods, a long-term growth rate is calculated, which is used to project future cash flows beyond the third or fifth year.

Impairment of operating assets, including inventory impairment, is recognised in the income statement for the year in the respective cost categories for the impaired assets. For fixed assets that have already been revalued, the revaluation is booked to items of other comprehensive income. In these cases, the impairment is also recognised in items of other comprehensive income up to the level of the previous revaluation.

For assets other than goodwill, at each reporting date the Company checks for any indications that previously recognised impairment no longer exists (or has decreased). If so, it estimates the recoverable amount of the asset or the CGU. The value of an asset previously written down may be reversed only if there have been changes in the assumptions on which the calculation of the recoverable amount was based, after recognition of the most recent impairment. The write-back must not exceed the carrying amount that would have been calculated, net of depreciation and amortisation, assuming that no impairment had been recognised in previous years. The write-back is recognised in the income statement for the year, unless the fixed asset is not booked at a revalued amount, in which case the write-back is treated as a revaluation increase.

## Equity investments in subsidiaries and associates

Equity investments in subsidiaries and associates are measured using the cost method and reduced for impairment pursuant to IAS 36. If there is a write-down due to impairment, the cost is allocated to the income statement. The original value is reversed in subsequent years if the assumptions underlying the write-down no longer apply.

The goodwill implicit in the value of equity investments is subject to an annual impairment test using the procedures covered above.

When significant influence over an associate is lost, the Company measures and recognises its remaining equity investment at fair value. The difference between the carrying amount of the equity investment at the date of loss of significant influence or joint control and the fair value of the remaining equity investment and the considerations received is recognised in the income statement.

## Treasury shares

Repurchased treasury shares are recognised at cost as a decrease to shareholders' equity. The acquisition, sale or cancellation of treasury shares does not give rise to any profit or loss in the income statement. If the shares are re-issued, the difference between the purchase value and the consideration is recognised in the share premium reserve. If options on shares are exercised during the period, they are satisfied with treasury shares.

## Financial assets

- ***Initial recognition and measurement***

When initially recognised, financial assets are classified, depending on the case, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets or hedging derivatives, if the hedge is effective.

All financial assets are initially recognised at fair value in addition to transaction costs directly attributable to the acquisition, except for financial assets at fair value through profit or loss.

The purchase or sale of a financial asset requiring delivery within the time frame established by regulation or market convention (a 'regular-way trade') is recognised on the trade date, i.e. the date on which the Company has committed to purchase or sell the asset.

- ***Subsequent measurement***

Financial assets are classified in four categories for measurement purposes subsequent to initial recognition:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

- ***Financial assets at fair value through profit or loss***

This category includes assets held for trading and assets designated on initial recognition as financial assets at fair value with changes recognised in the income statement. Assets held for trading are all assets purchased in order to be sold or repurchased in the short-term. Derivatives, including separated derivatives, are classified as financial instruments held for trading unless they are designated as effective hedging instruments, as defined in IAS 39.

The Company has not classified any financial asset at fair value through profit or loss. Financial instruments at fair value through profit or loss are posted to the statement of financial position at fair value, while changes in fair value are recognised as financial income or expenses in the income statement.

Embedded derivatives contained in the host contract are accounted for as separated derivatives and recognised at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not held for trading or measured at fair value through profit or loss. These embedded derivatives are measured at fair value through profit or loss. A recalculation takes place only when a change in the terms of the agreement significantly changes the cash

flows that would have otherwise been expected, or if a financial asset is reclassified to a category other than fair value through profit or loss.

- ***Loans and receivables***

Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less impairment losses. The amortised cost is calculated to reflect any discounts, premiums associated with the purchase, fees or costs that are an integral part of the effective interest rate. The effective interest rate is recognised as financial income in the income statement. Impairment losses are recognised as financial expenses in the income statement. This category normally includes trade and other receivables.

- ***Held-to-maturity investments***

Financial assets that are not derivatives and have payments at a fixed or determinable maturity date are classified as “held-to-maturity investments” if the Company has the intention and the capacity to retain them in the portfolio until maturity. After initial recognition, held-to-maturity financial investments are measured at amortised cost using the effective interest method, less impairment losses. The amortised cost is calculated to reflect any discounts, premiums associated with the purchase, fees or costs that are an integral part of the effective interest rate. The effective interest rate is recognised as financial income in the income statement. Impairment losses are recognised as financial expenses in the income statement.

- ***Available-for-sale financial assets***

Available-for-sale financial assets include shares and debt securities. Shares classified as available for sale are those that are not classified as held for trading or designated at fair value through profit or loss. Debt securities are included in this category if they are held for an indefinite period or if they may be sold to meet liquidity needs or due to changing market conditions. Equity investments in companies other than subsidiaries and associates are also included in this category.

After initial recognition, available-for-sale financial assets are measured at fair value (if this can be reliably determined) and their unrealised gains and losses are recognised as items of other comprehensive income in the reserve for available-for-sale assets, until the investment is derecognised – at which time the cumulative gain or loss is recognised as other operating income or expenses – or until there is an impairment loss, when the cumulative loss is deducted from the reserve and reclassified to the income statement as financial expenses. Interest received during the period in which available-for-sale financial assets are held is recognised as financial income using the effective interest method. The Company evaluates whether it still has the capacity and the intent to sell its available-for-sale financial assets in the short-term. If, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, it may choose to reclassify them if the management has the capacity and the intention to keep the assets for the foreseeable future or until maturity.

For financial assets reclassified from the available-for-sale category, the gain or loss recognised previously is amortised in the income statement on the basis of the remaining life of the investment, using the effective interest rate. The difference between the new amortised cost and the expected cash flows is amortised on the basis of the remaining useful life of the asset using the effective interest rate. If an impairment loss is subsequently recognised on the asset, the amount accounted for in shareholders' equity is reclassified to the income statement.



- ***Derecognition***

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is derecognised (i.e. removed from the statement of financial position) when:

- the rights to receive cash flows from the asset have expired;
- the Company has transferred to a third party the right to receive cash flows from the asset or assumed the contractual obligation to pay them in full and without delay and (a) has substantially transferred all risks and benefits of ownership of the financial asset, or (b) has not substantially retained or transferred all risks and benefits of the asset, but it has transferred control over it.

When the Company has transferred the rights to receive cash flows from an asset or has entered into an agreement based on which it retains the contractual rights to receive cash flows from the financial asset but also assumes a contractual obligation to pay the cash flows to one or more recipients (a pass-through), the Group evaluates whether and to what extent it has retained the risks and benefits inherent in ownership. If the Company has neither substantially retained nor transferred all risks and benefits, or it has not lost control over it, the asset continues to be recognised in the Company's financial statements to the extent of the Company's continuing involvement in the asset. In this case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured so as to reflect the rights and obligations that continue to be held by the Company.

- ***Impairment losses on financial assets***

At each reporting date, the Company verifies whether a financial asset, or a group of financial assets, has been subject to impairment. Impairment exists only when, subsequent to initial recognition, one or more events take place ("a loss event") that have an impact, which can be reliably estimated, on the estimated future cash flows of the financial asset or group of financial assets. Evidence of impairment may include indications that a debtor or a group of debtors are having financial difficulty, are unable to meet their obligations, are unable to pay or late in paying interest or making significant payments, or are likely to be subject to bankruptcy proceedings or other forms of financial restructuring, and observable data that indicate a measurable decrease in estimated future cash flows, such as changes in context or in economic conditions associated with a financial crisis.

For financial assets accounted for at amortised cost, the Company first evaluates whether there is any impairment of each individually significant financial asset. This assessment is carried out collectively for financial assets that are not individually significant. If there is no evidence of impairment in the individually assessed financial asset, regardless of whether it is significant, the asset is included in a group of financial assets with similar credit risk and tested on a collective basis in order to identify any impairment. Assets considered individually when testing for impairment and for which impairment is recognised or remains are not included in the impairment test carried out on a collective basis.

The amount of any impairment loss identified is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding credit losses expected in the future that have not yet taken place). The present value of cash flows is discounted at the original effective interest rate of the financial asset.

The carrying amount of the asset is reduced by accounting for an impairment provision, and the loss is recognised in the income statement. Interest income (recognised as financial income in the income statement) continues to be estimated on the reduced carrying amount and is calculated by applying the interest rate used to discount the future cash flows in order to measure the impairment loss. The loans and relative impairment provisions are written off when there is no reasonable expectation of future recovery and the guarantees have been executed or transferred to the Company. If, in a subsequent year, the amount of the estimated impairment increases or decreases due to an event that takes place after the impairment loss is recognised, this is reflected by adjusting the provision. If a written-off asset is subsequently recovered, the reversal of the impairment loss is recognised in the income statement as a reduction to financial expenses.

The Company evaluates whether there is objective evidence of impairment of an available-for-sale financial asset or a group of available-for-sale financial assets at each reporting date.

For equity instruments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the instrument below its cost. The term 'significant' is assessed with respect to the original cost of the instrument and the term 'prolonged' with respect to the period for which the fair value remains below the original cost. If there is evidence of impairment, the cumulative loss – measured as the difference between the purchase cost and the current fair value, less impairment losses on the financial asset recognised previously in the income statement – is reversed from items of other comprehensive income and recognised in the income statement.

The reversal of impairment losses on equity instruments is not recognised in the income statement. Increases in their fair value subsequent to the impairment are recognised directly in the statement of comprehensive income.

Impairment on debt instruments classified as available for sale is determined using the same criteria as those used for financial assets at amortised cost. However, the amount of the impairment is given by the cumulative loss, i.e. the difference between the amortised cost and the current fair value, less any impairment losses on the investment recognised previously in the income statement.

Future interest income continues to be estimated on the basis of the reduced carrying amount of the asset and is estimated using the interest rate applied to discount future cash flows in order to calculate impairment. Interest income is recognised as financial income. If the fair value of the debt instrument increases in a subsequent year and this increase can be correlated objectively with an event that took place after the impairment was recognised in the income statement, the impairment is adjusted, again in the income statement.

## Inventories

Any inventories are recognised at purchase or production cost or at the net realisable value represented by the amount that the Company expects to receive from their sale in the ordinary course of business, whichever is lower. The cost of inventories is calculated as the specific cost for clearly identifiable goods for resale or, for fungible goods, using the FIFO method.

## Cash and cash equivalents

Cash and cash equivalents include cash, bank current accounts, deposits repayable on demand and other short-term and highly liquid financial investments that are readily convertible into cash, or that can be converted into cash within 90 days of the original date of acquisition, and carry an insignificant risk of a change in value.

## Financial liabilities

- ***Initial recognition and measurement***

Financial liabilities are classified when initially recognised as financial liabilities at fair value through profit or loss, loans and borrowings or derivatives designated as hedging instruments.

All financial liabilities are initially measured at fair value, to which are added, in the case of loans, borrowings and payables, the transaction costs directly attributable to them.

The Company's financial liabilities include trade and other payables, loans and borrowings, including current account overdrafts, guarantees granted and derivatives.

- ***Subsequent measurement***

Measurement of financial liabilities depends on their classification, as described below:

- ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include liabilities held for trading and financial liabilities initially recognised at fair value through profit or loss.

Liabilities held for trading are all those sustained for the purpose of their resale in the short-term. This category also includes the derivative financial instruments entered into by the Company which are not designated as hedging instruments in a hedging relationship as defined by IAS 39. Derivatives are classified as financial instruments held for trading unless they are designated as true hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement for the year. Financial liabilities are designated at fair value through profit or loss as of the date of initial entry, only if the criteria of IAS 39 are satisfied.

- ***Liabilities for loans***

After initial recognition, liabilities for loans are measured at amortised cost, using the effective interest rate method. Gains and losses are booked through profit or loss when the liability is extinguished, as well as through the amortisation process.

The amortised cost is calculated by measuring the acquisition discount or premium and fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is included among financial expenses in the income statement.

- **Financial guarantees**

Financial guarantees issued by the Company are contracts that stipulate a payment to reimburse the holder of a debt security for a loss it suffered as a result of the debtor's failure to pay by the contractual due date. Financial guarantee contracts are initially recognised as a liability at fair value, plus transaction costs directly attributable to the issuance of the guarantee. The liability is subsequently measured as either the best estimate of the disbursement required to meet the guaranteed obligation at the reporting date, or the amount initially recorded, net of cumulative amortisation, whichever is the greater.

- **Derecognition**

A financial liability is derecognised when the underlying obligation is extinguished, cancelled or honoured. If an existing financial liability is replaced by another with the same lender, under materially different conditions, or the conditions of an existing liability are materially changed, this replacement or change is accounted for by derecognising the initial liability and recognising a new liability, with any differences in carrying value entered in the income statement.

- **Offsetting of financial instruments**

A financial liability and asset may be offset and the net amount presented in the statement of financial position when there is a present legal right to offset the recognised amounts and there is an intention either to settle the residual net amount, or to realise the assets and extinguish the liabilities simultaneously.

## Trade and other payables

Trade and other payables are initially recognised at fair value, net of directly attributable accessory costs. They are subsequently measured at amortised cost, applying the effective interest method. If there is a change, which can be estimated, in expected cash flows, the value of the liabilities is recalculated to reflect that change on the basis of the present value of the new expected cash flows and the internal rate of return determined initially.

## Employee benefits

The employee benefits disbursed at the time of or subsequent to termination of the employment relationship mainly consist of the employee severance pay governed by Italian law in Article 2120 of the Italian Civil Code. The employee severance pay is a defined-benefit plan, i.e. a formalised plan of benefits subsequent to the termination of the employment relationship which constitutes a future obligation and for which the Company bears actuarial and investment risk. As required by IAS 19R, the Company uses the Projected Unit Credit method to determine the present value of the obligations and the related current cost of services; this calculation method requires the use of objective actuarial and accounting assumptions regarding demographic variables (mortality rate, personnel turnover rate) and financial variables (discount rate, future increases in wage levels). Actuarial gains and losses are immediately and fully recognised in the statement of comprehensive income, pursuant to IAS 19R.

For companies with more than 50 employees, the severance pay accrued following the entry into force of the pension reform (1 January 2007) is allocated to pension funds or to the treasury fund established at INPS (Italian Social Security Institution). For companies with fewer than 50 employees, the severance pay may remain with the company as was the case in previous years or be contributed to pension funds. The portion of accruing employee severance pay contributed to pension funds or to INPS must be classified as a defined-contribution plan since the Company's obligation consists exclusively of making contributions to the pension fund or to INPS. The liability for prior employee severance pay continues to be classified as a defined-benefit plan to be measured using actuarial assumptions.

From an accounting perspective, the actuarial valuation results in recognising the interest cost, i.e. the figurative cost that the Company would incur if it applied for a loan in the market for an amount equal to the severance pay, in the income statement under "Financial income/expenses", and the current service cost, i.e. the amount of benefits accrued during the year by employees who have not transferred benefits accrued after 1 January 2007 to supplementary pension plans, under "Employee costs". Actuarial gains and losses, which reflect changes in the actuarial assumptions, are recognised directly in shareholders' equity without ever being transferred to the income statement, and are included in the statement of comprehensive income.

## **Provisions for risks and charges**

Provisions for risks and charges are recognised as necessary for losses and charges of a particular nature that are certain or likely to exist, the amount and/or timing of which cannot, however, be determined. The provisions are recognised only when there is a current obligation (legal or constructive) for a future outflow of economic resources as a result of past events, and it is likely that such outflow will be required to fulfil the obligation. This amount is the best estimate of the cost of settling the obligation. The rate used to calculate the present value of the liability reflects current market values and takes into consideration the specific risk associated with each liability.

Where the effect of the time value of money is material and the obligation payment dates can be reliably estimated, the provisions are measured at the present value of the expected outflow using a rate which reflects market conditions, changes in the cost of money over time and the specific risk linked to the obligation. The increase in the value of the provision due to changes in the cost of money over time is accounted for as a financial expense.

No provisions are recognised for risks that will only possibly result in a liability. Instead, these risks are identified in the dedicated section on contingent liabilities.

## **Non-current assets held for sale or distribution to shareholders of the parent company and discontinued operations**

The Company classifies non-current assets and disposal groups as held for sale or for distribution to shareholders of the parent company if their carrying amount will be recovered principally through sale or distribution rather than through continuing use. These non-current assets and disposal groups classified as held for sale or for distribution to shareholders are measured at the carrying amount or the fair value net of disposal or distribution costs, whichever is lower. Distribution costs are additional costs directly attributable to the distribution, excluding financial expenses and taxes.

Assets or sale groups may be classified as held for sale only when such sale is highly likely and the asset or sale group is available for immediate distribution in its present condition. The actions required to complete the sale should indicate that it is

unlikely that significant changes to the sale will be made or that the sale will be withdrawn. The management must be committed to the sale, which should be expected to be completed within one year from the date of classification. Similar rules also apply for assets and disposal groups held for sale.

The depreciation of plant and equipment and the amortisation of intangible assets cease when they are classified as available for sale or for distribution to shareholders.

Assets and liabilities classified as held for sale or for distribution to shareholders are presented separately under current assets and liabilities.

A disposal group is classified as discontinued operations if it is:

- a component of the Company that is a CGU or a group of CGUs;
- classified for sale or for distribution to shareholders or was already disposed of as such;
- a separate major business unit or geographical area of operations.

Assets held for sale are excluded from profit (loss) from continuing operations and are presented in the income statement on a single line as "Net profit (loss) from assets held for sale".

## Share-based payment

The company pays additional benefits to several directors, senior managers, clerical workers, consultants and employees of the company and of subsidiaries through capital participation schemes (stock option plans). According to IFRS2 - Share-based payment - they are considered as equity settlements; therefore the total amount of the current value of the stock options at the grant date is recorded in the income statement at cost when the beneficiaries are employees of the company. The fair value of the options conferred to employees of the subsidiaries is recognised as an increase of participation and, as a counter-entry, a reserve in shareholders' equity is posted. Changes in the current value after the grant date do not have an effect on the initial valuation. The cost of compensations, corresponding to the current value of the options at the grant date, is recorded under personnel costs on a straight-line basis for the period between the grant date and the maturity date, with the matching entry recorded under shareholders' equity.

## Recognition of revenue

- **Sale of goods**

Revenue from the sale of goods is measured at the fair value of the consideration received or due, taking account of the value of any returns, allowances, trade discounts and quantity-related premiums. Revenue is recognised when the significant risks and benefits associated with ownership of the assets are transferred to the acquirer, when the consideration is likely to be recovered, the relative costs or any refunding of goods may be reliably estimated, and if management ceases to exercise the ongoing level of activity usually associated with the ownership of the good sold. The transfer of risks and benefits usually coincides with delivery to the customer, which corresponds to the time of consignment of the goods to the carrier.

- **Provision of services**

Revenue relating to the provision of services is recognised according to the stage of effective completion of the service at the reporting date, and is shown net of discounts and allowances. Specifically, the provision of advertising services is recognised based on outlay.

## Recognition of costs

Costs are recognised on the basis of the accrual principle and hence when the good or service is acquired.

## Tax

Current taxes and the tax benefit for the year are valued at the amount expected to be paid to the tax authorities or recovered. The tax rates and regulations used to calculate the amount are issued, or substantively enacted, as at the reporting date in the countries where the Company operates and generates its taxable income. Current taxes relating to elements directly recognised in shareholders' equity are also recognised in shareholders' equity and not in the income statement for the year. Management periodically reviews the tax return position if tax regulations are subject to interpretation, and makes provisions when appropriate.

Deferred taxes are calculated by applying the "liability method" to the temporary differences at the reporting date between the tax values of assets and liabilities and the corresponding carrying amounts.

Deferred tax liabilities are recognised on all taxable temporary differences, with the following exceptions:

- the deferred tax liabilities arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, does not influence either the accounting profit (loss) or the taxable profit (loss);
- the reversal of taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures can be verified, and it is likely that this will not occur in the foreseeable future;
- deferred tax assets are recognised in relation to all deductible temporary differences, receivables and tax losses not used and which can be carried forward, to the extent that it is likely that sufficient future taxable amounts will be available to allow the use of deductible temporary differences and receivables and tax losses carried forward, except in cases where:
- the deferred tax asset related to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, does not influence either the accounting profit (loss) or the taxable profit (loss);
- in the case of deductible temporary differences associated with equity investments in subsidiaries, associates and joint ventures, the deferred tax assets are recognised only to the extent that it is likely that they will be reversed in

the foreseeable future and that there will be sufficient future taxable amounts to allow the recovery of said temporary differences.

The portion of prepaid taxes, including those relating to previous tax losses, which is not offset by deferred taxes is recognised to the extent to which it is likely that future taxable income will be available against which such assets can be recovered, as inferred from the Group business plans and strategic guidelines. Deferred and prepaid taxes are measured using the tax rates expected to be applicable in the years in which the differences will be realised or extinguished, on the basis of the tax rates that have been enacted or substantively enacted at the reporting date.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced if it is no longer probable that sufficient taxable amounts will be available in future to enable the receivable to be used in whole or in part. The deferred tax assets not recognised are reviewed at each reporting date and recognised if it becomes likely that taxable income will be sufficient to allow for their recovery.

Current, deferred and prepaid taxes are recognised in the income statement, except for those relating to items directly charged or credited to shareholders' equity, in which case the tax effect is recognised directly in shareholders' equity. Taxes are offset only when they are levied by the same taxing authority and there is a legal right to settle on a net basis.

## Significant accounting estimates and judgements

To prepare the financial statements in accordance with IFRS, the directors must apply accounting principles and methodologies which, in certain circumstances, rely on judgements and estimates based on past experience and assumptions that are deemed reasonable and realistic on a case-by-case basis in the light of the circumstances. Such estimates and assumptions impact the amounts recognised and the disclosures provided in the financial statements. The actual amounts of the items based on those estimates and assumptions may differ from those reported in the financial statements, which reflect the occurrence of the event subject to estimation, due to the uncertainty of the assumptions and conditions on which the estimates are based.

A brief list is provided below of the Company's items that require greater subjectivity on the part of the directors when preparing estimates, and for which a change in the conditions underlying the assumptions used could have a significant impact on the Company's financial results.

- ***Provision for bad debts***

The provision for bad debts reflects the directors' best estimate of losses on the portfolio of trade receivables. This estimate is based on losses expected by the Company, determined in the light of past experience for similar receivables, current and historical past-due receivables, close monitoring of credit quality and projections regarding economic and market conditions.

- ***Prepaid taxes***

Prepaid taxes are accounted for based on the expectation that there will be sufficient taxable amounts in the future to recover them. The measurement of expected taxable amounts in order to account for prepaid taxes depends on factors that could change over time and significantly impact the recoverability of the prepaid taxes.



- **Provisions for risks and charges**

Provisions representing the risk of a negative outcome for the Company are recognised for legal and tax risks. The amount of the provisions recognised for those risks is the directors' best estimate at the reporting date. This estimate requires reliance on assumptions that depend on factors that could change over time and therefore could significantly impact the directors' current estimates used in preparing the Company's financial statements.

## CHANGES IN ACCOUNTING PRINCIPLES, NEW ACCOUNTING PRINCIPLES, CHANGES IN ESTIMATES AND RECLASSIFICATIONS

The table below shows the new accounting principles and amendments which came into force on 1 January 2017 and were adopted by the Company.

The nature and impact of each new accounting principle and amendment are described below. Although these new principles and amendments have been applied for the first time in 2016, they have not had any material impact on the financial statements of the Company.

### IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments require an entity to provide supplemental information on changes in liabilities relating to lending activities including both changes tied to cash flows and non-monetary changes. At the time of initial application of this amendment, the entity is not required to present comparative information relating to previous years.

### Amendments to IAS 12 - Income taxes

The amendments clarify that an entity must consider whether tax regulations limit sources of taxable income against which it could apply deductions related to the transfer of deductible temporary differences. In addition, the amendment provides guidelines on how an entity should determine future taxable income and explains the circumstances in which taxable income could include the recovery of certain assets in an amount greater than their carrying amount. Entities must apply these amendments retroactively. However, at the time of initial application of the amendments, the change in the beginning balance of shareholders' equity for the first comparison period could be recognised under the beginning balance of retained earnings (or in another shareholders' equity item as applicable) without allocating the change to the beginning balance of retained earnings and other shareholders' equity items. Entities applying this option must provide disclosure thereof. These amendments had no impact on the company's financial statements.

### 2014-2016 annual improvement cycle

#### IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

The short-term exemption specified in paragraphs E3-E7 of IFRS1 were cancelled since they fulfilled their purpose. The amendment enters into force on 1 January 2018. This amendment is not applicable to the Company.

## IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The modifications clarify that:

- An entity that is a venture capital organisation or other qualified entity could decide, at the time of initial recognition and with regard to the individual investment, to measure its investments in associates and joint ventures at fair value recognised in the income statement.
- If an entity that is not qualified as an investment entity has an investment in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, decide to maintain the fair value measurement applied by that investment entity (whether it is an associate or joint venture) when measuring its (those of the associate or joint venture) investments. This choice shall be made separately for each associate or joint venture that is an investment entity on the latest (in terms of occurrence) of the following dates: (a) initial recognition of the investment in the associate or joint venture that is an investment entity; (b) the date on which the associate or joint venture becomes an investment entity; and (c) the date on which the associate or joint venture that is an investment entity becomes a parent company for the first time.

The amendments should be applied retroactively starting 1 January 2018; early application is allowed. The company will not be applying this change early. Annual cycle of improvements - 2014 - 2016 (not applicable due to the lack of EU endorsement).

Relative to 31 December 2016, in 2017 the IASB issued the following interpretation that will enter into force after 31 December 2017:

## Standards, amendments and interpretations issued but not yet in force

The standards and interpretations which had been issued but were not yet effective at the date of preparation of the separate financial statements, are described below. The Company intends to adopt these standards once they become effective.

### IFRS 9 Financial Instruments

In July 2014, IASB issued the final version of IFRS 9 Financial Instruments, which replaced the IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 combines all three aspects relating to the project for financial instrument accounting: classification and valuation, impairment and hedge accounting. The IFRS 9 is effective for the years starting on 1 January 2018 or later; advanced application is permitted. With the exception of hedge accounting, retroactive application of the standard is required, but it is not obligatory to provide the comparative information. With regard to hedge accounting, the standard generally applies prospectively, with some limited exceptions.

The Company will adopt the new standard as of its effective date. The Company does not expect any significant impact on its balance sheet or net assets.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and introduces a new model in five phases which will apply to revenue from contracts with customers. The IFRS 15 imposes reporting of revenues for an amount, to which the entity considers having the rights to in exchange for transfer of merchandise or services to the client.

The new standard will replace all present requirements of the IFRS regarding the recognition of revenue. The standard is effective for the years starting on 1 January 2018 or later with full retroactive or modified application. Advanced application is allowed.

The Company plans to apply the new standard as of the obligatory effective date, using the method of full retroactive application.

#### IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB has issued amendments to IFRS 2 Share-based Payments covering three main areas: the effects of vesting conditions on the measurement of a share-based payment transaction settled in cash; the classification of a share-based payment transaction settled net of withholding tax obligations; the accounting where a change to the terms and conditions of a share-based payment transaction changes its classification from a cash-settled to an equity-settled transaction.

At the time of adoption, the entities must apply the amendments without restating previous periods, but retrospective application is permitted if all three amendments are chosen and the other criteria are also respected. These amendments are effective for the financial years starting on after 1 January 2018, and early application is permitted. The Company is assessing the effects of these amendments on its own financial statements.

#### IFRS 16 – Leases

The standard stipulates that, unlike how it was in the past, the leases must be represented in assets and liabilities of companies, increasing the visibility of their assets and liabilities,

The IFRS 16 abolishes the distinction between operative leases and financial leases (for the lessee), treating all such agreements as financial leases.

Short-term agreements (up to 12 months) and those involving goods of low value are exempted from this treatment.

The new standard will be effective from 1 January 2019. Advance application is permitted as long as the recent standard IFRS 15 - Revenue from Contracts with Customers is also applied.

The company has initiated an analysis of the potential impact of applying this standard and has estimated the recognition of long-term usage rights at 1 January 2019 at about €2.5 million.

## IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a completely new standard related to insurance contracts that covers recognition and measurement and presentation and disclosures. When IFRS 17 goes into effect, it will replace IFRS 4 Insurance Contracts, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g. life insurance, non-life, direct insurance and re-insurance) regardless of the type of entity that issues them, and also to certain guarantees and financial instruments with characteristics of a discretionary equity investment.

IFRS 17 will be in force for years beginning on or after 1 January 2021, and will require the presentation of comparison balances. This standard does not apply to the Company.

## Transfers of Investment Property — Amendments to IAS 40

The amendments clarify when an entity should transfer property, including properties under construction or development, within or outside the “investment property” category. The amendment states that a change in use applies when the property satisfies, or ceases to satisfy, the definition of investment property and there is evidence of the change in use. A simple change in management intentions related to the property’s use does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning date of the annual period in which the entity applies the amendments for the first time. An entity should reassess the classification of properties held on that date, and if applicable, reclassify them to reflect the existing conditions on that date. Retrospective application in accordance with IAS 8 is permitted only if it is possible without the use of hindsight. These amendments apply to annual periods beginning on or after 1 January 2018. Early application is permitted and must be disclosed. The company expects no impact on its consolidated financial statements.

## Amendments to IFRS 9 – “Prepayment Features with Negative Compensation”

In December 2017, the IASB published an amendment to IFRS 9 allowing companies to measure specific prepayable financial assets with so-called negative compensation at amortised cost or fair value through “other comprehensive income” if a specific condition is met, instead of at fair value in the income statement. The standard goes into effect on 1 January 2019. The Group is currently assessing the impact of adopting the interpretation on the Group's consolidated financial statements.

## Amendments to IAS 28 – “Long-term interests in associates and joint ventures”

In October 2017, the IASB issued amendments to IAS 28 clarifying how entities should use IFRS 9 to present long-term interests in associates or joint ventures for which the equity method is not applied. The standard goes into effect on 1 January 2019. The Group is currently assessing the impact of adopting the amendments on the Group's consolidated financial statements.

## 2015-2017 annual improvement cycle

On 12 December 2017, the IASB published several amendments to: IAS 12 (Income Taxes) that clarify that the income-tax-related impact from dividends (i.e. the distribution of profits) should be recognised in the income statement regardless of how the tax arises; IAS 23 (Borrowing Costs) that clarify that a company treats, as a part of overall debt, any debt originally created

for the development of an asset when the asset is ready for its projected use or for sale; IFRS 3 (Business Combinations) that clarify how a company must re-measure an equity investment previously held in a joint venture once control over the business is acquired; and IFRS 11 (Joint Arrangements), based on which a company shall not re-measure an equity investment previously held in a joint venture when it acquires joint control of the asset. The amendments go into effect on 1 January 2019. However, they may also be applied in advance. The Group is currently assessing the impact of adopting the amendments on the Group's consolidated financial statements.

#### **Amendments to IAS 19- "Plan Amendment, Curtailment or Settlement"**

In February 2018, the IASB issued amendments to IAS 19 that specify how companies must determine pension expenses when changes are made to a specific pension plan. IAS 19 (Employee Benefits) specifies how a company accounts for a defined benefit pension plan. When a modification (an adjustment, reduction or regulation) is made to a plan, IAS 19 requires a company to re-measure the net defined benefit asset or liability. The amendments require a company to use assumptions updated by this recalculation to determine the cost of the current service and net interest for the rest of the reference period after the plan is modified. The amendments go into effect on 1 January 2019. The Group is currently assessing the impact of adopting the amendments on the Group's consolidated financial statements.

#### **IFRIC 22 - Foreign Currency Transactions and Advance Consideration**

On 8 December 2016, the IASB published this interpretation which indicates the foreign exchange rate to be used in foreign currency transactions when payment is made or received in advance.

#### **IFRIC 23 – Uncertainty over Income Tax Treatment.**

On 7 June 2017, the IASB published this interpretation that clarifies the application of the recognition and measurement requirements of IAS 12 in the event of uncertainty over tax treatment for the purposes of income taxes. This interpretation will apply to years beginning on or after 1 January 2019

## **Information by operating segment**

IFRS 8 defines an operating segment as a component:

- that engages in business activities which generate revenue and costs;
- for which operating results are reviewed regularly by the chief operating decision maker;
- for which distinct financial information is available.

IFRS 8 does not apply to the separate financial statements of ePRICE S.p.A.

## NOTES TO THE KEY ITEMS OF THE STATEMENT OF FINANCIAL POSITION

### 1. Plant and equipment

The following table provides a breakdown of the historical cost, accumulated depreciation and net carrying amount of plant and equipment:

<i>(In thousands of Euros)</i>	At 31 December 2017			At 31 December 2016		
	Hist. cost	Acc. amort.	Net value	Hist. cost	Acc. amort.	Net value
Plant and equipment	13	(13)	0	42	(34)	8
Fixtures and furnishings	553	(418)	135	585	(423)	162
Electronic machinery	281	(198)	83	252	(131)	121
Electronic machinery under leasing	202	(59)	143	202	(19)	183
Other assets	788	(239)	549	754	(119)	635
<b>Total plant and equipment</b>	<b>1.837</b>	<b>(927)</b>	<b>910</b>	<b>1.835</b>	<b>(726)</b>	<b>1.109</b>

Note that as at 31 December 2017, no owned operating assets were encumbered by any type of guarantee issued to third parties, and that during the year, no indications emerged of any potential impairment of plant and equipment.

The following table shows changes in plant and equipment:

<i>(In thousands of Euros)</i>	At 31 December 2016	Increases due to purchases	Decreases	Amort.	At 31 December 2017
Plant and equipment	8	-	(4)	(4)	-
Fixtures and furnishings	162	26	(10)	(43)	135
Electronic machinery	121	9	-	(47)	83
Electronic machinery under leasing	183	-	-	(40)	143
Other assets	635	36	-	(123)	549
<b>Total tangible assets</b>	<b>1,109</b>	<b>71</b>	<b>(14)</b>	<b>(257)</b>	<b>910</b>

Investments for the year specifically related to several improvements to the Group's registered office and its furniture and furnishings.

## 2. Intangible assets

The following table provides a breakdown of intangible assets including the historical cost, accumulated amortisation and net carrying amount of the fixed asset items:

<i>(In thousands of Euros)</i>	At 31 December 2017			At 31 December 2016		
	Hist. cost	Acc. amort.	Net value	Hist. cost	Acc. amort.	Net value
Software, patents, concessions and licences	5,063	(1,417)	3,646	859	(636)	223
Fixed assets under development	85		85	2,381		2,381
<b>Total intangible assets</b>	<b>5,148</b>	<b>(1,417)</b>	<b>3,731</b>	<b>3,240</b>	<b>(636)</b>	<b>2,604</b>

The following table shows changes in intangible fixed assets during the year:

<i>(In thousands of Euros)</i>	At 31 December 2016	Increases due to purchases	Reclassifications	Amort.	At 31 December 2017
Software, patents, concessions and licences	223	2,209	2,296	(1,082)	3,646
Fixed assets under development	2,381		(2,296)		85
<b>Total intangible assets</b>	<b>2,604</b>	<b>2,209</b>	<b>-</b>	<b>(1,082)</b>	<b>3,731</b>

Total investments during the year amounted to €2,209 thousand and related mainly to the implementation of the new Group ERP, which was commissioned at the start of 2017.

## 3. Investments

Equity investments amounted to €45,990 thousand, with an increase of 13,673 thousand from the previous year. The subsidiary Banzai Commerce was merged into its subsidiary Eprice S.r.l., which at the same time, changed its name to Eprice Operations

S.r.l. During the year, the equity investment increased by €15,000 thousand due to the partial waiver of shareholder loans, and due to the recording of stock options granted to its employees in the amount of €50 thousand.

Equity investments in associates were written down following losses incurred in the current and previous year that were deemed to be permanent.

The following table shows changes in shareholdings during the year:

<i>Name</i>	<i>31 December 2016</i>	<i>Increases</i>	<i>Write-downs</i>	<i>Merger</i>	<i>31 December 2017</i>
<i>Banzai Commerce S.r.l.</i>	30,902	-	-	(30,902)	-
<i>Eprice Operations S.r.l.</i>	-	15,050	-	30,902	45,952
<b>Total subsidiaries</b>	<b>30,902</b>	<b>15,050</b>	-	-	<b>45,952</b>
<i>Il Post S.r.l.</i>	1,412	-	1,374	-	38
<i>Giornalettismo S.r.l.</i>	3	-	3	-	-
<b>Total associates</b>	<b>1,415</b>	-	<b>1,377</b>	-	<b>38</b>
<b>Total</b>	<b>32,317</b>	<b>15,050</b>	<b>1,377</b>	-	<b>45,990</b>

As at 31 December 2017, in the same way as at 31 December 2016, the equity investment in Eprice Operations S.r.l. was tested for impairment by comparing the recoverable amount with the net carrying amount of the related assets. The recoverable amount is the greater of the fair value of the asset, net of disposal costs, and its value in use, and is calculated as the present value of the future cash flows that are expected to be associated with the Eprice Operations CGU, discounted at a rate that reflects the specific risks of the CGU at the valuation date.

#### Key assumptions used to calculate value in use and sensitivity to changes in the assumptions

The key assumptions used by management are the estimate of future growth in sales, cash flows from operations, terminal value growth rates and the discount rate (weighted average cost of capital - WACC). The determination of the recoverable amount of the equity investment is based on the estimate of the value in use obtained as the present value of prospective cash flows obtained from the guidelines to the 2018-2023 strategic plan. The impairment test was approved by the Board of Directors on 08 March 2018.

The discount rates (WACC), defined as the weighted average cost of capital net of taxes, applied to expected cash flows are reported in the table below:

<i>Cash Generating Unit</i>	<i>At 31 December 2017</i>	<i>At 31 December 2016</i>
<i>e-Commerce</i>	10.27%	8.23%

The growth rate (g) used to define the cash flows of the CGUs as at 31 December 2017 was 1.40%.

The results of the impairment test show that, as at 31 December 2017, the recoverable amount of the CGU exceeds the carrying amount.



The Group's directors therefore believed that conditions had been met to confirm the value of the equity investment in Eprice Operations because the value in use is significantly higher than the carrying amount.

The following are the main data relating to equity investments in subsidiaries as at 31 December 2017:

Name	Registered offices	Share capital	Net Equity	Profit (loss) Stake	Stake	Carrying value
Eprice Operations S.r.l.	Milan	2,500	8,773	(18,049)	100.00%	45,952

## 4. Non-current financial assets

The breakdown of other non-current financial assets is as follows:

Non-current financial assets	At 31 December 2017	At 31 December 2016	Change
Financial receivables	34,453	24,153	10,300
Investments in other companies	1,005	1,005	-
<b>Total non-current assets</b>	<b>35,458</b>	<b>25,158</b>	<b>10,300</b>

The Group structure provides that the parent company carry out activities of coordination and of obtaining the financial resources necessary to support the eventual investments and operation of the subsidiaries. Consequently, over the years it has disbursed the financing needed by the Group companies. The change for the year was due to disbursements, less net waivers of €10,300 thousand in favour of the subsidiary Eprice Operations S.r.l. The valuation of the existing loans has been done in conjunction with the impairment test carried out on the equity investments.

The balance of €1,005 thousand of equity investments in other companies as at 31 December 2017 was unchanged compared with the previous year, and breaks down as follows:

(In thousands of Euros)	At 31 December 2017	At 31 December 2016
Interactive Thinking S.r.l.	1,005	1,005
Quadrante S.r.l. in liquidation	-	-
<b>Total equity investments in other companies</b>	<b>1,005</b>	<b>1,005</b>

Equity investments in other companies have been measured at cost, in accordance with IAS 39, paragraph 46c, in the case of investments in equity instruments that do not have a quoted market price in an active market and for which the fair value cannot be reliably measured.

Based on the available information and the positive results posted, management has reached the conclusion that, as at 31 December 2017, there are no indicators of impairment or objective evidence that the Interactive Thinking stake has suffered a loss of value.

Quadrante S.r.l. in liquidation was entirely written down in previous years; it is not considered necessary to record the liabilities in the accounts because ePRICE has no legal obligations nor the intention to provide support for this subsidiary.

## 5. Other non-current assets

Other non-current assets mainly include security deposits for leases and utilities, with the balance of €15 thousand, which is essentially unchanged from the previous year.

## 6. Deferred tax assets

This item includes the balance of prepaid tax assets that arise mainly from losses capable of being carried forward to future years:

<i>(In thousands of Euros)</i>	<i>At 31 December 2017</i>	<i>At 31 December 2016</i>
Deferred tax assets	5,093	6,116
<b>Total deferred tax</b>	<b>5,093</b>	<b>6,116</b>

Deferred tax assets recorded were considered to be recoverable during the period of the 2018-2013 plan approved by the Board of Directors on 08 March 2018.

The Company has fiscally material losses of a further €19 million capable of being carried forward to future years, for which no deferred tax assets have been allocated.

## 7. Trade receivables and other receivables

Trade and other receivables totalled €3,298 thousand, compared with €798 thousand at the end of the previous year, as indicated below:

<i>Sales costs</i>	<i>At 31 December 2017</i>	<i>At 31 December 2016</i>
Receivables from customers	96	199
Trade receivables from subsidiaries	3,271	631
Provision for bad debts	(69)	(32)
<b>Total trade receivables</b>	<b>3,298</b>	<b>798</b>

Trade receivables are mainly held against companies sold during the year in respect of charge-backs relating to equipped spaces and certain services still performed by ePRICE S.p.A. This item also includes receivables from companies of the Interactive Thinking Group, which between 2012 and 2013 acquired the Consulting Business Unit from the ePRICE Group; during the year, Interactive Thinking repaid receivables of €103 thousand, which were mainly allocated to reduce other receivables, as commented in note 8 below. Please note that there are no receivables due in more than five years.

The provision for bad debts was increased during the year in order to take account of the added risk that certain receivables are unrecoverable.

Receivables from the subsidiary Eprice Operations arose due to the charge-back for services performed by ePRICE S.p.A., including on behalf of the subsidiary, and they mainly included the leasing of space and related equipment, support for corporate departments and the charge-back for advertising space used during the year.

The following table shows the amount of receivables broken down by due date range:

Amounts (in € 000s)	At 31 December 2017	At 31 December 2016
To become due	1,635	73
Due for <30 days	-	630
Due for 30-90 days	56	0
Due for 90-180 days	92	0
Due for >180 days	1,584	127
<b>Total</b>	<b>3,367</b>	<b>830</b>

## 8. Other current assets

The breakdown of other current assets is as follows:

Current assets	At 31 December 2017	At 31 December 2016
Tax credits	1,896	1,590
Other receivables	74	126
Accruals and deferrals	1,061	2,336
<b>Total other current assets</b>	<b>3,031</b>	<b>4,052</b>

Tax credits consist mainly of the VAT credit of approximately €1,217 thousand and the increase is related to investments in the new group ERP.

Other receivables dropped significantly due to collections received during the year from Interactive Thinking.

Prepayments and accrued income mainly include the portion of advertising costs for promotional campaigns on Mediaset networks not utilised during 2016 and 2017.

## 9. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

Cash and cash equivalents	At 31 December 2017	At 31 December 2016
Bank and postal deposits	8,418	43,259
Cash	-	1
<b>Total cash and cash equivalents</b>	<b>8,418</b>	<b>43,260</b>

The reduction in cash was due to cash flows absorbed by operating and investment activities as reflected in the cash flow statement.

## 10. Shareholders' equity

Shareholders' Equity decreased during the period from €112,335 thousand to €100,631 thousand mainly due to the overall loss of €7,213 thousand. In addition, there was a decrease in shareholders' equity of €5,252 thousand due to the payment of dividends approved at the shareholders' meeting, and of €675 thousand due to the purchase of treasury shares during the period. Increases for the period were for capital increases totalling €1,045 thousand resulting from the exercise of 22 2014-2018 warrants, and €391 thousand for the stock option reserve to cover the cost connected with employee incentive plans.

The total number of treasury shares held by the company amounted to 1,023,202.

### 10.1 Stock option plans

The extraordinary shareholders' meeting held on 22 December 2014 resolved, subject to the start of trading of the Company's shares on the MTA, on the adoption of a stock option plan for executive directors, contract workers and Group company employees (the "2015 Plan"). The 2015 Plan involves the allocation of up to 2,750,000 options, each of which entitles the holder to subscribe to one newly issued ordinary share. With regard to the 2015 Plan, on 14 May 2015 the Board of Directors of the Company approved the Plan Regulations for 2015 and assigned a maximum of 1,100,000 options conferring the right to subscribe to one newly issued ordinary share for the amount of €6. After verification of the objectives inferable from the approval of the consolidated financial statements as at 31 December 2015 and the sale of the Vertical Content business, all first tranche options were unassigned or lapsed.

On 15 October 2015, the Company's Board of Directors assigned another maximum 1,300,000 options to the Managing Director, conferring the right to subscribe to one newly issued ordinary share for the amount of €5.

The general shareholders' meeting of 14 April 2016 resolved to approve a stock option plan to award up to 1,700,000 warrants, each of which confers the right to subscribe to one newly issued ordinary share of ePRICE S.p.A., referred to as the '2016-2018 Stock Option Plan', and a Stock Grant Plan to award a maximum of 280,000 ordinary shares of ePRICE S.p.A., referred to as the '2016-2018 Stock Grant Plan'. On 9 May 2016, the Company's Board of Directors assigned 363,900 options as the first tranche of the 2016-2018 Stock Option Plan to certain senior managers with key responsibilities at the Company and the subsidiaries, setting the strike price at €3.68, and assigned 75,263 shares as the first tranche of the 2016-2018 Stock Grant Plan to certain employees of the Company and the subsidiaries.

On 10 May 2017, the Company's Board of Directors assigned a further 708,676 options as the second tranche of the 2016-2018 Stock Option Plan to certain senior managers with key responsibilities at the Company and the subsidiaries, setting the strike price at €4.08, and assigned 99,959 stock grants as the second tranche of the 2016-2018 Stock Grant Plan to certain employees of the Company and the subsidiaries. After verifying whether goals were achieved from the approved financial statements as at 31 December 2017, no stock options or stock grants for that tranche were assigned.

The following table shows the number and weighted average prices for the year ('WAPY') of the options during the year:

	2017	2017 WAPY	2016	2016 WAPY
Outstanding at 1 January	1,170,375	4.57	1,590,400	5.18
No. assigned	0	0	363,900	3.68
No. cancelled/not vested	25,500	0	783,925	5.09
No. exercised	0	0	0	
No. lapsed	0	0	0	
No. outstanding	1,144,875	4.67	1,170,375	4.57
No. exercisable	543,559	4.73	0	

## 11. Payables to banks and other lenders

The breakdown of current payables due to banks and other lenders as at 31 December 2017 is as follows:

Current portion	At 31 December 2017	At 31 December 2016
Current portion of loans	2,001	-
Current payables to other lenders	67	67
<b>Payables to banks and other lenders</b>	<b>2,068</b>	<b>67</b>

The current portion of loans includes a loan with UBI Banca.

Non-current portion	At 31 December 2017	At 31 December 2016
Due to banks	501	-
Non-current payables to other lenders	35	96
<b>Payables to banks and other lenders</b>	<b>536</b>	<b>96</b>

Payables to other lenders consist of debts owed to leasing companies for the purchase of equipment for the offices at via San Marco.

Payables due to banks consist of a loan obtained during the year with the following features:

(In thousands of Euros)

							At 31 December 2017		
Lending institution	Loan type	Interest rate	Amount disbursed	Year taken out	Year of expiry	Accounting balance	Within 1 year	From 1 to 5 years	More than 5 years
UBI Banca Commerciale Industria	Unsecured	3-month Euribor + spread	4,000	2017	2019	2,502	2,001	501	-
<b>Total bank loans</b>			<b>4,000</b>			<b>2,502</b>	<b>2,001</b>	<b>501</b>	<b>-</b>

### Liquidity/net financial debt

The breakdown of net financial debt as at 31 December 2017 is reported below, in accordance with the Consob Communication of 28 July 2006 and in compliance with the ESMA/2011/81 Recommendations:

(In thousands of Euros)

	At 31 December 2017	At 31 December 2016
(A) Cash	-	(1)
(B) Other cash and cash equivalents	(8,418)	(43,259)
(C) Stocks held for trading	-	-
<b>(D) Liquidity (A)+(B)+(C)</b>	<b>(8,418)</b>	<b>(43,260)</b>
(E) Current financial receivables	-	-
(F) Current financial payables	-	-
(G) Current portion of non-current debt	2,001	-
(H) Other current financial payables	67	67
<b>(I) Current financial debt (F)+(G)+(H)</b>	<b>2,068</b>	<b>67</b>
<b>(J) Net current financial liquidity/debt (D)+(E)+(I)</b>	<b>(6,350)</b>	<b>(43,193)</b>
(K) Non-current bank payables	501	-
(L) Bonds issued	-	-
(M) Other non-current payables	35	96
<b>(N) Non-current financial debt (K)+(L)+(M)</b>	<b>536</b>	<b>96</b>
<b>(O) Net Financial (Liquidity)/Debt (J)+(N)</b>	<b>(5,814)</b>	<b>(43,097)</b>

## 12. Provisions for personnel

This item includes recognition of severance pay ("TFR") for employees of the Company.

The table below shows changes in employee benefits in the financial years ended 31 December 2017 and 31 December 2016:

<i>(In thousands of Euros)</i>	As at 1 January 2017	Service cost	Interest cost	Advances and settlements	Actuarial gains/losses	At 31 December 2017
Severance pay	267	116	3	(101)	1	286
<b>Total provisions for employee benefits</b>	<b>267</b>	<b>116</b>	<b>3</b>	<b>(101)</b>	<b>1</b>	<b>286</b>

<i>(In thousands of Euros)</i>	At 1 January 2016	Service cost	Interest cost	Advances and settlements	Actuarial gains/losses	At 31 December 2016
Severance pay	214	59	4	(9)	(1)	267
<b>Total provisions for employee benefits</b>	<b>214</b>	<b>59</b>	<b>4</b>	<b>(9)</b>	<b>(1)</b>	<b>267</b>

According to Italian legislation (Article 2120 of the Italian Civil Code), severance pay is seen as a "defined benefit plan" from an accounting perspective.

The following table shows the key assumptions used to determine the present value of employee benefits on retirement (severance pay) according to IAS 19:

	At 31 December 2017	At 31 December 2016
<b>Economic and financial assumptions</b>		
Discount rate	1.30%	1.31%
Inflation rate	1.5%	1.5%
Rate of pay increase	2.8%	2.8%
<b>Demographic assumptions</b>		
Probability of dismissals and redundancies	10%	10%
Probability of early severance pay	1%	1%

## 13. Provisions for risks and charges

This item totalled €360 thousand, which was unchanged from the previous year, and included the allocation relating to contractual guarantee provisions for risks.

## 14. Trade and other payables

The following table shows the breakdown of trade payables:

<i>(In thousands of Euros)</i>	At 31 December 2017	At 31 December 2016
Due to suppliers	1,950	1,331
<b>Total trade payables and other payables</b>	<b>1,950</b>	<b>1,331</b>

Trade payables are recognised at nominal value and relate to purchases of goods and services from Company suppliers. All payables mature within the next year, so there are no payables to be discounted. Trade payables include both payables due to suppliers of finished goods and raw materials and suppliers of services. All payables for significant amounts are denominated in Euros.

The following table breaks down the trade payables by due date:

<i>Amounts (in € 000s)</i>	At 31 December 2017	At 31 December 2016
To become due	1,109	1,025
Due for <30 days	464	257
Due for 30-90 days	214	48
Due for 90-180 days	123	-
Due for >180 days	39	1
<b>Total</b>	<b>1,950</b>	<b>1,331</b>

## 15. Other non-current and current liabilities

Other non-current liabilities stood at €78 thousand, representing directors' severance pay.

The following table shows the breakdown of other current liabilities:

<i>Other current liabilities</i>	At 31 December 2017	At 31 December 2016
Due to employees and directors	162	156
Due to social security bodies	174	143
Tax payables	152	177
Other payables	572	460
<b>Total</b>	<b>1,060</b>	<b>936</b>

Other payables to employees and directors include liabilities for pay and untaken leave.

Tax payables mainly include IRPEF income tax payables for withholdings from employees and professionals.



Other payables amounted to €572 thousand, an increase of €112 thousand compared with the previous year due mainly to payables recognised in order to level the rental cost of the new offices at via San Marco, which involve increasing rents over the term of the agreement.

## **NOTES ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT**

### **16. Revenue**

Revenue in 2017 amounted to €3,026 thousand, compared with the €2,826 thousand generated in 2016.

This consisted almost exclusively of revenue from charge-backs to Group companies or companies that left the Group during the previous year, on market terms and conditions and governed by suitable contracts with variable maturities. The increase over the previous year was mainly due to the charge-back to the subsidiary ePRICE Operations S.r.l. of advertising costs amounting to €1,270 thousand (€850 thousand in the previous year).

In terms of the breakdown of revenue by region, revenue was exclusively generated in Italy.

### **17. Other income**

Other income totalled €291 thousand and was related to the recognition of the contribution for research and development in the form of a tax credit.

### **18. Costs for raw materials and goods for resale**

These amounted to €39 thousand, compared with €45 thousand recorded in 2016; they mainly relate to the acquisition of consumables for the company's offices.

## 19. Costs for services

The breakdown of costs for services is as follows:

Costs for services	2017	2016
Sales and marketing costs	1,367	954
Transport and logistics	11	35
Consulting and contract workers	902	1,276
IT services and technical consulting	685	607
Rentals and leases	1,012	1,034
Bank charges	15	11
Travel expenses	100	144
Utilities	140	136
Directors' remuneration	1,069	1,033
Others	359	634
<b>Total costs for services</b>	<b>5,660</b>	<b>5,864</b>

Costs for services totalled €5,660 thousand compared with €5,864 thousand for the previous year.

The reduction was mainly due to lower costs for consulting services, and overall cost containment, which was partially offset by higher sales and marketing costs, of which €1,270 thousand was re invoiced to the subsidiary ePRICE Operations S.r.l. for advertising carried out during the year on Mediaset television networks.

## 20. Personnel expenses

The breakdown of employee costs is as follows:

<i>In thousands of Euro</i>		
Personnel expenses	2017	2016
Salaries and wages	1,757	1,493
Social security charges	560	463
Severance pay	116	109
Internal capitalisations	(225)	(104)
Stock option	341	394
<b>Total</b>	<b>2,549</b>	<b>2,355</b>

Personnel expenses rose from 2017 due to the staff expansion, especially due to the rise in the number of senior managers at the end of the year; internal capitalisations mainly represented the activities of certain employees in the implementation of the new Group ERP.

The cost for stock options represents the charge posted in the relevant 2017 financial statements for the stock options awarded to employees of the company in accordance with the provisions of IFRS 2.

## Workforce

The following table shows the average and actual number of employees by category for the financial years ended 31 December 2017 and 2016:

	31 December 2017		31 December 2016	
	Average	Actual	Average	Actual
Senior managers	4	5	3	3
Middle managers	10	9	10	10
Clerical workers	5	4	7	7
Manual workers	2	2	2	2
<b>Total</b>		<b>20</b>		<b>22</b>

## 21. Depreciation, amortisation and impairment

The breakdown of depreciation, amortisation and write-downs is as follows:

Depreciation, amortisation and impairment	2017	2016
Amortisation of intangible assets	1,082	175
Amortisation of tangible assets	257	196
Bad debt provision	36	43
<b>Total amortisation and impairments</b>	<b>1,375</b>	<b>414</b>

The increase in the amortisation of intangible assets was mainly due to the amortisation of the new Group ERP, while the depreciation of tangible assets was due to the higher depreciation of improvements to the new registered office, which in the previous year only affected six months.

The bad debt provision relates to the appropriation of €36 thousand to the provision for bad trade debts.

## 22. Other costs

Other costs amounted to €202 thousand (€236 thousand in the previous year).

This item mainly includes indirect taxes, subscriptions, membership dues and donations, related costs and corporate events.

## 23. Financial expenses

The breakdown of the financial expenses item is as follows:

<i>(In thousands of Euros)</i>	For the financial year ended 31 December	
	2017	2016
Bank interest expense	10	80
Financial component of employee benefits	3	4
<b>Total financial expenses</b>	<b>13</b>	<b>84</b>

Bank interest expense includes the finance charges paid during the year; the decline from the previous year mainly stems from the fact that the loans repaid in July 2016 were of a higher amount and had higher rates than loans outstanding in 2017.

## 24. Financial income

The breakdown of financial income for the financial years ended 31 December 2017 and 2016 is as follows:

<i>(In thousands of Euros)</i>	For the financial year ended 31 December	
	2017	2016
Bank interest income	-	24
Other financial income	-	19
<b>Total financial income</b>	<b>-</b>	<b>43</b>

The decrease in bank interest income compared with the previous year is attributable mainly to the closure of restricted interest-bearing deposit accounts and to the continuing decline in interest rates.

Other income included dividends received from Webperformance and interest income on loans made to the subsidiary Banzai Media prior to its sale to the Mondadori Group.

## 25. Minority interest in income of associates

This item amounted to a net expense of €1,377 thousand (zero in 2016) and included the Group share of profit generated during the year by the associate Il Post, the portion of income in which takes into account the write-down of goodwill implicit in the company.

## 26. Income Taxes

This item reflected an expense for the year of €1,023 thousand representing the partial reversal of deferred tax assets posted in previous years so that total deferred tax assets recorded in the financial statements would represent the tax benefit that can be recovered during the 2018-2023 plan period.

## 27. Profit (loss) from discontinued operations

The profit (loss) from discontinued operations relates mainly to the earn-out applicable to 2017 related to the sale of the Vertical Content segment following the sale of the entire equity investment held in Banzai Media Holding to Arnoldo Mondadori Editore S.p.A. as indicated below:

<i>(In thousands of Euros)</i>	31 December 2017	31 December 2016
Gross capital gain/earn-out	723	12,641
Transaction costs	(38)	(923)
<b>Profit (loss) from discontinued operations</b>	<b>685</b>	<b>11,718</b>

## Primary and secondary reporting formats

ePRICE S.p.A. mainly acts as a holding company, and for this reason IFRS 8 does not apply to it.

### Other information

### Related-party transactions

The following tables show the details of related party transactions as at 31 December 2017.

<i>In thousands of Euro</i>	<i>As at 31 December 2017</i>					
	Trade receivables	Equity investments	Non-current financial assets	Cash and cash equivalents	Other payables	Revenue
Banca Profilo S.p.A.				421		
ePRICE Operations	3,271	45,952	34,418		245	2,293
Il Post S.r.l.		38	35			
<b>Total</b>	<b>3,271</b>	<b>45,990</b>	<b>34,453</b>	<b>421</b>	<b>245</b>	<b>2,293</b>
<b>Total balance sheet item</b>	<b>3,298</b>	<b>45,990</b>	<b>35,458</b>	<b>8,418</b>	<b>1,060</b>	<b>3,026</b>
<b>Weight %</b>	<b>99.18%</b>	<b>100.00%</b>	<b>97.17%</b>	<b>5.01%</b>	<b>23.11%</b>	<b>75.78%</b>

Banca Profilo is a related party of ePRICE since Sator Fund controls Banca Profilo indirectly, and holds an indirect equity investment in the share capital of the company, over which it exercises significant influence. In addition, Banca Profilo is a related party of Arepo BZ S.à r.l., a company indirectly controlled by Sator Fund, through which Sator Fund holds the above-mentioned stake in the Issuer.

The following tables show the details of related party transactions as at 31 December 2016.

*In thousands of Euro*

As at 31 December 2016

	Trade receivables	Investments in associates	Non-current financial assets	Cash	Trade payables	Other payables	Revenue	Financial income
Banca Profilo S.p.A.				2,722				23
ePRICE S.r.l.	48				20	128	1,013	
Banzai Commerce S.r.l.	584	30,902	24,118		82	1	812	
Il Post S.r.l.		1,412	35					
Giornalettismo S.r.l.		3						
<b>Total</b>	<b>632</b>	<b>32,317</b>	<b>24,153</b>	<b>2,722</b>	<b>102</b>	<b>129</b>	<b>1,825</b>	<b>23</b>
<b>Total balance sheet item</b>	<b>797</b>	<b>32,317</b>	<b>25,158</b>	<b>43,260</b>	<b>1,331</b>	<b>936</b>	<b>2,825</b>	<b>43</b>
<b>Weight %</b>	<b>79.3%</b>	<b>100.0%</b>	<b>96.0%</b>	<b>6.3%</b>	<b>7.7%</b>	<b>13.8%</b>	<b>64.6%</b>	<b>53.5%</b>

### Commitments and guarantees provided by the Company

The Company provided no guarantees and did not made any commitments to third parties during the year ended 31 December 2017, other than those provided or made as part of sale of Vertical Content.

In particular, ePRICE has also given the purchaser the representations and warranties usual in a sale and, in particular, for the warranties concerning tax and employment law, the maximum amount recoverable is equal to the total value of the transaction. The best estimate of the risks of enforcement of these guarantees is reflected in the provision for risks and charges provided in this annual report.

For the sale of BNK4 Saldiprivati, conducted by the subsidiary Banzai Commerce, the ePRICE Group has also given the purchaser the representations and warranties usual in a sale, and the maximum amount recoverable in the first 24 months from signature of the contract of sale is €3.5 million, which thereafter becomes €3 million.

### Financial risk management policy

The Company's objective is to maximise the return on net invested capital while retaining its ability to operate over time, and guaranteeing adequate shareholder returns and benefits for other stakeholders, with a sustainable financial structure.

To achieve these objectives, as well as generating cash flows and solid results, the Company may take measures concerning the dividend policy and the capital configuration.

### Types of financial risk

The financial risks to which the Company is exposed are mainly linked to the ability of companies of the Group of which ePRICE is the parent: to meet the Company's obligations (credit risk); to obtain financial resources on the market so as to ensure a proper equilibrium for the company and for the Group of which ePRICE is parent (liquidity risk); and also to interest rate and exchange rate fluctuations (market risk).

Financial risk management is an integral part of the business management of the Company and is carried out centrally based on guidelines developed by the Finance Department as part of the more general risk management strategies defined by the Board of Directors.

- **Liquidity risk**

Liquidity risk refers to the failure to obtain the financial resources needed for the business to function and for the development of operations of the Group.

The two main factors that impact the Company's liquidity are the resources generated or absorbed by operations and investment activities of the group, and the contractual maturity of debt or financial investments and market conditions.

- **Credit risk**

Credit risk is exposure to potential losses arising from default by counter-parties on their obligations.

This risk is strongly mitigated by the fact that the company holds financial and trade receivables almost exclusively against companies of the group.

- **Market risk**

**Interest rates**

With regard to financial assets and liabilities, the Company is primarily exposed to market risk linked to fluctuations in interest rates on cash investments, which may affect the return on investments.

- **Currency risk**

As regards currency risk, the Company operates primarily in the euro area.

## Disclosure of the carrying amount of financial instruments

The carrying amount of financial instruments in the financial year ended 31 December 2017 is shown below:

At 31 December 2017						
(In thousands of Euros)	Financial instruments at fair value held for trading	Held-to-maturity assets	Receivables and loans	Financial instruments	Fair value	Fair value hierarchy
<b>Other financial assets</b>						
Equity investments	-	-	-	45,991	<b>45,991</b>	Level 3
Financial receivables	-		34,453	-	<b>34,453</b>	Level 3
<b>Trade receivables</b>						
Trade receivables	-	-	3,298	-	3,298	Level 3
<b>Cash and cash equivalents</b>						
Bank and postal deposits	-	-	8,418	-	<b>8,418</b>	Level 1

	At 31 December 2017			
(In thousands of Euros)	Financial instruments at fair value held for trading	Liabilities at amortised cost	Fair value	Fair value hierarchy
<b>Current liabilities</b>				
Payables to banks and other lenders	-	2,068	2,068	Level 1
Due to suppliers	-	1,950	<b>1,950</b>	Level 3
<b>Non-current liabilities</b>				
Payables to banks and other lenders	-	537	<b>537</b>	Level 1

The carrying amount of financial instruments in the financial year ended 31 December 2016 is shown below:

At 31 December 2016						
(In thousands of Euros)	Financial instruments at fair value held for trading	Held-to-maturity assets	Receivables and loans	Financial instruments	Fair value	Fair value hierarchy
<b>Other financial assets</b>						
Equity investments	-	-	-	32,317	<b>32,317</b>	Level 3
Financial receivables	-		24,153	-	<b>24,153</b>	Level 3
<b>Trade receivables</b>						
Trade receivables	-	-	798	-	798	Level 3
<b>Cash and cash equivalents</b>						
Bank and postal deposits	-	-	43,260	-	<b>43,260</b>	Level 1



	At 31 December 2016			
(In thousands of Euros)	Financial instruments at fair value held for trading	Liabilities at amortised cost	Fair value	Fair value hierarchy
<b>Current liabilities</b>				
Payables to banks and other lenders	-	67	<b>67</b>	Level 1
Due to suppliers	-	1,331	<b>1,331</b>	Level 3
<b>Non-current liabilities</b>				
Payables to banks and other lenders	-	96	<b>96</b>	Level 1

### Contingent liabilities

No other contingent liabilities were identified which require the creation of provisions for risks, or a mention in these explanatory notes.

### Atypical or unusual transactions

In compliance with the provisions of the Consob Communication of 28 July 2006, in the financial year ended 31 December 2017, there were no atypical and/or unusual transactions as defined in that Communication.

### Independent auditor compensation

The table below, prepared in accordance with art. 149-duodecies of the Consob Issuer Regulations, shows the fees for 2017 for auditing and other non-auditing services provided by the independent auditors or by companies belonging to the Ernst & Young network.

Service	Entity providing the service	Beneficiary	Amount
Limited audit of the half-year report	EY S.p.A.	ePRICE S.p.A.	42
Statutory audit on 31 December 2017	EY S.p.A.	ePRICE S.p.A.	49
Other services	Ernst & Young Financial Business Advisor S.p.A.	ePRICE S.p.A.	14
<b>Total ePRICE S.p.A.</b>			<b>105</b>

*Chairman*  
Paolo Ainio

## Board of Directors proposal

To our Shareholders,

We submit the financial statements of ePRICE S.p.A. at 31 December 2017 for your approval. These financial statements report a loss of €8,235,540, which we propose to carry forward.

Milan, 08 March 2018

The Board of Directors

**Certification of the financial statements in accordance with Article 81-ter of Consob Regulation No. 11971 of 14 May 1999, as subsequently amended and supplemented.**

1. We the undersigned, Paolo Ainio as Chairman and Emanuele Romussi as Manager responsible for preparing the financial reports of ePRICE S.p.A., hereby certify, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, the suitability of the description of the company and the actual application of administrative and accounting procedures for the preparation of the consolidated financial statements during 2017.
2. We further certify that:
  - 2.1. The financial statements
    - have been prepared in accordance with the international accounting standards adopted by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
    - accurately reflect the accounting books and records;
    - provide a true and accurate representation of the balance sheet, income statement and financial position of the issuer.
  - 2.2. The management report includes a reliable analysis of the changes and results of management, and of the position of the issuer, together with a description of the principal risks and uncertainties faced.

Milan, 08 March 2018

*Chairman*

Paolo Ainio

*The Manager Responsible for Preparing the Financial Reports*

Emanuele Romussi

## INDEPENDENT AUDITORS' REPORT



### ePRICE S.p.A.

Financial statements as at December 31, 2017

Independent auditor's report in accordance with article 14 of  
Legislative Decree n. 39, dated 27 January 2010, and article  
10 of EU Regulation n. 537/2014



EY S.p.A.  
Via Meravigli, 12  
20123 Milano

Tel: +39 02 722121  
Fax: +39 02 722122037  
ey.com

Independent auditor's report in accordance with article 14 of  
Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU  
Regulation n. 537/2014  
(Translation from the original Italian text)

To the Shareholders of  
ePRICE S.p.A.

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of ePRICE S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2017, and the statement of profit or loss and other comprehensive income, statement of changes in net equity and statement of cash flow for the year then ended, and explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.  
Sede Legale: Via Po, 32 - 00198 Roma  
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 3.100.000,00 i.v.  
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma  
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904  
P.IVA 00891231003  
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998  
Iscritta all'Albo Speciale delle società di revisione  
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited



We identified the following key audit matters:

Key Audit Matter	Audit Response
<p>Recoverability of investments and non-current financial assets</p> <p>As at December 31, 2017 the investments' balance amounts to Euro 46 million and includes the investment in the subsidiary ePrice Operations S.r.l. for Euro 45.9 million. As at the same date, non-current financial assets' balance amounts to Euro 35.5 million and includes financial receivables from the subsidiary ePrice Operations S.r.l. for Euro 34.4 million. The processes and methodologies for assessing and determining the recoverable amount of investments and financial receivables from the subsidiary are based on assumptions, sometimes complex, that by their nature are based on the directors' judgment, in particular with reference to the forecast of future cash flows of the subsidiary, to the normalized cash flows on which the estimate of the terminal value is based, as well as to the determination of long-term growth and discounting rates applied to the forecasts of these cash flows.</p> <p>In consideration of the judgment required by management and of the complexity of the assumptions used in the estimate of the recoverable amount of investments and financial receivables from the subsidiary, we have considered that this area represents a key audit matter.</p> <p>The Company provides disclosures on the recoverability of investments in note 3 "Investments" and of financial receivables in note 4 "Non-current financial assets" of the separated financial statements.</p>	<p>Our audit procedures in response to the key audit matter included, among others:</p> <ul style="list-style-type: none"> <li>• Assessment of the Company's procedure for the assessment of the recoverability of investment and financial receivables from the subsidiary;</li> <li>• analysis of the forecasted future cash flows, also in comparison to the previous forecasts as well as market trends, taking into account forecasting assumptions from external sector sources;</li> <li>• testing of the consistency of forecasted future cash flows related to investments with those assumed in the Plan;</li> <li>• testing of long-term growth rates and discounting rates.</li> </ul> <p>In our audit we also used our internal experts in valuation techniques, which performed an independent recalculation and performed sensitivity analysis on key assumptions in order to determine the changes that could significantly impact the valuation of recoverable amount.</p> <p>Lastly, we considered the adequacy of the disclosures in the explanatory notes in relation to the key audit matter.</p>



Key Audit Matter	Audit Response
<p>Recoverability of deferred tax assets</p> <p>As at December 31, 2017 deferred tax assets recorded in the financial statements amount to Euro 5 million and derive mainly from tax losses that can be carried forward indefinitely. The recoverability of the book value of these assets is subject to valuation by Management based on the forecast of expected taxable income.</p> <p>The processes and methodologies for assessing the recoverability of deferred tax assets are based on assumptions, sometimes complex, that by their nature are based on the directors' judgment, in particular with reference to the forecast of future taxable income expected for the Company, consistent with the provisions of the Plan.</p> <p>In consideration of the judgment required in the forecast of future taxable income we have considered that this area represents a key audit matter.</p> <p>The Company provides disclosures on the recoverability of deferred tax assets in note 6 "Deferred tax assets" of the separated financial statements.</p>	<p>Our audit procedures in response to the key audit matter, in addition to those described in relation to the previous key audit matter, included, among other things, the analysis of the forecasts of future taxable income and their consistency with the forecasts of the pre-tax results included in Plan.</p> <p>Lastly, we considered the adequacy of the disclosures in the explanatory notes in relation to the key audit matter.</p>



Key Audit Matter	Audit Response
<p><b>Business outlook</b></p> <p>The Company's 2017 fiscal year resulted in a comprehensive loss and an overall reduction in cash and cash equivalents' balance. On March 8, 2018 the Board of Directors of ePRICE S.p.A. approved the Group's strategic plan for the period 2018-2023.</p> <p>The Plan includes actions aimed at recovering efficiency and consolidating current market positions, as well as possible disposal of non-core assets, in order to achieve improvements in profitability and cash flows over the period covered by plan. The assumptions underlying the Plan present uncertainties typical of any forecast activity and, therefore, the results of the planned actions could potentially manifest their effects with different results and timing compared to current forecasts and, therefore, influence subsequent assessments of the assumption of the going concern basis of accounting, relating to at least, but not limited to, twelve months after the balance sheet date, also taking into account the liquidity, loans and lines of credit currently in place.</p> <p>In consideration of the valuations and of the judgment required to Management in its forecast activities and of their possible future effects on the determination of the going concern basis of accounting, we have considered that this area represents a key audit matter.</p> <p>Paragraphs "Comment on the results" and "Outlook" of the Directors' report, describe the results achieved in the fiscal year and the actions taken by the Directors, which represent the basis of the forecasts assumed in the Plan.</p>	<p>Main audit procedures in response to the key audit matter included, among others:</p> <ul style="list-style-type: none"> <li>• Assessment of the circumstances that led to the achievement of a comprehensive loss in the year;</li> <li>• understanding of the process for the preparation of the Plan approved by the Board of Directors of ePRICE S.p.A. on March 8, 2018 and analysis of the main assumptions underlying the forecasts contained therein;</li> <li>• sensitivity analysis of the main assumptions of the Plan with respect to the forecast of future cash flows;</li> <li>• obtaining written representations from Management relating to future action plans and their feasibility;</li> <li>• analysis of the deviations of the results of the first months of 2018 compared to the budget.</li> </ul> <p>We also considered the adequacy of the disclosures reported in the directors' report in relation to the key audit matter.</p>





## Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; have designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements



or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

#### Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholder of ePRICE S.p.A., in the general meeting held on November 6, 2014, engaged us to perform the audits of the financial statements of each years ending December 31, 2014 to December 31, 2022.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared in accordance with article 11 of the EU Regulation n. 537/2014.



## Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of ePRICE S.p.A. are responsible for the preparation of the Directors' Report and of the Report on Corporate Governance and Ownership Structure of ePRICE S.p.A. as at December 31, 2017, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Directors' Report and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of ePRICE S.p.A. as at December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Directors' Report and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of ePRICE S.p.A. as at December 31, 2017 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, March 23, 2018

EY S.p.A.  
Signed by: Paolo Zocchi, Partner

*This report has been translated into the English language solely for the convenience of international readers.*



**ePRICE S.P.A.**

Via San Marco, 29  
20121 Milano

Share Capital: Euro 826,297.00

Tax Code: 03495470969

VAT Number: 03495470969