

# Annual Financial Report

# 2018







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# Company Overview

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# Platform

**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 range of integrated retail products and services on the Italian market, supported by a flexible and scalable platform.



A significant track record in terms of transit and revenue capable, over the next few years, of growing in scale, importance and profitability.



**128**  
Pick&Pay



**301**  
Lockers



**1**  
Logistics Platform of 29,000  
square metres in size



**c. 1.898**  
Marketplace sellers



**c. 5**  
Milion offers



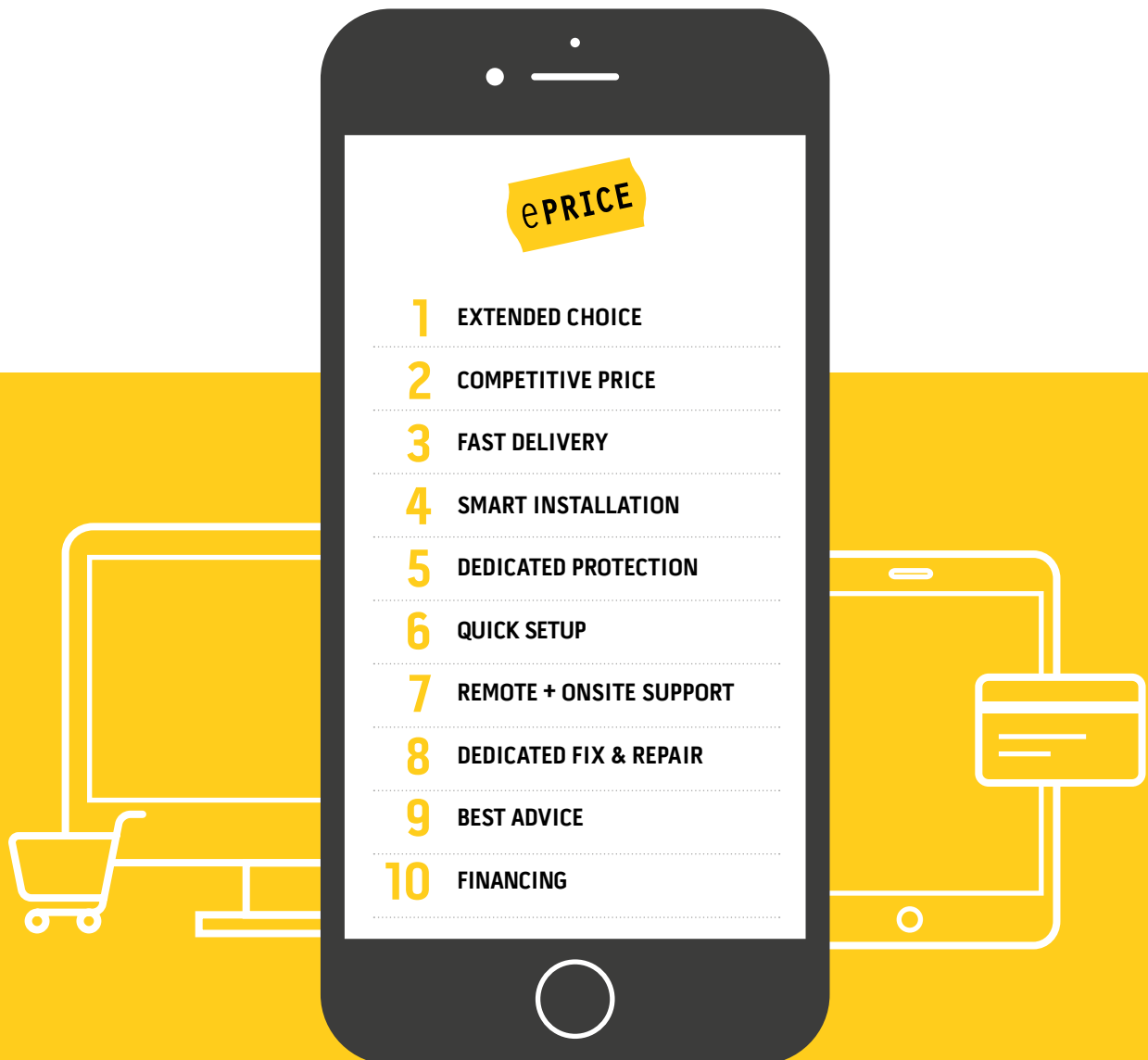
# Mission & Vision



**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

2018 was the year in which our company focused on a journey aimed at achieving financial equilibrium and profitability. The adopted measures, both with a view to keeping down costs and increasing efficiency, gradually demonstrated their effectiveness during the year and the results achieved in the second half of the year will allow us to look to 2019 and future years filled with confidence.

In response to a decrease in revenue, from €187 million in 2017 to €164 million in 2018, which we intentionally guided toward the product categories with lower margins, the Gross Margin rose from 14.8% to 16.7%, the loss in EBITDA was reduced from €15.3 million to €8.8 million, as was cash consumption, which went from €34.8 million in 2017 to €14.5 million in 2018.

Specifically, in the second half of the year, EBITDA was negative by just €4.8 million and cash consumption, also thanks to extraordinary transactions, stood at essentially zero.

We are therefore entering 2019 with a more efficient structure ready to implement further improvements in margins and complete the journey toward profitability.

The rationalisation of **ePRICE** direct sales in certain categories was partly offset by the growth in the Marketplace, which continued to grow at a rate of above 20% and numbers 1,900 sellers, mainly small firms, which have found an efficient and effective channel in us for their operations. Our customers (489 thousand in 2018), continued to value our offer which provides very good value for money together with the capacity to provide installation services and special deliveries.

But 2018 has not only been about the search for efficiency. Growth in the most important product categories for **ePRICE**, those related to the purchase of domestic appliances and services, was significant, confirming our leadership position in the sector and several innovative tools were launched supporting the purchasing decision particularly welcomed by our customers, such as the energy consumption calculator and the Advisor which allows to pinpoint the right product depending on the characteristics of the household. The work carried out last year allows us to look at 2019 and future years filled with confidence in the context of a Tech&Appliances market which is showing signs of a slight recovery even if, inevitably,

we share the general concerns linked to the macro economic situation, which is starting to weaken Italian customers propensity to buy.

In 2019, without losing focus on timproving economic performances, we shall be concentrating on customer satisfaction, on improving the level of service offered by our website, our 600 technicians working in Italy and the 128 Pick&Pays which make up our points of payment and delivery network.

The coming years will undoubtedly see an acceleration in our market moving from offline to online and also development of business models which will find a synthesis between e-commerce and the presence of a physical location supporting the relationship between retail and customers.

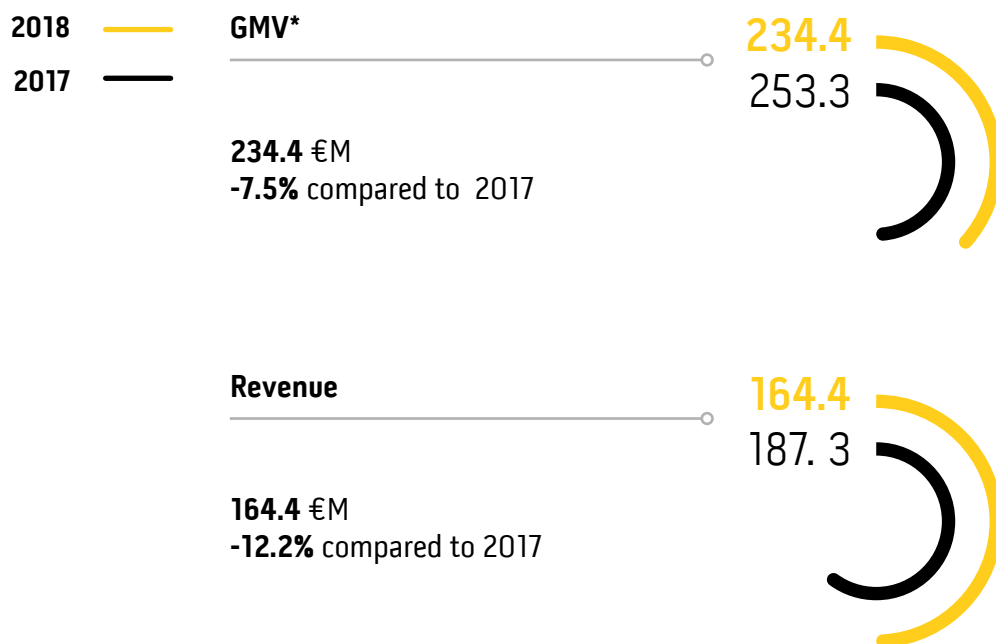
**A challenge full of innovation, which we are ready to overcome.**

**Chairman of the Board  
of Directors of ePRICE S.p.A.**



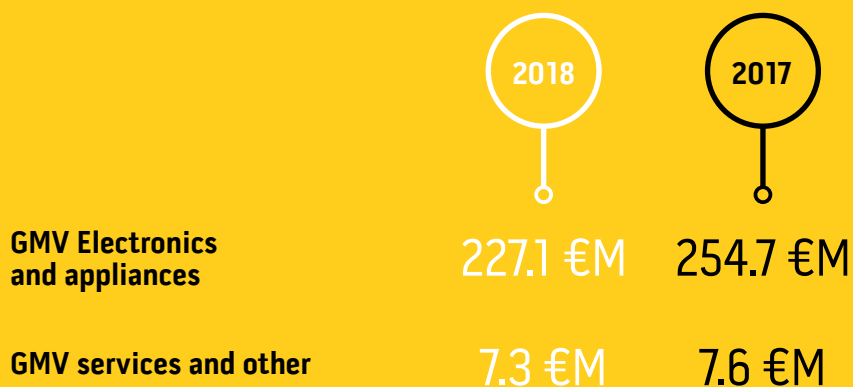


# 2018 Highlights

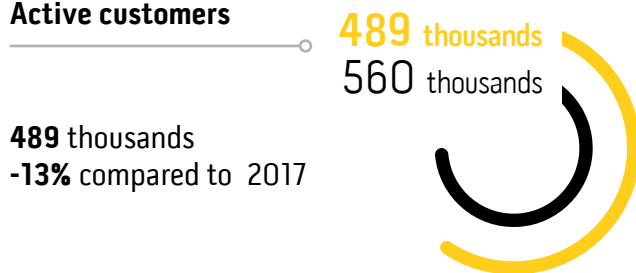


\* Gross Merchandise Volume: includes revenue from products, shipping and volume generated by the 3PMarketplace, net of returns and including VAT. Does not include Infocommerce and B2B.

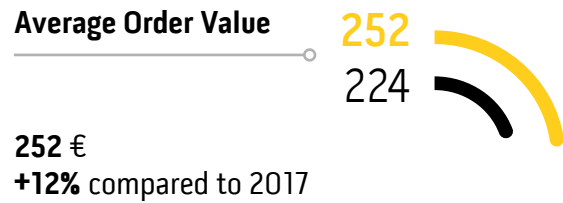
## Sales KPIs



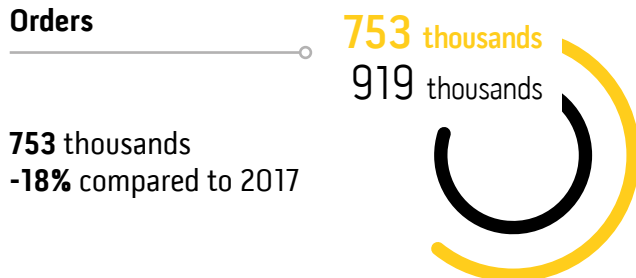
### Active customers



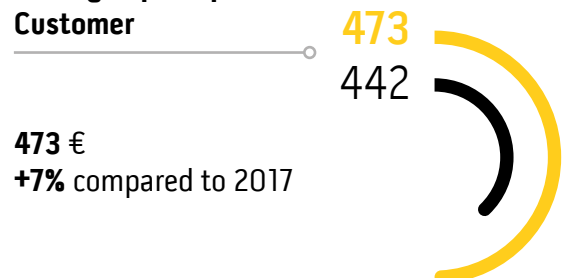
### Average Order Value



### Orders



### Average Spend per Customer



## Main financial data

	2018	2017		2018	2017
GROSS PROFIT	27.4 €M	27.7 €M	EBITDA ADJUSTED	(8.8) €M	(15.3) €M
% OF REVENUES	16.7%	14.8%	NET PROFIT	(14.6) €M	(24.7) €M



# Home Service

When you order a refrigerator, a washing machine or a large television, it's normal to expect a full service. For this reason **ePRICE** has created a network of specialist professionals, who deliver and install new domestic appliances and take away the old ones.

**ePRICE** has become the leader in this field too for the online sale of large domestic appliances.

**ePRICE** home service offers the possibility of home delivery and installation through management on the mobile platform with a continuous and direct dialogue between customers, installers and **ePRICE**.

## ePRICE HOME SERVICE INCLUDE:



### Customised deliveries

Make an appointment when it is convenient for you



### Professional installation

Qualified, certified technicians, staff who are reliable, quick and polite



### Personalised service

A customer service representative will be available at all times



### Total control

Constant, reliable and detailed supervision of your service

## Services KPIs



**+51%**

Large domestic appliances delivered



**37%**

Coverage of the Italian population



**+33%**

Number of professionals compared with the start of the year



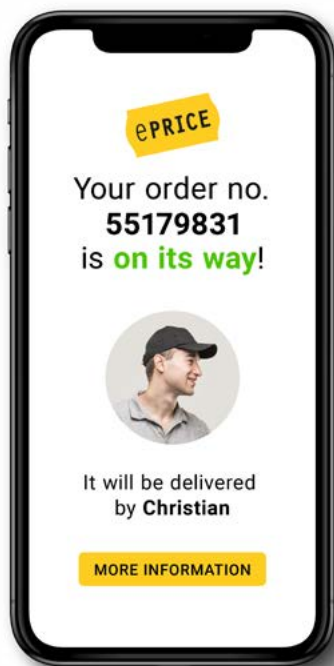
**approx. 68**

Net promoter score



# A unique asset for the last mile

**Pre and post delivery service: information platform in real time**



**Delivery and installation over the last mile**



● Cover with an appointment

■ Automated cover

## Distinctive assets

- Online appointment booking
- End-to-end highly developed technological platform
- APP and Mobile complementary technological solutions
- Integration with e-Commerce basket and CRM

## Distinctive assets

- Specialist home delivery and professional installation network
- Model scalable for volumes and services
- Direct drive

*Since the end of 2018 the last mile has become even more important for ePRICE. Thanks to the support of the subsidiary Installo S.r.l., ePRICE now covers 60% of GED product volumes, with a specialist home delivery service that lets customers plan the date and time of their appointment directly during the ordering stage.*



# Marketplace

In 2018 ePRICE the marketplace of external merchants became one of the drivers of ePRICE's sustainable growth with an increase of more than 20% in volumes compared with the previous year.

## Our Marketplace:

- Thousands of Italian and foreign merchants registered in the Marketplace
- Over 5 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)

## Marketplace KPIs



**MARKETPLACE OFFERS**  
**5M**  
**+43% vs. 2017**



**SELLERS**  
**+36% vs. 2017**



**GMV GROWTH**  
**+20% vs. 2017**



**AVERAGE WEIGHT ON GMV**  
**c.20%**



# Pick&Pay

## DISTRIBUTION OF ePRICE's PICK&PAY



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

**+30%** the order frequency compared with home  
delivery, using traditional couriers



# The drivers of improvement in 2018

## Ongoing Key Actions at ePRICE

### HR + G&A

#### HEADCOUNT OPTIMISATION



#### EFFICIENZE G&A



#### MGMT COMPENSATION & NON CASH MBO



### GROSS MARGIN

#### MARKETPLACE EMPOWERMENT



#### VENDOR RELATIONSHIP



#### PRICING STRATEGY



### OPERATIONS

#### FULFILMENT EFFICIENCY



#### IT ORGANIZATION REDESIGN



#### DAMAGED GOODS & RETURNS CONTROL

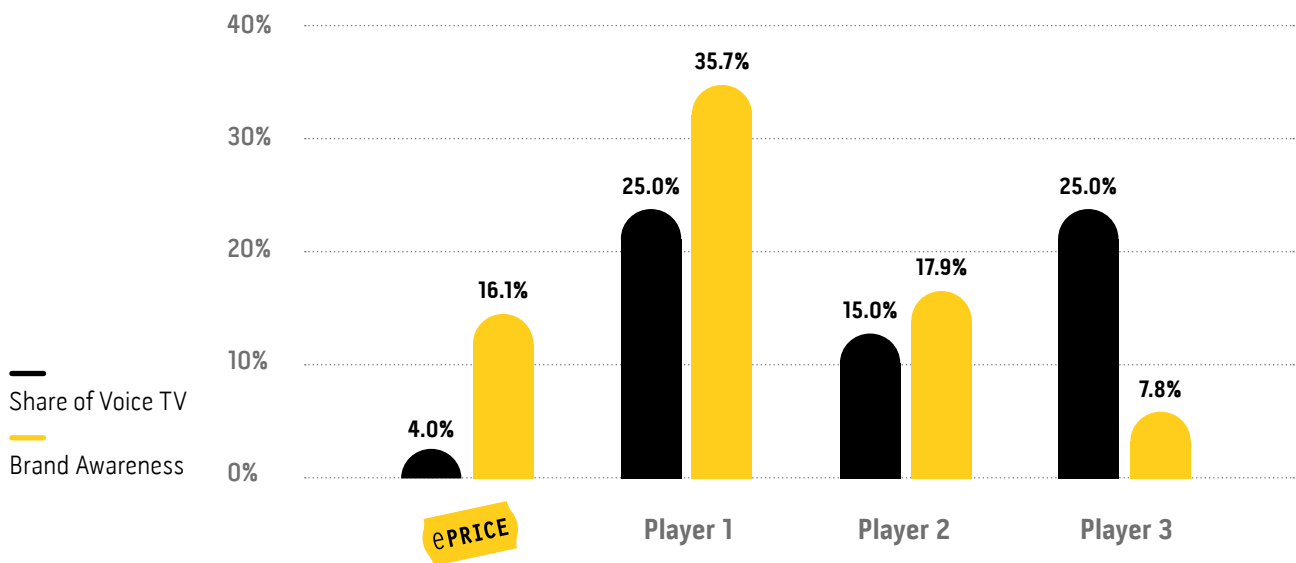


*The actions implemented in 2018 produced an overall saving/margins of around €7 million out of the 10 planned, with a 70% achievement of the target set at the beginning of the year.*



# Brand reputation

Spontaneous brand awareness<sup>1</sup> and average share of voice<sup>2</sup>



<sup>1</sup> Spontaneous Online Brand Awareness -Tech&Appliances Online Sales, December 2018, SOURCE: Mindshare.

<sup>2</sup> Average 2018 Share of Voice 2018 - estimate, Source Emotional Marketing, 2018.

**Branded promotions and partnerships to strengthen the reliability and importance of the ePRICE brand**

**Aided Brand Awareness 72%**



Design by **TBWA**



# ePRICE at the Radio Italia concert

In a strategy aimed at concentrating marketing investment on the optimisation of the online channel and on increasing brand awareness, **ePRICE**, for the first time supporting a musical event, was the platinum sponsor of the Radio Italia Concert which took place on 16 June in Piazza del Duomo, Milan.

With the support of TBWA\Italia, which was in charge of creativity, **ePRICE** announced the initiative on Radio Italia through constant adverts and live broadcasts, as well as through its social and digital properties. The concert was broadcast on REAL TIME, the Discovery Italia channel dedicated to female entertainment, on NOVE, the general-interest channel of the group, and it was streamed on the free OTT service Dplay (dplay.com).





# Three-year partnership with F.C. Internazionale Milano

**ePRICE** and F.C. Internazionale Milano announced on 30 July 2018 they had signed an agreement for a three-year partnership, which involves extensive visibility of the **ePRICE** brand on all Inter's digital and physical properties, and dedicated launches during key times of the year, with special initiatives aimed at Inter Milan supporters. The agreement concluded between ePRICE and F.C. Internazionale Milano involves the association between **ePRICE** and the Inter brand on the Italian market.

**ePRICE** recognised that Inter has owners, management and a team that want to do innovative things in the world of sport and it is convinced that this decision will create a great deal of added value over a period of time for **ePRICE**. Being the Official Online Retail Partner is designed to gradually increase the awareness of the brand and to create partnership and business opportunities associated with the online world over the course of the next three years.

ePRICE

CYBER MONDAY

Ogni ora sconti fino al 70%

VAI ALLE OFFERTE



INTER

ePRICE

OFFICIAL ONLINE RETAIL PARTNER





# Opening of the Amazon sales channel for large domestic appliances

The extension to the Amazon Italia platform of the sales operation of large domestic appliances and related services, launched in August 2018, is evidence of the strategic importance of the investments made by **ePRICE** in recent years to build a delivery and installation network capable of serving all of Italy, something which now makes it possible to also offer complex products on the platforms of other operators.

Through the launch on Amazon, **ePRICE** has extended its range of Italian e-Commerce first destination large domestic appliances with thousands of products chosen from the best in the category, while the entire catalogue and wide range of related services will continue to be available on **ePRICE.it**.

Amazon



**ePRICE**







# Launch of a partnership with E-Square

In December 2018, ePRICE announced it was joining the international retail group E-Square, as its new partner in Italy.

**ePRICE** was the first online retailer of consumer electronics on the Italian market.

For most of its history the company grew through its own efforts. It now has the opportunity to share its experience of Italian e-commerce with E-Square omni-channel retailers and to grow and learn even more from an international group.

The E-Square group numbers 17 members and is worth €5.6 billion in purchases as a whole



## NEWS

**11** <sup>th</sup> December

E-Square enters partnership with Italian e-Commerce Retailer ePRICE. -

[more News >](#)



# ePRICE side by side with Save The Children

At Christmas 2018 ePRICE **ePRICE** supported the Save The Children Christmas Jumper Day.

**ePRICE** customers could make a free donation to support the remote adoption projects of Save The Children. Their generosity was also directly reinforced by **ePRICE** with an ad hoc donation.



Foto Save The Children, credits to Jack Taylor





# ePRICE side by side with Opera Pia San Francesco

Every day Opera Pia San Francesco takes in thousands of people in Milan in difficulty providing 2,500 hot meals a day, 33,000 showers a year, 40 full changes of clothing a day and 33,000 medical visits per year.

In 2018 ePRICE devolved to Opera Pia gifts received from suppliers and partners of the company.





# Corporate Boards

## Board of Directors

The Board of Directors in office was appointed by the Ordinary Shareholders' meeting held on 14 April 2016 and shall remain in office until the approval of the Financial Statements as at 31 December 2018.

Paolo Ainio  
**Chairman and Chief Executive Officer**

Roland Berger  
**Independent director**

Pierluigi Bernasconi  
**Non-executive director**

Andrea Biasco  
**Non-executive director**

Pietro Boroli  
**Non-executive director**

Chiara Burberi  
**Non-executive director**

Roberto Mazzei  
**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

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>	9,452,615	<b>22.88%</b>
<b>AREPO BZ S.A.R.L.</b>	8,613,850	<b>20.85%</b>
<b>PIETRO BOROLI</b>	2,181,200	<b>5.28%</b>
<b>AZIONI PROPRIE</b>	1,011,372	<b>2.45%</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

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## 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 €2.2 billion in 2018<sup>1</sup>, and represents 15% of a total retail market (offline + online) of €15 billion, with growth close to 20% in 2018 and it is slightly above expectations. Forecasts predict growth which will bring it close to €3.4 billion in 2024. 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 "last mile" market, the offering of a range of aftersales services and 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 2024<sup>2</sup>.

### COMMENT ON THE RESULTS

The year just ended featured actions undertaken following the strategy announced on 8 March which included a strong reduction in the cash costs recorded in 2017.

These actions were specifically directed at three main areas. The former was aimed at reducing and optimising personnel expenses and general and administrative costs, the latter at increasing gross margins through strong growth of the marketplace, with greater margins obtained through the development of sales of large domestic appliances and a reduction in the negative impacts resulting from the return of damaged or broken products. The third area involved restoring the efficiency of the "organisational structure" both in the logistics area and in Information Technology functions.

### ANALYSIS OF KEY OPERATING RESULTS

#### Analysis of Revenue

In 2018 the Tech and Appliance retail target market experienced a slight recovery and there was a high degree of promotional activity by all players, specifically in the last three months of the year. Thanks to extensive promotional efforts and the switch of a considerable share of the historical customers of several traditional brands to the online channel, the growth in volumes recorded on the online market of the core segment in which the company operates was around 20% on an annual basis. The Company partly benefited from this impetus, however its promotional policy was limited to the benefit of its own sales margins.

As already illustrated in the notes to the Financial Statements for the year ended 31 December 2017, 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

<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



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.

This strategy established an acceleration process focusing the first party range on core products including household appliances in particular, 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 indicators.

In 2018 Group revenue stood at around €164.4 million. The fall in revenue compared with 2017 is therefore 12.2% which, as stated previously, is partly attributable to the strategy of repositioning long tail category volumes in the marketplace.

The GMV – which represents the effective spending of customers on our e-Commerce sites and in the marketplace - fell by 7.5% compared with last year, standing at €234.4 million as against €253.3 million in 2017. The weighting and contribution of the Marketplace, launched in Q2 2015, increased further in 2018 reaching around 19% of the GMV compared with 14.7% of the GMV for 2017 and 10% for 2016.

<i>(in thousands of Euros)</i>	2018	2017*	% Change
<b>Revenues</b>	<b>164,436</b>	<b>187,303</b>	<b>-12.2%</b>
<i>(in millions of Euros)</i>			
<b>GMV</b>	<b>234.4</b>	<b>253.3</b>	<b>-7.5%</b>

\* restated to include the effects of the first time adoption of IFRS 15

The breakdown of Revenue and GMV by product type for 2018 compared with 2017 is as follows:

#### Revenue

<i>(In thousands of Euros)</i>	2018	2017*	% Change
Electronics, Domestic Appliances and other products	149,694	170,900	-12.4%
Services / Other revenue	14,742	16,403	-10.1%
<b>Revenue</b>	<b>164,436</b>	<b>187,303</b>	<b>-12.2%</b>

\* restated to include the effects of the first time adoption of IFRS 15

#### GMV

<i>(In millions of Euros)</i>	2018	2017	% Change
Electronics, Domestic Appliances and other products	227.1	245.7	-7.6%
Services / Other revenue	7.3	7.6	-3.7%
<b>GMV</b>	<b>234.4</b>	<b>253.3</b>	<b>-7.5%</b>

The breakdown of Revenue and GMV by product type in the fourth quarter of 2018 compared with the fourth quarter of 2017 is as follows:

#### Revenue

<i>(In thousands of Euros)</i>	Q4 2018	Q4 2017	% Change
Electronics, Domestic Appliances and other products	47,243	49,589	-4.9%
Services / Other revenue	4,625	5,394	-14.3%
<b>Revenue</b>	<b>51,868</b>	<b>54,983</b>	<b>-5.8%</b>

\* restated to include the effects of the first time adoption of IFRS 15

#### GMV

<i>(In millions of Euros)</i>	Q4 2018	Q4 2017	% Change
Electronics, Domestic Appliances and other products	71.9	72.6	-1.0%
Services / Other revenue	2.3	2.4	-0.5%
<b>GMV</b>	<b>74.2</b>	<b>75.0</b>	<b>-1.0%</b>

From the second half of 2018 onwards, there was a recovery in revenue specifically thanks to the contribution of the large domestic appliances category. Specifically, the fall in total revenue in the third quarter compared with the third quarter of 2017 was 9.3%, while in the fourth quarter there was a further recovery and the fall was reduced to 5.7% compared with the fourth quarter of 2017. The improved performance of revenue in the second half of the year meant that the fall in revenue in 2018 was -12.2% compared with 2017 (-17.5% in the first half of 2018 compared with the first half of 2017). At the same time the GMV also decreased less appreciably in the second half of the year and a fall of 6.3% was recorded in the third quarter compared with the third quarter of 2017 and there was a very slight fall of 1% in the fourth quarter compared with the fourth quarter of 2017.

There was a slight improvement in the fourth quarter compared with the previous quarters in terms of revenue and GMV, also thanks to the positive performance of sales in the Black Friday period where double digit growth was recorded for large domestic appliances and growth of 50% was reported for Home Service delivery and installation services. The ePRICE marketplace benefited from the Black Weekend impetus, with growth of over 50% in retailer-branded products.

As stated previously, the large domestic appliances category made a significant contribution to the recovery of revenue and the GMV, specifically making a positive contribution and countering the general fall in volumes; the GMV of large domestic appliances increased by 10.0% in 2018 compared with 2017, while revenue in the large domestic appliances category increased by 9.0% compared with 2017.

Revenue from sales of Services and Other, which also includes aftersales services, was down by 10.1% compared with 2017, with a lower fall than that for product sales volumes. This is due to the positive contribution of the marketplace and aftersales services. Note how as a result of international accounting standard IFRS 15 coming into force, revenue from aftersales services on products in so far as the performance obligation pertains to third parties, is reported net of related purchase costs, with the ePRICE Group acting as an agent so, as a result, the comparative data has been restated.

Home Service continued to achieve an NPS of around 60 points and to be an important market share differentiation lever and driver.

As at 31 December 2018 the Pick&Pay and Lockers network, the only network on the Italian market, numbered 130 and 298 Pick&Pay and Lockers (134 and 290 as at 30 June 2018).

The ePRICE GMV is supported by the 3P Marketplace, which reached 1,900 merchants and achieved growth of around 19% compared with 2017, driven by the electronics and mobile phone segments.

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

Performance Indicators <sup>3</sup>	Q4 18	Q4 17	% Change	Performance Indicators <sup>4</sup>	2018	2017	% Change
Orders (thousands)	231	292	-20.9%	Orders (thousands)	753	919	-18.1%
AOV (Euros) <sup>5</sup>	260	209	24.4%	AOV (Euros)	252	224	12.5%
Buyers (thousands) <sup>6</sup>	130	225	-9.0%	Buyers (thousands)	494	573	-14.0%

753 thousand orders were handled in 2018, with an average value (AOV) of €252, a rise of 12.5% mainly as a result of the mix in favour of high ticket categories in large domestic appliances and the switch of long tail categories in the marketplace. Lastly, the number of buyers was 494 thousand, a fall of 14% compared with 2017 as a result of the fall in marketing investment in the paid channel and a pricing policy aimed at protecting margins.

<sup>3</sup> They include the 3P marketplace.

<sup>4</sup> They include the 3P marketplace.

<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 2018 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 2018	% of total revenues	31 December 2017*	% of total revenues	% Change
<b>Total revenues</b>	<b>164,436</b>	100.0%	<b>187,303</b>	100.0%	-12.2%
Cost of goods sold <sup>7</sup>	(137,023)	-83.3%	(159,568)	-85.2%	-14.1%
Gross margin <sup>8</sup>	<b>27,413</b>	<b>16.7%</b>	<b>27,735</b>	14.8%	-1.2%
Sales and marketing costs	(11,467)	-7.0%	(13,789)	-7.4%	-16.8%
Logistics costs	(19,732)	-12.0%	(19,688)	-10.5%	0.2%
IT costs	(1,332)	-0.8%	(1,618)	-0.9%	-17.7%
General and administrative expenses	(5,135)	-3.1%	(6,590)	-3.5%	-22.1%
<b>Adjusted EBITDA</b>	<b>(10,254)</b>	<b>-6.2%</b>	<b>(13,951)</b>	-7.4%	26.5%
Non-recurring costs and income and stock option plans	1,419	0.9%	(1,347)	-0.7%	-205.4%
<b>EBITDA</b>	<b>(8,835)</b>	<b>-5.4%</b>	<b>(15,298)</b>	-8.2%	42.2%
Depreciation, amortisation and impairment	(8,681)	-5.3%	(7,529)	-4.0%	15.3%
<b>EBIT</b>	<b>(17,516)</b>	<b>-10.7%</b>	<b>(22,827)</b>	-12.2%	23.3%
Net financial income/expense	1,702	1.0%	95	0.1%	1691.6%
Minority interest in income of associates	(1,820)	-1.1%	(1,674)	-0.9%	8.7%
Write-down of financial assets	(262)	-0.2%	0	0.0%	N/A
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>(17,896)</b>	<b>-10.9%</b>	<b>(24,406)</b>	-13.0%	26.7%
Income Taxes	<b>0</b>		<b>(1,023)</b>		
Net profit (loss) from discontinued operations	3,259		685		N/A
<b>NET PROFIT (LOSS)</b>	<b>(14,637)</b>	<b>-8.9%</b>	<b>(24,744)</b>	-13.2%	40.8%

\* restated to include the effects from the initial application of IFRS 15

## Gross Profit

Gross Profit stood at €27,413 thousand, a slight decrease of €322 thousand, or 1.2%, compared with the previous year (€27,735 thousand), a significantly lower fall compared with the fall in revenue. In percentage terms, the ratio of Gross Profit

<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.

to Revenue was 16.7%, a significant improvement (+190 bps) compared with the figure of 14.8% recorded in 2017 and essentially in line with expectations.

The improvement in gross margins in percentage terms is mainly due to the development of the Marketplace, the improved margins in core categories, specifically domestic appliances in which revenue was concentrated and the reduction in the percentage of damaged products; all of this confirms the strategy announced during the presentation of the Business Plan aimed at recovering profit margins compared with 2017.

## Adjusted EBITDA

Adjusted EBITDA stood at -€10,254 thousand, an improvement of 26.5% compared with the -€13,951 thousand recorded in 2017.

The impact of the first consolidation of the equity investment in Installo had a negative effect on Adjusted EBITDA by around €153 thousand.

The improvement in Adjusted EBITDA of €3,697 thousand recorded in 2018 compared with 2017 was particularly significant from the second half of the year when the increase was €2,341 thousand.

The significant positive change is attributable to the decrease in all cost items following the efficiency measures undertaken in 2018 as announced during the presentation of the Business Plan; specifically note how personnel expenses gross of capitalisation and net of the impact of the consolidation of Installo fell by around 17% in 2018 compared with the same period of the previous year and by around 24% in the fourth quarter compared with the fourth quarter of the previous year, confirmation of the process for optimising the organisational structure.

Commercial and marketing costs were significantly reduced by 16.8% compared with 2017; this reduction is mainly due to the significant decrease in costs to obtain new customers starting specifically from the second half of the year following the strategy aimed at improving the efficiency and effectiveness of our total expenditure on marketing.

As regards advertising and promotional campaigns, note that in 2018 TV advertising campaigns continued plus the sponsorship of the Radio Italia Concert and Inter Milan Football Club.

Logistics costs were essentially in line with 2017, while net of the impact due to the consolidation of Installo the fall was equal to 3.6%. This item was especially linked to the performance of the sales volumes and revenue of the domestic appliances category which recorded significant growth in 2018 compared with the previous year; therefore net of this effect there was a significant fall in these costs due to the efficiency of several processes implemented during the year. Note that from the second half of the year onwards logistics activities aimed at Saldiprivati were concluded as a result of the early termination by the SRP Group; all of this led to increased inventory costs of around €650 thousand in the second half of the year.

IT costs fell by 17.7% compared with the previous year due to the optimisation of costs and the renegotiation of several supply contracts. Specifically, the reduction in IT costs is particularly obvious in the second half of 2018 (-45% compared with the second half of 2017).

General and administrative costs fell by 22.1% (-23.4% excluding the impact of the consolidation of Installo), very significantly compared with 2017, which is due to the reduction of corporate costs and the renegotiation and optimisation of several general expenses. This cost item benefited during the year from the contribution recorded for research and development activities to the tune of €1,941 thousand in total (of which €227 thousand related to Installo S.r.l.) relating to the investments made in 2017/2018. A contribution was recorded in 2017 for this activity essentially similar to the figure of €1,646 thousand relating to investments made in 2016.

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

<i>(In thousands of Euros)</i>	31 December 2018	% of total revenues	31 December 2017	% of total revenues
Operating profit (loss)	(17,516)	-10.7%	(22,827)	-12.2%
+ Depreciation, amortisation and impairment	8,681	-5.3%	7,529	-4.0%
Non-recurring expense and income and stock option plans	1,419	0.9%	(1,347)	-0.7%
<b>Adjusted EBITDA</b>	<b>(10,254)</b>	<b>-6.2%</b>	<b>(13,951)</b>	<b>-7.4%</b>
<b>EBITDA</b>	<b>(8,835)</b>	<b>-5.4%</b>	<b>(15,298)</b>	<b>-8.2%</b>

EBITDA for 2018 was -€8,835 thousand compared with -€15,298 thousand, an increase of €6,463 thousand which had an impact on revenue of -8.2% in 2017 and -5.4% in 2018 with an improvement of 280 bps.

This item includes the non-recurring income of €2,000 thousand relating to the agreement concluded with the SRP Group (Showroomprivè) for the early termination of logistics activities carried out for Bnk4-Saldiprivati, as described later in the paragraph dedicated to significant events in the reporting period.

The costs relating to the stock option and stock grant plans of €301 thousand and other non-recurring costs of €280 thousand, mainly related to restructuring expenses and legal costs connected to the transaction described above were also included.

## EBIT

EBIT totalled -€17,516 thousand, compared with -€22,827 thousand in 2017; the improvement is due to the increase in EBITDA, as described above, partly offset by the greater amortisation and depreciation, which increased by 15.3% compared with 2017, as a result of the significant investments made in 2017, especially for the implementation of the new corporate ERP system and the new logistics centre in Truccazzano.

## Earnings before tax from continuing operations

Profit (loss) before tax from continuing operations was -€17,896 thousand, compared with -€24,406 thousand in 2017.

Financial income, net of expense, stands at €1,702 thousand (net income of €95 thousand in the previous year). Specifically, financial income totals €1,827 thousand and breaks down into €1,485 thousand from the capital gain realised through the sale of the equity investment in Interactive Thinking and €277 thousand from the recording of the dividends of Interactive Thinking.

The share pertaining to associated companies amounts to -€1,820 thousand (expense of €1,674 thousand in 2017) and includes the Group share relating to the result achieved in the year by associate companies; specifically, the portion of income of the Click & Quick Distributions associate (€1,229 thousand) takes into account the write-down of goodwill implicit in the company following the substantial zeroing of the company's shareholders' equity and negotiations in progress with other partners and a third-party operator to define a different way of running the business.

The write-down of financial assets of €262 thousand refers to the partial write-down of loans to Click & Quick, to align them with the presumed realisable value on the basis of the agreements in the process of being defined with other partners and a third-party operator involved in relaunching operations.

### **Profit (loss) from discontinued operations**

The income from assets held for sale and discontinued operations refers, net of some related costs, 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 for a sum of €785 thousand and for €2,500 thousand to the definition of the carve out amount relating to the sale of Bnk4 Saldiprivati, which was initially subject to reaching certain targets up to a maximum of 5 million. The amount had already been paid at the closing, so it has not had any impact on the net financial position as at 31 December 2018. The further amount of €2.5 million which was paid by the SRP Group into an escrow account, recognised between the other creditors, guaranteeing the definition of the definitive price, offset in other payables, was therefore reimbursed following the agreement reached in the period.

## 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 2018	% of total revenues	Q4 2017*	% of total revenues	% Change
<b>Total revenues</b>	<b>51,868</b>	100.0%	<b>54,983</b>	100.0%	-5.7%
Cost of goods sold <sup>9</sup>	(42,820)	-82.6%	(46,827)	-85.2%	-8.6%
Gross margin <sup>10</sup>	<b>9,048</b>	<b>17.4%</b>	<b>8,155</b>	14.8%	10.9%
Sales and marketing costs	(3,296)	-6.4%	(5,073)	-9.2%	-35.0%
Logistics costs	(6,262)	-12.1%	(6,162)	-11.2%	1.6%
IT costs	(288)	-0.6%	(228)	-0.4%	26.3%
General and administrative expenses	(1,608)	-3.1%	(609)	-1.1%	164.2%
<b>Adjusted EBITDA</b>	<b>(2,407)</b>	<b>-4.6%</b>	<b>(3,917)</b>	-7.1%	38.6%
Non-recurring costs and income and stock option plans	(235)	-0.5%	(309)	-0.6%	-23.9%
<b>EBITDA</b>	<b>(2,642)</b>	<b>-5.1%</b>	<b>(4,226)</b>	-7.7%	37.5%
Depreciation, amortisation and impairment	(2,119)	-4.1%	(2,454)	-4.5%	-13.6%
<b>EBIT</b>	<b>(4,761)</b>	<b>-9.2%</b>	<b>(6,680)</b>	-12.1%	28.7%
Net financial expenses	1,458	2.8%	(141)	-0.3%	-1134.2%
Minority interest in income of associates	(824)	-1.6%	(1,097)	-2.0%	-24.9%
Write-down of financial assets	(262)	-0.5%	0	0.0%	N/A
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>(4,388)</b>	<b>-8.5%</b>	<b>(7,918)</b>	-14.4%	44.6%
Income Taxes	0		<b>(1,023)</b>		
Net profit (loss) from discontinued operations	(15)		7		N/A
<b>NET PROFIT (LOSS)</b>	<b>(4,403)</b>	<b>-8.5%</b>	<b>(8,934)</b>	<b>-16.2%</b>	<b>50.7%</b>

\* restated to include the effects from the initial application of IFRS 15

In the fourth quarter, which is more representative of the new action plans launched in 2018, consolidated revenue stands at €51,868 thousand, a fall of 5.7% compared with the fourth quarter of 2017 (€54,983 thousand).

As described above, the fall in revenues in the fourth quarter was less than in the previous quarters, confirming the positive trend already recorded in the third quarter which is due mainly to the good performance of the core category of large domestic appliances.

<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.



In spite of the fall in revenue, gross profit improved significantly both in absolute terms with an increase of €893 thousand compared with the fourth quarter of 2017, equal to 10.9%, and in percentage terms compared with the corresponding period of 2017, going from an impact of 14.8% on revenue for the fourth quarter of 2017 to 17.4%. This is all due to the further acceleration in the fourth quarter of the strategy announced aimed at recovering gross margins and also from the benefit resulting from the consolidation of Installo which can be quantified at around 40bps.

Adjusted EBITDA was -€2,407 thousand compared with -€3,917 thousand for the fourth quarter of 2017, an improvement of €1,510 thousand or around 39%, significantly reducing the loss and confirming the positive effect of the actions undertaken during the year aimed at optimising costs and recovering margins.

Specifically, note a large reduction in commercial and marketing costs due, as described above, to the optimisation of costs for obtaining new customers through actions aimed at increasing the natural growth of user visits to the website.

Also note how the item general and administrative costs has suffered compared with the fourth quarter of 2017 because the contribution to research and development of €1,646 thousand was recorded in 2017 in the fourth quarter, while in 2018 it was recorded in the second and partly the third quarters. Additionally, the general and administrative costs of Installo were €84 thousand in the fourth quarter. Net of these effects, general and administrative costs fell by €731 thousand or around 32%.

At the same time, Adjusted EBITDA net of the above effect also improved compared with the fourth quarter of 2017 by €3,156 thousand or around 57%.

EBITDA was -€2,642 thousand, compared with -€4,226 thousand in the fourth quarter of 2017.

EBIT was -€4,761 thousand, after depreciation and amortisation of €2,119 thousand, compared with -€6,680 thousand in the fourth quarter of 2017, representing an improvement of about 28.7%.

The net result was -€4,403 thousand, compared with -€8,934 thousand for the fourth quarter of 2017, essentially halving the loss for the period.

## 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 2018	31 December 2017*
<b>USES</b>		
Net working capital	1,161	(5,482)
Fixed assets	35,310	40,996
Long-term assets	8,759	8,992
Personnel fund	(2,198)	(2,024)
Long-term liabilities	(360)	(438)
Net Invested Capital	<b>42,672</b>	<b>42,044</b>
<b>SOURCES</b>		
Net Financial Liquidity/Debt	6,706	21,340
Net Equity	(49,378)	(63,384)
<b>FUNDING SOURCES TOTAL</b>	<b>(42,672)</b>	<b>(42,044)</b>

\* restated to include the effects from the initial application of IFRS 15

### Net Working Capital

There was a change in Net Working Capital of €6,643 thousand mainly as a result of the reduction in trade payables of €15,542 thousand partly offset by a decrease in inventories and, to a lesser extent, in trade receivables. Specifically, the net reduction in trade payables was affected by the calendar dates which led some payables from 2017 to be adjusted at the start of 2018. The fall in inventories was affected by the decision to move some unrelated categories to the marketplace service component.

The change in other current receivables and payables was, to a large extent, affected by the definition of the earn-out related to the sale of Bnk4 Saldiprivati which took place in 2016, as already extensively illustrated in the comments on the Profit from assets held for sale and discontinued operations; on the other side, following the consolidation of Installo, payments on account from customers for aftersales services of €3,192 thousand were recorded and payments on account to suppliers of €1,163 thousand.

The table below provides a breakdown of Net Working Capital:

<i>(In thousands of Euros)</i>	31 December 2018	31 December 2017*
Inventories	16,091	20,560
Trade receivables and other accounts receivable	6,848	9,276
Trade and other payables	(22,515)	(38,057)
<b>Trade Working Capital</b>	<b>424</b>	<b>(8,221)</b>
Other current receivables and payables	737	2,739
<b>Net Working Capital</b>	<b>1,161</b>	<b>(5,482)</b>

\* restated to include the effects from the initial application of IFRS 15

## Fixed assets

Fixed assets fell by €5,686 thousand, specifically as a result of the depreciation and amortisation for the period of €8,180 thousand, the sales in the period to a large extent related to the assets of Sitonline for around €1,717 thousand, partly offset by investments in the period in intangible fixed assets of €3,697 thousand, in tangible fixed assets for €218 thousand and net investments in associate companies of €480 thousand.

After gaining control of Installo S.r.l. and its subsequent consolidation through the full consolidation method, in accordance with the provisions of IFRS 3, the Group made a temporary allocation for the cost of the business combination at the fair value of the assets acquired and the liabilities taken on, and recorded intangible fixed assets relating to the ownership platform of €3,208 thousand.

## Net Equity

The Net Equity attributable to shareholders of the parent company fell in the period from €63,384 thousand to €49,378 thousand, mainly on account of the result for the period, which was negative by €14,443 thousand, partly offset by increases of €301 thousand following the cost associated with the employee incentive schemes.

Following the consolidation of Installo S.r.l. through the full consolidation method there was a net equity for minority shareholders of €164 thousand, including the result, negative by €194 thousand.

The total number of treasury shares held by the company amounted to 1,011,372.

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

(thousands of Euros)

	31 December 2018	31 December 2017
(A) Cash	(93)	(150)
(B) Other cash and cash equivalents	(8,841)	(20,944)
(C) Stocks held for trading	-	-
<b>(D) Liquidity (A)+(B)+(C)</b>	<b>(8,934)</b>	<b>(21,094)</b>
(E) Current financial receivables	(2,055)	(2,877)
(F) Current financial payables	276	-
(G) Current portion of non-current debt	3,648	2,001
(H) Other current financial payables	28	94
<b>(I) Current financial debt (F)+(G)+(H)</b>	<b>3,951</b>	<b>2,095</b>
<b>(J) Net current financial liquidity/debt (D)+(E)+(I)</b>	<b>(7,037)</b>	<b>(21,876)</b>
(K) Non-current bank payables	331	501
(L) Bonds issued	-	-
(M) Other non-current payables	-	35
<b>(N) Non-current financial debt (K)+(L)+(M)</b>	<b>331</b>	<b>536</b>
<b>(O) Net Financial (Liquidity)/Debt (J)+(N)</b>	<b>(6,706)</b>	<b>(21,339)</b>

As at 31 December 2018, the Group reported net liquidity of €6,706 thousand, representing an increase of around €1 million compared with 30 September 2018.

The negative change compared with 31 December 2017 comes from the resources absorbed by operations of €15,886 thousand where the change in working capital absorbed €7,318 thousand. The change in working capital took place during the first quarter of the year and is due, as described above, to the net reduction in trade payables which was affected by the calendar dates which led certain payables for 2017 to be adjusted at the start of 2018.

The investing activities described previously generated resources of €1,355 thousand, benefiting from the sale of Sitonline's assets by around €1,756 thousand, the earn-out relating to the sale of Banzai Media (Vertical Content division) for €785 thousand and, in the fourth quarter, from the sale of the equity investment in Interactive Thinking Srl for a figure of around €2,500 thousand.

In February 2018, the Group took out a short-term loan of €5 million, which will be repaid within 12 months. As at 31 December 2018, €2,500 thousand of this loan had been repaid.

In October the Group took out another loan of €1 million, which will be repaid in monthly instalments within 19 months.

## SIGNIFICANT EVENTS IN THE YEAR

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. The Shareholders' Meeting approved the proposal submitted by the shareholder Paolo Ainio, who owns 22.88% of the share capital of the Company, to appoint Roberto Mazzei as a new member of the Board of Directors of ePrice S.p.A. to replace Pietro Scott Jovane who resigned. Dr. Mazzei will remain in office until the term of office of the current Board expires, i.e. until the Shareholders' Meeting called for the approval of the financial statements as at 31 December 2018.

In February 2018, the Group received a €5 million unsecured loan from the banking system for 12 months.

During the year the Group subscribed €350 thousand in capital increases in the associate company Il Post S.r.l., after which, because of the failure of some shareholders to subscribe, the stake rose from 38.16% to 38.92%.

In June the Group concluded the sale of Sitonline's assets to the Register Group for a consideration of around €1.8 million, with a positive impact on the income statement of approximately €326 thousand and on the net financial position of €1.8 million.

The table below illustrates the capital gains resulting from the sale:

Sale price	1,756
Goodwill	(1,474)
Other net liabilities	44
<b>Capital gains</b>	<b>326</b>

In June 2018 the Group signed an agreement with the SRP Group for the early termination of the logistics services provided to Bnk4-Saldiprivati, obtaining a consideration of €2 million, collected in full in July 2018.

Also in June 2018, the amount of the carve-out relating to the sale of Bnk4 Saldiprivati subject to the positive outcome of the transfer process to the company sold of several assets of an administrative and management nature pertaining to the vendor, necessary to make the company sold independent was defined at €2.5 million; €2.5 million of this amount of between €0 and €5 million had already been paid to the ePRICE Group at the closing, so it did not have an impact on the net financial position.

In July 2018 the Group acquired a further 22% stake in Installo at a price of around €160 thousand taking its ownership stake to 61%.

Still in July 2018, the Group became the Official Online Retail Partner of FC Internazionale Milano (Inter Milan Football Club); this collaboration involves extensive visibility of the ePRICE brand on all Inter's digital and physical properties and dedicated operations during key times of the year, with special initiatives aimed at Inter Milan supporters.

With effect from 1 August 2018, the Group started selling large domestic appliances on Amazon.

The Group continued to diversify its funding sources and, specifically, in October it obtained a medium-term unsecured loan of €1 million, a line of credit for account overdrafts of around €650 thousand and advances for the sale of a VAT receivable of €587 thousand.

The Group sold its 16% stake in Interactive Thinking realising a net capital gain of €1,485 thousand.

## 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>	2018	2017
Total Revenues	2,351	3,026
EBITDA <sup>11</sup>	(2,787)	(5,133)
Operating profit (EBIT)	(4,040)	(6,509)
Profit (loss) from continuing operations	(2,552)	(8,921)
Profit (loss) from discontinued operations	785	686
Net profit (loss)	(1,767)	(8,236)

Revenue in 2018 amounted to €2,351 thousand, compared with the €3,026 thousand generated in 2017.

This consisted almost exclusively of revenue from charge-backs to Group companies or companies that left the Group during previous years, on market terms and conditions and governed by suitable contracts with variable maturities. The reduction compared with the previous year is mainly due to the gradual disappearance of revenue from companies leaving the Group in previous years, which progressively left facilities for the company.

**EBITDA**, which was a negative figure of €2,787 thousand, improved by €2,346 thousand compared with 2017 as a result of the general cost cutting measures implemented in 2018.

The Operating Loss of €4,040 thousand was affected by depreciation and amortisation of €1,253 thousand, a slight fall compared with the previous year.

The profit (loss) from discontinued operations relates to the earn-out applicable to 2018 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 2018	31 December 2017
<b>USES</b>		
Net Working Capital	5,078	3,319
Fixed assets	84,710	86,090
Long-term assets	5,097	5,109
Personnel fund	(323)	(286)
Long-term liabilities	(360)	(437)
<b>Net invested capital</b>	<b>94,202</b>	<b>93,795</b>
<b>SOURCES</b>		
Net Financial Liquidity/Debt	3,935	5,813
Net Equity	(98,137)	(99,608)
<b>FUNDING SOURCES TOTAL</b>	<b>(94,202)</b>	<b>(93,795)</b>

**Net Working Capital** rose by €1,759 thousand mainly as a result of an increase in trade receivables from the subsidiary ePRICE Operations.

**Fixed Assets** fell by €1,380 thousand, mainly as a result of the disposal of Interactive Thinking and depreciation and amortisation for the period.

**Long-term assets** mainly refer to deferred tax assets, unchanged compared with the previous year.

**Net Equity** fell in the period from €99,608 thousand to €98,137 thousand, mainly on account of the overall result for the period, which was negative by €1,772 thousand, partly offset by increases of €301 thousand for the stock option reserve following the cost associated with the employee incentive schemes.

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 2018	At 31 December 2017
(A) Cash	-	-
(B) Other cash and cash equivalents	(4,682)	(8,418)
(C) Stocks held for trading	-	-
<b>(D) Liquidity (A)+(B)+(C)</b>	<b>(4,682)</b>	<b>(8,418)</b>
(E) Current financial receivables	218	-
(F) Current financial payables	-	-
(G) Current portion of non-current debt	501	2,001
(H) Other current financial payables	28	67
<b>(I) Current financial debt (F)+(G)+(H)</b>	<b>747</b>	<b>2,068</b>
<b>(J) Net current financial liquidity/debt (D)+(E)+(I)</b>	<b>(3,935)</b>	<b>(6,350)</b>
(K) Non-current bank payables	-	501
(L) Bonds issued	-	-
(M) Other non-current payables	-	35
<b>(N) Non-current financial debt (K)+(L)+(M)</b>	<b>-</b>	<b>536</b>
<b>(O) Net Financial (Liquidity)/Debt (J)+(N)</b>	<b>(3,935)</b>	<b>(5,814)</b>

As at 31 December 2018, the Company reported net liquidity of €3,935 thousand. The change compared with 31 December 2017 (Net Liquidity of €5,814 thousand) is mainly attributable to the resources absorbed by operations, partly offset by investing activities.

## 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 activities of the development team dedicated to the mobile world continued and focused on optimising customer experience: one of the main objectives was to make significant improvements to the mobile app with the introduction of distinctive features that differentiate it clearly from the desktop website. Specifically a new basket for the mobile app has been released, the graphical user interface of the product details has been improved, highlighting the added value services offered by ePRICE.

A new portal was released for the automatic registration of marketplace sellers with the integrated support of CRM, which makes it possible to facilitate the acquisition of new sellers and their management by the marketplace team.



The development of new functionalities of the integrated management system continued. Specifically, the purchasing cycle flows and reconciliation of invoices of our suppliers were computerised, making it possible to optimise the management and control of purchasing processes.

Internal procedures for the management of customer requests regarding their personal data under the scope of the GDPR were defined and, as a result, the systems for their management were adapted.

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. The tracking of couriers was improved, both for products sent by ePrice and for those sent by marketplace. A monitoring system was released for the saturation of installation teams.

## Human resources and talent acquisition

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

	31 December 2018		31 December 2017	
	Average	Actual	Average	Actual
Senior managers	7	6	7	7
Middle managers	20	21	20	20
Clerical workers	142	149	145	141
Manual workers	7	12	2	2
<b>Total</b>		<b>188</b>		<b>170</b>

The increase is mainly attributable to Installo joining the scope of consolidation. It had 37 employees as at 31 December 2018. Net of this change in the scope of consolidation, the company headcount would have fallen during the year. The table below highlights the actual and average workforce of Installo S.r.l.:

	31 December 2018	
	Average	Actual
Senior managers	0	0
Middle managers	1	2
Clerical workers	13	25
Manual workers	5	10
<b>Total</b>		<b>37</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.	(1,767)	98,137
IFRS profits of the subsidiaries and the difference between book value and their shareholders’ equity	(12,870)	(48,923)
ePRICE Group	(14,637)	49,214

## 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.

In February the Group obtained a new line of credit totalling €2,500 thousand.

On 18 February 2019, Dr. Andrea Biasco resigned from the office of Company Board Member.

## OUTLOOK

Taking into account the results achieved by the Group in 2018, which provide positive proof surrounding the reasonableness of the strategic guidelines expressed in last year's plans, the management of ePRICE believes that it is currently reasonable to assume that the forecasts of further gradual improvement in profitability and growth can be reconfirmed and, as a result, management believes that the action plans already launched in 2018 will lead to a progressive improvement in results in 2019 as well and will enable the ePRICE Group to consolidate its leadership position in service-driven categories and facilitate solid growth of the marketplace in 2019.

On 6 March 2019 the ePRICE board approved the updating of the ePRICE strategic guidelines for the period 2019-2024, which, in line with the plans for the previous year, include strong organic growth in the sale of large domestic appliances, progressive growth of the marketplace and the opening of its own platform for new services aimed at Italian consumers and their families.

Specifically, the budget for 2019 confirms and updates the actions according to the following guidelines:

- Strengthening leadership in the categories defined as core (large domestic appliances, TVs and climate control) with an increase in premium delivery and services and new ranges also dedicated to marketplaces outside ePRICE.it, such as Amazon and eBay.
- Expansion of the Marketplace, thanks to an increase in the number of sellers, particularly abroad
- Improvement of the commercial policies and partnerships with vendors, thanks to the growing importance of large domestic appliance volumes and the capacity to offer unique marketing and customer profiling solutions on the market.
- Qualitative and quantitative growth of ePRICE as a services platform and new offers connected with maintenance and installation through the subsidiary Installo Srl.
- Completion of the efficiency plan for breakages and logistics management.

The business plans for coming years revised by the Board of Directors on 6 March 2019 demonstrate an improvement in EBITDA in 2019, sustainable cash flow development and a positive financial position at the end of 2019.

The strategy described above will allow ePRICE to reach its FY19 targets:

- GMV and revenues growing thanks to the consolidation of the leadership position in service-driven categories and solid growth of the marketplace, the increased significance on the market of large domestic appliances, new commercial initiatives during the year and an increase in info-commerce activities.
- Further improvement of EBITDA around break-even at the end of 2019, thanks to the increase in sales margins and the full effects of the actions in progress concerning relations with suppliers.
- NFP essentially unchanged at the end of the year.

In the years after 2019, the plans show solid growth in GMV and Revenues, driven by large domestic appliances, services and 3P marketplace and an EBITDA margin which should stabilise between 5 and 7% in the medium-term thanks to the anticipated growth in large domestic appliances and the increase in penetration of the marketplace and other services.

The plans also show positive effects for cash flows in 2019 generated by non-recurring earn-outs resulting from the disposal of BMH and Saldiprivati.

The results achieved so far and the actions in progress make it possible to predict that the objectives in the plans will be achieved as well as economic and financial sustainability for routine management in the short-/medium-term.



# Consolidated Financial Statements as at 31 December 2018

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## PROPOSAL OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(In thousands of Euros)</i>	Notes	31 December 2018	Of which related parties	31 December 2017*	Of which related parties
<b>NON-CURRENT ASSETS</b>					
Plant and equipment	1	6,359		7,788	
Intangible assets	2	27,699		28,560	
Investments in associates	3	1,055	1,055	2,278	2,278
Non-current financial assets	4	196	195	2,370	1,361
Other non-current assets	5	59		292	
Deferred tax assets	6	8,700		8,700	
<b>NON-CURRENT ASSETS TOTAL</b>		<b>44,068</b>		<b>49,988</b>	
<b>CURRENT ASSETS</b>					
Inventories	7	16,091		20,560	
Trade receivables and other receivables	8	6,848	737	9,276	1,255
Other current assets	9	9,795		14,312	
Cash and cash equivalents	10	8,934	184	21,094	422
<b>CURRENT ASSETS TOTAL</b>		<b>41,668</b>		<b>65,242</b>	
Assets held for sale					
<b>ASSETS TOTAL</b>		<b>85,736</b>		<b>115,230</b>	
<b>LIABILITIES AND NET EQUITY</b>					
<b>NET EQUITY</b>					
Share capital		826		826	
Reserves		62,831		87,302	
Profit (loss) for the period		(14,443)		(24,744)	
<b>Net equity pertaining to the shareholders of the parent company</b>		<b>49,214</b>		<b>63,384</b>	
Net equity pertaining to minority shareholders		164		0	
<b>TOTAL NET EQUITY</b>	<b>11</b>	<b>49,378</b>		<b>63,384</b>	
<b>NON-CURRENT LIABILITIES</b>					
Payables to banks and other lenders	12	331		536	
Provisions for personnel	13	2,198		2,024	
Provisions for risks and charges	14	360		360	
Other non-current liabilities	16	0		78	
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,889</b>		<b>2,998</b>	
<b>CURRENT LIABILITIES</b>					
Trade and other payables	15	22,515	168	37,737	1,769
Payables to banks and other lenders	12	3,952		2,095	
Other current liabilities	16	6,691		8,696	
Provisions for risks and charges	14	311		320	
<b>TOTAL CURRENT LIABILITIES</b>		<b>33,469</b>		<b>48,848</b>	
Liabilities from discontinued operations					
<b>TOTAL LIABILITIES</b>		<b>36,358</b>		<b>51,846</b>	
<b>TOTAL NET EQUITY AND LIABILITIES</b>		<b>85,736</b>		<b>115,230</b>	

\* restated to include the effects from the initial application of IFRS 15



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

<i>(In thousands of Euros)</i>	Notes	31 December 2018	Of which related parties	31 December 2017*	Of which related parties
Revenue	17	166,973	519	191,145	3,453
Other income	18	4,354		3,152	
Costs for raw materials and goods for resale	19	(133,300)		(156,779)	
Costs for services	20	(38,085)	(2,403)	(43,532)	(9,647)
<i>Of which non-recurring</i>					
Personnel expenses	21	(8,243)		(8,916)	
<i>Of which non-recurring</i>					
Depreciation, amortisation and impairment	22	(8,681)		(7,529)	
Other costs	23	(534)		(368)	
<b>Operating profit (loss)</b>		<b>(17,516)</b>		<b>(22,827)</b>	
Financial expenses	24	(125)		(87)	
Financial income	24	1,827		182	
Minority interest in income of associates	25	(1,820)		(1,674)	
Write-downs of financial assets	26	(262)		0	
<b>Profit (loss) before tax from continuing operations</b>		<b>(17,896)</b>		<b>(24,406)</b>	
Income Taxes	27	0		(1,023)	
<b>Profit (loss) from continuing operations</b>		<b>(17,896)</b>		<b>(25,429)</b>	
Net profit (loss) from discontinued operations	28	3,259		685	
<b>Profit (loss) for the period</b>		<b>(14,637)</b>		<b>(24,744)</b>	
<i>of which:</i>					
<i>Net profit of minority interests</i>		(194)			
<i>Group net profit</i>		(14,443)			
<b>Other components of comprehensive income:</b>					
<i>That will not subsequently be reclassified into profit (loss) for the year</i>					
Employee benefits		(28)		(187)	
Tax effect					
<b>Total</b>		<b>(28)</b>		<b>(187)</b>	
<i>That will subsequently be reclassified into profit (loss) for the year</i>					
<b>Comprehensive profit/(loss) for the period</b>		<b>(14,665)</b>		<b>(24,931)</b>	
Earnings per share	29	-0.36		-0.61	
Diluted earnings per share	29	-0.36		-0.61	

\* restated to include the effects from the initial application of IFRS 15

## CONSOLIDATED STATEMENT OF CASH FLOW

(In thousands of Euros)

	31 December 2018	Of which related parties	31 December 2017*	Of which related parties
<b>NET CASH FLOW FROM OPERATIONS</b>				
Net result from operations	(17,896)		(25,429)	
<i>Adjustments to reconcile profit for the year with cash flow generated by operating activities:</i>				
Depreciation and Amortisation	8,180		6,922	
Bad debt provision	501		606	
Employee benefit fund provision	440		326	
Inventory write-down	0		150	
Employee benefit fund change	(470)		(620)	
Change in deferred tax assets and liabilities	0		1,023	
Change in provision for risks and charges	134		0	
Share of the result pertaining to associated companies	1,820		1,674	
Impairment losses on non-current assets	262		0	
Sale of financial instruments	(1,762)		0	
Change in other non-current liabilities	(78)		41	
Other non-monetary items	301		391	
<i>Changes in working capital</i>				
Change in inventories	4,182		1,666	
Change in trade receivables	2,045	518	283	(946)
Change in other current assets	3,403		(1,763)	
Change in trade payables	(16,178)	(1,601)	863	760
Change in other payables	(770)		(1,262)	
<b>NET CASH FLOW GENERATED (ABSORBED) BY OPERATIONS</b>	<b>(15,886)</b>		<b>(15,129)</b>	
<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Acquisition of tangible assets	(218)		(6,155)	
Disposal of tangible assets	138		14	
Change in other non-current assets	251		(18)	
Change in sale of financial instruments	2,950		0	
Acquisition of intangible assets	(3,697)		(7,263)	
Disposal of intangible assets	1,756		0	
Provision of financing	0		(1,150)	(1,150)
Purchase of associates	(480)	(480)	(1,484)	(1,484)
Acquisition of subsidiaries	(104)		0	
Cash flow from discontinued operations	759		1,230	
<b>NET CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITIES</b>	<b>1,355</b>		<b>(14,826)</b>	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Financial payables	1,549		2,397	
Share capital increase	0		1,045	
Current financial receivables	822		(1,177)	
Treasury shares	0		(675)	
Dividends	0		(5,252)	
<b>NET CASH FLOW ABSORBED BY FINANCING ACTIVITIES</b>	<b>2,371</b>		<b>(3,662)</b>	
(Decrease)/Increase in cash and cash equivalents	(12,160)		(33,617)	
Net exchange rate differences on cash and cash equivalents				
<b>CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD</b>	<b>21,094</b>		<b>54,711</b>	
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>8,934</b>		<b>21,094</b>	

\* restated to include the effects from the initial application of IFRS 15

## CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

	Share capital	Share premium	Legal reserve	Treasur y shares	Stock Option reserve	Other capital reserves	Retained earnings (losses)	FTA Reserve	Employee benefits	Total Group Net Equity	Minorities Net Equity	Total
<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>(60,163)</b>	<b>(487)</b>	<b>(273)</b>	<b>63,384</b>	<b>0</b>	<b>63,384</b>
Result for the year							(14,443)			(14,443)	(194)	(14,637)
<b>Other components of comprehensive income:</b>										0		0
that will not subsequently be reclassified into profit (loss) for the year									(28)	(28)		(28)
that will subsequently be reclassified into profit (loss) for the year										0		0
<b>Total income</b>							(14,443)		(28)	(14,471)	(194)	(14,665)
Change in scope of consolidation										0	358	358
Share capital increase				45	(45)					0		0
Share-based payment					301					301		301
Allocation of the result										0		0
Reclassifications										0		0
<b>Balance as at 31 December 2018</b>	<b>826</b>	<b>125,194</b>	<b>164</b>	<b>(3,166)</b>	<b>1,052</b>	<b>538</b>	<b>(74,606)</b>	<b>(487)</b>	<b>(301)</b>	<b>49,214</b>	<b>164</b>	<b>49,378</b>

\* restated to include the effects from the initial application of IFRS 15

	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>124,153</b>	<b>1</b>	<b>(2,585)</b>	<b>554</b>	<b>538</b>	<b>(30,102)</b>	<b>(486)</b>	<b>(86)</b>	<b>92,808</b>
Result for the year							(15,810)			(15,810)
<b>Other components of comprehensive income:</b>										0
that will not subsequently be reclassified into profit (loss) for the year									7	7
that will subsequently be reclassified into profit (loss) for the year										0
<b>Total income</b>							(15,810)		7	(15,803)
Transactions on treasury shares				(378)						(378)
Share capital increase	5	1,040								1,045
Share-based payment					255					255
Allocation of the result			163				(5,415)			(5,252)
<b>Balance as at 30 September 2017*</b>	<b>826</b>	<b>125,193</b>	<b>164</b>	<b>(2,963)</b>	<b>809</b>	<b>538</b>	<b>(51,327)</b>	<b>(486)</b>	<b>(79)</b>	<b>72,675</b>

\* restated to include the effects from the initial application of IFRS 15

## EXPLANATORY NOTES

### Accounting principles and measurement criteria used to prepare the consolidated financial statements as at 31 December 2018

The consolidated financial statements of the ePRICE Group as at 31 December 2018 were approved by the Board of Directors on 06 March 2019.

The consolidated financial statements for the year ended 31 December 2018 (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 other items of the 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.

The scope of consolidation as at 31 December 2018 changed compared with 31 December 2017 because during the year a further 22% stake in Installo S.r.l. was acquired. A 39% stake was held previously and consolidated through the equity method. The scope of consolidation is illustrated below:

*(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
Installo S.r.l.	Logistics services	Italy	61%

## 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 were no changes in relation to the accounting principles applied in the previous year, with the exception of the adoption of the new principles, amendments and interpretations in force from 1 January 2018. The Group did not adopt any new principles, interpretations or amendments issued but not yet in force early.

The nature and effects of these changes are described below. Although these new principles and amendments apply for the first time in 2018, they have not had any material impact on the Group's consolidated financial statements. The nature and impact of each new standard/amendment is listed below:

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and the related interpretations and applies to all revenue from contracts with customers, unless these contracts come under the scope of other principles. The new principle 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 principle involves the entities exercising an opinion, which takes into consideration all the important facts and circumstances in the application of each phase of the model to contracts with customers. The principle also specifies the accounting of incremental costs linked to obtaining a contract and costs directly connected to the conclusion of a contract.

The Group adopted IFRS 15 using the full retroactive application method.

Group contracts relating to online sales generally include one single obligation. The Group concluded that revenue relating to product sales should be recognised at the particular time in which the control of the asset is transferred to the customer, usually when the goods are delivered. The adoption of IFRS 15 did not therefore have any impact on the timing of the recognition of revenue. Moreover, there were impacts on the amount of revenue to be recognised, as described below.

Sales contracts give customers a right of return. Before the adoption of IFRS 15, the Group recorded revenue from the sale of goods at the fair value of the consideration received or to be received, net of adjustments relating to returns and trade discounts. With the adoption of IFRS 15, rights of return generate a variable consideration. This consideration is estimated at the start of the contract and limited until the uncertainty considered is settled.

#### Right of return

According to IFRS 15, the consideration received from the customer is variable as a result of the fact that the contract allows the customer to return products. The Group uses the expected value method to estimate the goods that will be returned because this method makes it possible to estimate more accurately the amount of the variable consideration which the Group has a right to. When defining the amount of the variable consideration which can be included in the transaction price, the Group applies the requirements of IFRS 15 in limiting the estimates of the variable consideration. The Group presents a liability for returns separately in the statement of financial position and an asset for recovery rights from customers included under inventories, with disclosure provided in the notes to the financial statements.

The statement of financial position as at 31 December 2017 was restated with the recognition of liabilities for returns for a sum of €320 thousand and with an increase in inventories of €290 thousand. The income statement for the year ended 31 December 2017 was also restated with an increase in revenue and costs for raw materials and goods for resale of €54 thousand and €48 thousand, respectively.

## Aftersales service obligations

The Group offers aftersales services through its e-commerce websites for repairs provided by third-party suppliers or Group companies. In the case of warranties provided by third parties, the Group is not considered the main party responsible for fulfilling the promise to provide the repair service if required. In this context, the Group has the discretion to define the price of the warranties; the consideration recognised to the Group in these contracts is calculated as the difference between the purchase price and the sales price. With the adoption of IFRS 15, the Group established that in these cases it does not control the aftersales services and that its role is therefore that of an agent. This change led to a fall in revenue for the sale of goods and the cost of goods sold and an increase in revenue for the provision of services for the difference. After the acquisition of control of Installo, in certain cases the Group acts as a principal, maintaining control and being responsible for the cost of the repairs; in such cases the revenue and related costs are reported pro-rata temporis in the period in which the Group is called upon to provide the obligation that is the subject of the warranty. The income statement for the year ended 31 December 2017 was restated. This was the year in which the Group acted exclusively as an agent with a fall in revenue and the cost of raw materials and goods for resale of €1,476 thousand.

## IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments. Recognition and measurement for the years starting 1 January 2018 or later, bringing together all three aspects relating to the accounting of financial instruments: classification and measurement, loss in value and hedge accounting. The Group applied IFRS 9 retroactively, with the first application date of 1 January 2018 and with the adjustment of the comparative information for the year starting 1 January 2017. The application did not have significant impacts for the Group.

## Interpretation IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in defining the spot exchange rate to be used for the initial recognition of the asset, cost or revenue (or part of these) at the time a non-monetary asset or non-monetary liability relating to advances on considerations is cancelled, the date of the transaction is the date on which the entity initially recognises the non-monetary asset or the non-monetary liability relating to the advances on considerations. In the case of multiple payments or advances, the entity should define the transaction date for each payment or advance payment on considerations. This interpretation had no impact on the Group's consolidated financial statements.

## Amendments to IAS 40 Investment Property

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. These amendments had no impact on the Group's consolidated financial statements.



#### Amendments to IFRS 2 Share-based Payments

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 had no impact on the Group's consolidated financial statements.

#### Amendments to IFRS 4 - Joint Application of IFRS 9 Financial Instruments and IFRS 4 Insurance contracts

The amendments involve the problems which arise from the adoption of the new principle on financial instruments, IFRS 9 before the adoption of IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities that issue insurance contracts: a temporary exemption in the application of IFRS 9 and the overlay approach. These amendments are not relevant for the Group.

#### Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that the measurement of an investment at fair value reported in the profit/(loss) for the year is a decision that is applied to the individual investment

The amendments 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 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. These amendments had no impact on the Group's consolidated financial statements.

#### Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Cancellation 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. These amendments had no impact on the Group's consolidated financial statements.

## 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 instruments

A financial instrument is any contract which gives rise to a financial asset for an entity and to a financial liability or an equity instrument for another entity.

## Financial assets

### Initial recognition and measurement

At the time of the initial recognition, financial assets are classified, as applicable, on the basis of the subsequent measurement methods, i.e. at the amortised cost, fair value reported in the comprehensive income statement OCI, and the fair value recorded in the income statement. The classification of financial assets at the time of the initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the business model that the Group uses for their management. With the exception of trade receivables which do not contain a significant financial component or for which the Group has applied the practical expedient, the Group initially values a financial asset at its fair value plus, in the case of a financial asset not at fair value recorded in the income statement, the transaction costs. Trade receivables which do not contain a significant financial component or for which the Group has applied the practical expedient are measured at the price of the transaction calculated according to IFRS 15. In order for a financial asset to be classified and measured at the amortised cost or at the fair value reported in the OCI, it should generate cash flows which only depend on the principal and on the interest on the amount of the principal to be repaid. The Group's business model for the management of financial assets refers to the way in which it manages its financial assets in order to generate financial flows. The corporate model determines whether the financial flows result from the collection of contractual financial flows, the sale of financial assets, or from both. The purchase or sale of a financial asset requiring delivery within the time frame established by the regulation or market convention 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 amortised cost;
- Financial assets at fair value recorded in the comprehensive income statement with reclassification of the cumulative gains and losses;
- Financial assets at fair value recorded in the comprehensive income statement without the reversal of cumulative gains and losses at the time of derecognition;
- Financial assets at fair value through profit or loss.

### Financial assets at amortised cost

The Group measures financial assets at amortised cost if both the following requirements are met:

- the financial asset is owned in the framework of a business model whose objective is the possession of financial assets aimed at the collection of contractual financial flows

and

- the contractual terms of the financial asset include financial flows at certain dates represented solely by payments of the principal and interest on the capital amount to be repaid.

Financial assets at amortised cost are later measured using the effective interest criterion and are subject to impairment. Profits and losses are recorded in the income statement when the asset is derecognised, amended or revalued.

### Financial assets at fair value reported in OCI

The Group reports assets at fair value in the comprehensive income statement if both the following conditions are met:

- the financial asset is owned under the framework of a business model whose objective is achieved either through the collection of contractual financial flows or through the sale of the financial assets

and

- the contractual terms of the financial asset include financial flows at certain dates represented solely by payments of the principal and interest calculated on the capital amount to be repaid.

For assets measured at fair value in OCI, the interest income, the changes on account of foreign exchange differences and losses in value, together with write-backs, are recorded in the income statement and calculated in the same way as financial assets at amortised cost. The remaining changes in fair value are recorded in OCI. At the time of derecognition, the cumulative change in fair value recorded in OCI is reclassified in the income statement.

### Investments in equity instruments

At the time of the initial recognition the Group can irrevocably decide to classify its equity investments as equity instruments measured at the fair value recorded in OCI when they satisfy the definition of equity instruments pursuant to IAS 32 Financial Instruments: Presentation and they are not held for trading. The classification is determined for each individual instrument. The gains and losses realised on these financial instruments are never redirected to the income statement. Dividends are reported like other revenue in the income statement when the right to payment has been approved, except when the Group benefits from this income recovering part of the cost of the financial asset and in that case these gains are recorded in OCI. Equity instruments recorded at fair value in OCI are not subject to impairment tests.



### **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, or financial assets which must compulsorily be valued at fair value. Assets held for trading are all assets purchased in order to be sold or repurchased in the short-term. Financial assets with financial flows which are not solely represented by payments of principal and interest are classified and measured at the fair value in the income statement, independently of the business model. In spite of the criteria for debt instruments to be classified at amortised cost or at the fair value reported in OCI, as described above, debt instruments can be recognised at the fair value reported in the income statement at the time of the initial recognition if this involves the elimination or significant reduction of an accounting mismatch. Financial instruments at fair value through profit or loss are posted to the statement of financial position at fair value and net changes in fair value are recognised in the income statement for the year.

### **Derecognition**

A financial asset is derecognised firstly when the right to receive cash flows from the asset are extinguished or if 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 has substantially transferred all risks and benefits of ownership of the financial asset, or 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. When the residual involvement of the entity is a guarantee on the asset transferred, the involvement is measured on the basis of the lower amount between the amount of the asset and the maximum amount of the consideration received which the entity may have to repay.

### **Impairment losses on financial assets**

The Group posts a write-down for expected losses (expected credit loss 'ECL') for all financial assets represented by debt instruments not held at the fair value reported in the income statement. The ECLs are based on the difference between the contractual financial flows due in conformity with the contract and all the financial flows that the Group expects to receive, discounted at an approximation of the effective original interest rate. The expected cash flows include financial flows resulting from the enforcement of collateral held or other guarantees which are an integral part of the contractual conditions. Expected losses are recorded in two phases. With regard to credit exposures for which there has not been a significant increase in the credit risk since the initial recognition, the credit losses resulting from the estimate of default events which could possibly occur within the next 12 months must be measured. For credit exposures for which there has been a significant increase in the credit risk since the initial recognition, the expected losses which refer to the residual duration of the exposure must be measured in full, irrespective of the time that the default event is expected to occur. For trade receivables and assets resulting from contracts, the Group applies a simplified approach to calculating the anticipated losses. Therefore, the Group does not monitor changes in credit risk, but reports the anticipated loss in full at every reference date. For assets represented by debt instruments

measured at fair value reported in OCI, the Group applies the simplified approach permitted for assets with a low credit risk. At every reporting date for the financial statements, the Group assesses whether the debt instrument has a low credit risk using the information available which can be obtained without excessive cost or effort. When making this assessment, the Group monitors the creditworthiness of the debt instrument. A financial instrument is eliminated when there is no reasonable expectation of the recovery of the contractual financial flows.

## 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.

### 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. Financial liabilities held for trading are all of those assumed with the intention of extinguishing them or transferring them in the short-term. 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 IFRS 9 are satisfied. At the time of initial recognition, the Group has not designated financial assets at fair value with changes recognised in the income statement.

### Loans

After initial recognition, 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. This category generally includes interest bearing loans and receivables.

## **Derecognition**

A financial liability is derecognised when the underlying obligation is extinguished, cancelled or fulfilled. 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.

## **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.

## **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.

### Right of return

The consideration received from the customer is variable as a result of the fact that the contract allows the customer to return products. The Group uses the expected value method to estimate the goods that will be returned because this method makes it possible to estimate more accurately the amount of the variable consideration which the Group has a right to. When defining

the amount of the variable consideration which can be included in the transaction price, the Group applies the requirements of IFRS 15 in limiting the estimates of the variable consideration. The Group presents a liability for returns separately in the statement of financial position and an asset for recovery rights from customers included under inventories, with disclosure provided in the notes to the financial statements.

### 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.

#### Aftersales service obligations

The Group offers aftersales services through its e-commerce websites for repairs provided by third-party suppliers or Group companies. In the case of warranties provided by third parties, the Group is not considered the main party responsible for fulfilling the promise to provide the repair service if required. In this context, the Group has the discretion to define the price of the warranties; the consideration recognised to the Group in these contracts is calculated as the difference between the purchase price and the sales price. In cases in which the Group acts as a principal, maintaining control and being responsible for the cost of the repairs; the revenue and related costs are reported pro-rata temporis in the period in which the Group is called upon to carry out the repair.

## 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.

## **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.

### **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.

#### **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 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 6,359 thousand as at 31 December 2018 (€7,788 thousand as at 31 December 2017), as shown below:

<i>(In thousands of Euros)</i>	At 31 December 2018			At 31 December 2017		
	Hist. cost	Depreciation, amortisation and write-downs.	Net value	Hist. cost	Depreciation, amortisation and write-downs.	Net value
Plant and equipment	4,557	(1,178)	3,379	4,456	(538)	3,918
Equipment	1,340	(643)	697	1,647	(674)	973
Electronic machinery	2,803	(2,073)	730	2,710	(1,712)	998
Electronic machinery under leasing	705	(602)	103	705	(452)	253
Fixtures and furnishings	689	(547)	142	694	(507)	187
Other assets	2,170	(862)	1,308	2,013	(554)	1,459
<b>Total</b>	<b>12,264</b>	<b>(5,905)</b>	<b>6,359</b>	<b>12,225</b>	<b>(4,437)</b>	<b>7,788</b>

Note that as at 31 December 2018, 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 2017	Increases	Decreases	Change in scope of consolidation	Depreciation and amortisation	Write-downs	At 31 December 2018
Plant and equipment	3,918	101	-	-	(640)	-	3,379
Equipment	973	1	(11)	-	(151)	(115)	697
Electronic machinery	998	108	(7)	53	(369)	-	730
Electronic machinery under leasing	253	-	-	-	(150)	-	103
Fixtures and furnishings	187	2	(5)	-	(42)	-	142
Other assets	1,459	116	-	106	(267)	-	1,308
<b>Total</b>	<b>7,788</b>	<b>328</b>	<b>(23)</b>	<b>159</b>	<b>(1,619)</b>	<b>(115)</b>	<b>6,359</b>

The increases for the year are related for around €159 thousand to Installo S.r.l entering the scope of consolidation.

## 2. Intangible assets

Intangible assets stood at €27,699 thousand (€28,560 thousand as at 31 December 2017) and break down as indicated below.

### Intangible assets with an indefinite useful life

Intangible assets with an indefinite life are composed entirely of goodwill for €12,818 thousand, a reduction of €1,474 thousand compared with 31 December 2017 following the sale of Sitonline which took place in June 2018. The goodwill recognised as at 31 December 2018 refers to the excess of the purchase value over the fair value of the assets and liabilities acquired.

As at 31 December 2018, 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 for the 2019-2024 strategic plan for a time span of five years. The impairment test relating to the Consolidated Financial Statements was approved by the Board of Directors on 06 March 2019.

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 2018	At 31 December 2017
E-commerce	12.40%	10.27%

The growth rate (g) used to define the cash flows of the CGUs as at 31 December 2018 was 1.40%.

The results of the impairment test showed that, as at 31 December 2018, 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 2018:

Terminal growth rate	n.a.
WACC	18.5%
Change in EBITDA	-22.2%

The terminal growth rate was not considered to be a significant parameter, insofar as the value in use equals the net invested capital in the period 2019-2023 used for impairment purposes.

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 2018, no impairment indicators were identified.

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

Intangible assets with a finite useful life stood at €14,881 thousand as at 31 December 2018 (€14,268 thousand as at 31 December 2017).

The following table provides a breakdown of the historical cost, accumulated amortisation and net carrying amount of intangible fixed assets as at 31 December 2018 and 31 December 2017:

<i>(In thousands of Euros)</i>	At 31 December 2018			At 31 December 2017		
	Hist. cost	Acc. amort.	Net value	Hist. cost	Acc. amort.	Net value
Software, patents, concessions and licences	7,121	(3,973)	3,148	6,783	(2,602)	4,181
Platform development	25,147	(13,997)	11,150	19,284	(9,608)	9,676
Other fixed assets	-	-	-	26	(22)	4
Fixed assets under development	583		583	407		407
<b>Total intangible assets</b>	<b>32,851</b>	<b>(17,970)</b>	<b>14,881</b>	<b>26,500</b>	<b>(12,232)</b>	<b>14,268</b>

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

<i>(In thousands of Euros)</i>	At 31 December 2017	Increases	Decreases	Change in scope of consolidation	Depreciation and amortisation	Reclassifications	At 31 December 2018
Software, patents, concessions and licences	4,181	264	(1)		(1,384)	86	3,148
Platform development	9,676	5,969	(242)	3,130	(5,058)	321	11,150
Other fixed assets	4	-	-	0	(4)	-	-
Fixed assets under development	407	583	-	400	-	(407)	583
<b>Total intangible assets</b>	<b>14,268</b>	<b>6,816</b>	<b>(243)</b>	<b>3,530</b>	<b>(6,446)</b>	<b>0</b>	<b>14,881</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 for the year is mainly attributable to Installo entering the scope of consolidation for €3,530 thousand. It is a company that developed an important platform for the computerised management of a network of installers and technicians in Italy.

The increase in software is connected to the development of new Group ERP functionalities which came into operation in 2017. Other 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 €583 thousand (€407 thousand at 31 December 2017) relate to projects under development, specifically related to the platform.

### 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 2017	Share of profit (loss)	Increases	Disposals	Reclassificati ons	At 31 December 2018
<b>Investments in associates</b>	<b>2,278</b>	<b>(1,820)</b>	<b>1,487</b>	<b>(522)</b>	<b>(368)</b>	<b>1,055</b>

The breakdown of the item at 31 December 2018 is as follows:

At 31 December 2018	Registered offices	% shareholding held directly	Carrying amount
Il Post S.r.l.	Milan	38.92%	123
Giornalettismo S.r.l.	Milan	30.00%	0
Ecommerce Outsourcing S.r.l.	Rho	20.00%	265
Termostore S.r.l.	Reserves	24.51%	667
Click & Quick Distributions S.r.l.	Milan	15.00%	0
<b>Total equity investments in associates</b>			<b>1,055</b>

Equity investments in associates are booked in the Consolidated Financial Statements using the equity method.

The increases in the year refer to the subscription of a capital increase in the associate “Il Post” for €350 thousand, the surrender of shareholder loans in favour of the associate Click&Quick Distribution for €727 thousand, the surrender of receivables from the associate Termostore for €270 thousand and the acquisition of a further 7.8% stake in Apprice Sagl, for €140 thousand.

The investment in Apprice was later sold; the investment in Termostore was reduced following the partial disposal from 43% to 24.51%.

The investment in Click & Quick Distributions was reduced to zero to include the share of the stake and the implicit reduction to zero of the goodwill.

Based on available information and/or business plans concerning the individual associates, management believed that as at 31 December 2018 there were no impairment indicators with the exception of the company Click & Quick Distributions whose portion of income reflects the write-down of implied goodwill and involved the total zeroing of the equity investment.

## 4. Non-current financial assets

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

Non-current financial assets	At 31 December 2018	At 31 December 2017
Investments in other companies	1	1,009
Loans to associates	195	1,361
<b>Total non-current assets</b>	<b>196</b>	<b>2,370</b>

Investments in other companies were essentially reduced to zero following the disposal of the investment in Interactive Thinking S.r.l., which made it possible to record net income of €1,454 thousand.

(In thousands of Euros)	At 31 December 2018	At 31 December 2017
<i>Quadrante S.r.l. in liquidation</i>	-	-
<i>Interactive Thinking S.r.l.</i>	-	1,005
<i>Consortia and collective credit guarantee cooperatives</i>	1	4
<b>Total equity investments in other companies</b>	<b>1</b>	<b>1,009</b>

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 €195 thousand refer to the provision of interest-free loans, repayable on request, to the associates Click & Quick Distribution S.r.l. (€160 thousand) and Il Post S.r.l. (€35 thousand). The change compared with the previous year is mainly due to the waiver in favour of Installo for €176 thousand, in favour of Click & Quick Distributions for €727 thousand and write-downs of €262 thousand for the loan to Click & Quick Distributions to align the value to what it is believed can be recovered under the scope of a more extensive transaction involving the subsidiary.

## 5. Other non-current assets

Other non-current assets totalled €59 thousand (€292 thousand as at 31 December 2017), and mainly included security deposits for leases, utilities and purchasing consortia.

## 6. Deferred tax assets

This item, unchanged compared with the previous year and equal to €8,700 thousand, 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. The deferred tax assets recorded were those considered to be recoverable during the specific period of the 2019-2024 plan, the guidelines for which were approved by the Board of Directors on 6 March 2019.

The Group has fiscally relevant losses and other temporary differences of approximately a further €65.8 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>Inventories</i>	At 31 December 2018	At 31 December 2017
Goods inventories	16,406	20,820
Goods recovery rights following returns	235	290
Provision for obsolete inventory	(550)	(550)
<b>Total inventories</b>	<b>16,091</b>	<b>20,560</b>

Goods inventories comprise assets acquired for subsequent resale on the e-commerce platforms. The right to recover goods following returns was introduced pursuant to principle IFRS 15 and is representative of the estimated value to upload to the warehouse for expected returns; the value is posted under liabilities for returns; the comparative data was restated to highlight the estimate at 31 December 2017. The provision for obsolete inventory, unchanged compared with the previous year, reflects the obsolescence risk for some slower moving goods.

## 8. Trade receivables and other receivables

Trade and other receivables totalled €6,848 thousand, compared with €9,276 thousand at the end of the previous year, as indicated below:

<i>(In thousands of Euros)</i>	At 31 December 2018	At 31 December 2017
Trade receivables	3,981	5,601
Invoices to be issued	2,791	4,079
Marketplace receivables	825	368
Provision for bad debts	(749)	(772)
<b>Total trade and other receivables</b>	<b>6,848</b>	<b>9,276</b>

The comparative data were restated for the purpose of a better reflection, having classified receivables from merchants operating in the marketplace, previously reported under other current assets and equal to €368 thousand at 31 December 2017 under trade receivables.

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 2018	At 31 December 2017
Opening provision	772	188
Increases	500	606
Uses/Releases	(537)	(22)
Change in scope of consolidation	14	-
<b>Provision for bad debts</b>	<b>749</b>	<b>772</b>

The application of the new international accounting principle IFRS 9, did not involve any significant changes with regard to the estimation of the provision for bad debts.

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

<i>Amounts (in € 000s)</i>	At 31 December 2018	At 31 December 2017
To become due	<b>2,039</b>	<b>3,291</b>
Due for <30 days	726	1,045
Due for 30-90 days	86	382
Due for 90-180 days	80	242
Due for >180 days	1,050	640
<b>Total due</b>	<b>1,942</b>	<b>2,309</b>
<b>Total</b>	<b>3,981</b>	<b>5,601</b>

## 9. Other current assets

The breakdown of other current assets is as follows:

<i>(In thousands of Euros)</i>	At 31 December 2018	At 31 December 2017
Tax credits	3,593	5,945
Deferred collection receivables	2,055	2,877
Other receivables	1,542	3,892
Advances to suppliers	1,220	1
Accruals and deferrals	1,385	1,597
<b>Total other current assets</b>	<b>9,795</b>	<b>14,312</b>

Tax credits mainly consist of VAT credit of €2,431 thousand and tax credits for research and development of €647 thousand.

Deferred collection receivables include proceeds from sales made just before the end of the period paid by credit card and not yet credited as at the date of the financial statements, as they were finalised soon after the end of the period, and receivables from logistics operators from whom payment on delivery is requested; the decrease compared with 31 December 2018 is mainly related to a lower percentage of payments on delivery.

Other receivables, equal to €1,542 thousand, fell compared with 31 December 2017, mainly as a result of the disappearance of the receivable of €2,500 thousand, a deposit paid by the SRP Group into an escrow account to guarantee the payment of the retained amount following the definition of the contractual value. The deposit was actually returned and, at the same time, the payable to SRP was closed.

As highlighted in note 8, the comparative data was restated for the purpose of a better representation, having classified receivables from merchants operating in the marketplace, previously reported under other current assets and equal to €368 thousand at 31 December 2017, under trade receivables.

Advance payments to suppliers are mainly due to the amounts paid to parties which support the Group in carrying out repairs on goods for which aftersales service was supplied.

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>	<b>At 31 December 2018</b>	<b>At 31 December 2017</b>
Bank and postal deposits	8,841	20,944
Cash	93	150
<b>Total cash and cash equivalents</b>	<b>8,934</b>	<b>21,094</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 2018 were free from any constraints or restrictions on use.

## 11. Shareholders' equity

The Net Equity attributable to shareholders of the parent company fell in the period from €63,384 thousand to €49,214 thousand, mainly on account of the result for the period, which was negative by €14,443 thousand, partly offset by increases of €301 thousand following the cost associated with the employee incentive schemes.

Following the consolidation of Installo S.r.l. through the full consolidation method there was a net equity for minority shareholders of €164 thousand, including the result, negative by €194 thousand.

The total number of treasury shares held by the company amounted to 1,011,372.

## 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.

The Ordinary Shareholders' Meeting of 17 April 2018 resolved the approval of the establishment of an incentive plan known as the 2018 Stock Grant Plan which involves the granting of a maximum of 450,000 ordinary shares in total to employees of the Company and any subsidiaries if the performance targets defined on parameters related to the performance of the extraordinary efficiency/margins initiatives defined in the 2018 Budget and relating to individual performance are reached.

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

	2018	2018 WAPY	2017	2017 WAPY
Outstanding at 1 January	1,144,875	4.67	1,170,375	4.57
No. assigned	0	0	0	0
No. cancelled/not vested	0	0	25,500	0
No. exercised	0	0	0	0
No. lapsed	0	0	0	0
No. outstanding	1,144,875	4.67	1,144,875	4.67
No. exercisable	1,087,118	4.73	543,559	4.73

## 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 2018 is as follows:

<i>(In thousands of Euros)</i>	At 31 December 2018	At 31 December 2017
Due to banks	331	501
Due to other lenders	-	35
<b>Total non-current payables due to banks and other lenders</b>	<b>331</b>	<b>536</b>

The breakdown of current payables due to banks and other lenders as at 31 December 2018 is as follows:

<i>(In thousands of Euros)</i>	At 31 December 2018	At 31 December 2017
Due to banks	3,924	2,001
Due to other lenders	28	94
<b>Total current payables due to banks and other lenders</b>	<b>3,952</b>	<b>2,095</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 2018						
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	501	501	-	-
Banca Intesa	Unsecured	3-month Euribor + spread	5,000	2018	2019	2500	2500		
Credito valtellinese	Unsecured	3-month Euribor + spread	1,000	2018	2020	948	629	319	
<b>Total bank loans</b>			<b>10,000</b>			<b>3,949</b>	<b>3,630</b>	<b>319</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

<i>(thousands of Euros)</i>	31 December 2018	31 December 2017
(A) Cash	(93)	(150)
(B) Other cash and cash equivalents	(8,841)	(20,944)
(C) Stocks held for trading	-	-
<b>(D) Liquidity (A)+(B)+(C)</b>	<b>(8,934)</b>	<b>(21,094)</b>
(E) Current financial receivables	(2,055)	(2,877)
(F) Current financial payables	276	-
(G) Current portion of non-current debt	3,648	2,001
(H) Other current financial payables	28	94
<b>(I) Current financial debt (F)+(G)+(H)</b>	<b>3,951</b>	<b>2,095</b>
<b>(J) Net current financial liquidity/debt (D)+(E)+(I)</b>	<b>(7,037)</b>	<b>(21,876)</b>
(K) Non-current bank payables	331	501
(L) Bonds issued	-	-
(M) Other non-current payables	-	35
<b>(N) Non-current financial debt (K)+(L)+(M)</b>	<b>331</b>	<b>536</b>
<b>(O) Net Financial (Liquidity)/Debt (J)+(N)</b>	<b>(6,706)</b>	<b>(21,339)</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 2017	Service cost	Interest cost	Advances and settlements	Actuarial gains/losses	Change in scope of consolidation	At 31 December 2018
<b>Provisions for personnel</b>	<b>2,024</b>	<b>394</b>	<b>26</b>	<b>-344</b>	<b>-28</b>	<b>126</b>	<b>2,198</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 2018	At 31 December 2017
<b>Economic and financial assumptions</b>		
Discount rate	1.57%	1.30%
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

The provision for risks and charges classified as non-current is unchanged compared with the previous year and stands at €360 thousand; it includes the allocation to the risk provision for contractual warranties.

The current provision for risks and charges stands at €311 thousand (€320 thousand at 31 December 2017) and €260 thousand represents the estimated value of expected returns; the comparative data has been restated to highlight the estimate at 31 December 2017. The item includes over €51 thousand for the risk of future aftersales service enforcement.

## 15. Trade and other payables

Trade payables stood at €22,515 thousand (€37,737 thousand as at 31 December 2017) 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>	At 31 December 2018	At 31 December 2017
To become due	<b>20,318</b>	<b>32,659</b>
Due for <30 days	535	2,045
Due for 30-90 days	1,159	1,995
Due for 90-180 days	3	999
Due for >180 days	501	39
<b>Total due</b>	<b>2,197</b>	<b>5,078</b>
<b>Total trade payables and other payables</b>	<b>22,515</b>	<b>37,737</b>

## 16. Other current and non-current liabilities

Other non-current liabilities have a zero balance; at 31 December 2017 they amounted to €78 thousand and represent the severance pay of directors no longer in the Group.

Other current liabilities amounted to €6,691 thousand, broken down as follows:

<i>(In thousands of Euros)</i>	At 31 December 2018	At 31 December 2017
Due to employees/directors	914	940
Due to social security bodies	633	691
Advances from customers	3,645	522
Tax payables	622	395
Accruals and deferrals	46	459
Other payables	831	5,689
<b>Total other current liabilities</b>	<b>6,691</b>	<b>8,696</b>

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

Advances from customers increased significantly following the entry of Installo into the scope of consolidation. Carrying out the role of principal in the offering of aftersales service, what was received from customers was recorded under advances in connection with the commitments that will materialise in future years.

Other payables, equal to €831 thousand, fell compared with 31 December 2017 as there was no longer the payable of €5,000 to the SRP Group following the definition of the contractual value of the price adjustment, which saw the recognition of income from discontinued operations of €2.5 million and the offsetting of the remaining €2.5 million of payables with the credit of the same amount which included the guarantee deposited by SRP in an escrow account.

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

### 17. Revenue

The breakdown of revenue is as follows:

<i>(In thousands of Euros)</i>	For the financial year ended 31 December	
	2018	2017
e-Commerce revenues	164,436	187,297
Other	2,537	3,852
<b>Revenue</b>	<b>166,973</b>	<b>191,145</b>

\* restated to include the effects of the first time adoption of IFRS 15



Revenue is recognised net of refunds on sales. Refunds on sales for the years 2018 and 2017 amounted to €5,382 thousand and €7,487 thousand, respectively. Marketplace revenues are only indicated for the commission component.

The “Other” item 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 totalled €4,354 thousand (€3,152 thousand in 2017) and is mainly composed of the income of €2 million from the agreement for the early termination of the logistics services provided to Bnk4-Saldiprivati and from contributions in the form of tax credit for research and development activities, equal to €1,941 thousand (€1,646 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	
	2018	2017
Raw materials and goods for resale	(128,828)	(154,900)
Change in inventories	(4,472)	(1,879)
<b>Total costs for raw materials and goods for resale</b>	<b>(133,300)</b>	<b>(156,779)</b>

\* restated to include the effects of the first time adoption of IFRS 15

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	2018	2017
Sales and marketing costs	9,887	12,180
Transport and logistics	16,844	19,151
Consulting and contract workers	967	1,248
IT services and technical consulting	2,216	2,396
Rentals and leases	3,061	2,847
Deposit fees and bank expenses	2,054	2,155
Travel expenses	202	221
Utilities	710	478
Directors' remuneration	635	1,284
Others	1,509	1,572
<b>Total costs for services</b>	<b>38,085</b>	<b>43,532</b>

Costs for services totalled €38,085 thousand compared with €43,532 thousand for the previous year.

A general reduction in costs for services was recorded during the year following general cost-cutting measures.

Sales and marketing costs include, in particular, customer acquisition costs and loyalty promotional activities.

The costs of rentals and leases mainly reflect lease agreements for offices and warehouses; the increase relates to the new logistics centre in use since September 2017.

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.

The reduction in director's remuneration is mainly related to the CEO leaving the Group. His responsibilities have been taken on by the Chairman of the Board of Directors.

## 21. Personnel expenses

The breakdown of employee costs is as follows:

	2018	2017
Salaries and wages	6,884	7,792
Social security charges	2,053	2,331
Severance pay	440	326
Capitalised costs	(1,435)	(1,924)
Stock option	301	391
<b>Employee costs</b>	<b>8,243</b>	<b>8,916</b>

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 2018 and 2017:

	31 December 2018		31 December 2017	
	Average	Actual	Average	Actual
Senior managers	7	6	7	7
Middle managers	20	21	20	20
Clerical workers	142	149	145	141
Manual workers	7	12	2	2
<b>Total</b>		<b>188</b>		<b>170</b>

The increase is mainly attributable to Installo joining the scope of consolidation. It had 37 employees as at 31 December 2018. Net of this change in the scope of consolidation, the company headcount would have fallen by 19 during the year.

## 22. Depreciation, amortisation and impairment

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

Depreciation, amortisation and impairment	At 31 December 2018	At 31 December 2017
Amortisation of intangible assets	6,446	5,556
Amortisation of tangible assets	1,619	1,226
Write-down of receivables and fixed assets	616	747
<b>Total amortisation and impairments</b>	<b>8,681</b>	<b>7,529</b>

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

The write-downs are for €501 thousand recorded in current assets and €115 thousand for tangible fixed assets later transferred.

## 23. Other costs

Other costs stood at €534 thousand (€368 thousand in 2017) and consist mainly of indirect taxes, subscriptions, membership fees and losses incurred for various reasons.

## 24. Financial income and expenses

Financial income, net of expense, stands at €1,702 thousand (net income of €95 thousand in the previous year). Specifically, financial income totals €1,827 thousand and breaks down into €1,485 thousand from the capital gain realised through the sale of the equity investment in Interactive Thinking and €277 thousand from the recording of the dividends of Interactive Thinking.

## 25. Minority interest in income of associates

This item amounts to a net expense of €1,820 thousand (expense of €1,674 thousand in 2017) and includes the Group share relating to the result achieved in the year by associate companies; specifically, the portion of income of the associate Click & Quick Distributions (€1,229 thousand) takes into account the write-down of goodwill implicit in the company.

## 26. Write-downs of financial assets

The entry stands at €262 thousand and includes the partial write-down on the shareholders' loan supplied to the associate Click & Quick Distributions, to take into account the negative result for the year it suffered and operations being prepared involving the shareholding structure.

## 27. Income Taxes

This entry has a balance of zero, while in the previous year there was an expense of €1,023 thousand represented by the partial reversal of deferred tax income recorded in previous years.

## 28. Profit (loss) from discontinued operations

The income from assets held for sale and discontinued operations refers, net of some related costs, 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 for a sum of €785 thousand and for €2,500 thousand to the definition of the carve out amount relating to the sale of Bnk4 Saldiprivati, which was initially subject to reaching certain targets up to a maximum of 5 million. The amount had already been paid at the closing, so it has not had any impact on the net financial position as at 30 June 2018. The further amount of €2.5 million which was paid by the SRP Group into an escrow account, recognised between the other creditors, guaranteeing the definition of the definitive price, offset in other payables, was therefore reimbursed following the agreement reached in the half-year.

## 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>	<i>At 31 December 2018</i>	<i>At 31 December 2017</i>
Profit (loss) attributable to the parent company's ordinary shareholders (In thousands of Euro)	(14,637)	(24,750)
Average number of shares outstanding	40,297,563	40,248,037
Dilution effect	0	-
Average number of outstanding shares for the purposes of calculating diluted earnings	40,297,563	40,248,037
<i>Earnings per share (Euros)</i>	<i>-0.36</i>	<i>-0.61</i>
<i>Diluted earnings per share (Euros)</i>	<i>-0.36</i>	<i>-0.61</i>

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 the stock options 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 2018						
	Trade receivables	Equity investments	Non-current financial assets	Cash	Trade payables	Revenue	Costs for services
Banca Profilo S.p.A.	-	-	-	184	-	-	-
Il Post S.r.l.	-	123	35	-	-	-	-
Ecommerce Outsourcing S.r.l.	22	265	-	-	-	389	-
Termostore S.r.l.	550	667	-	-	-	126	-
Click & Quick Distributions	165	-	160	-	168	4	2,403
<b>Total</b>	<b>737</b>	<b>1,055</b>	<b>195</b>	<b>184</b>	<b>168</b>	<b>519</b>	<b>2,403</b>
<b>Total balance sheet item</b>	<b>6,848</b>	<b>1,055</b>	<b>196</b>	<b>8,934</b>	<b>22,515</b>	<b>166,973</b>	<b>38,085</b>
<b>Weight %</b>	<b>10.76%</b>	<b>100.00%</b>	<b>99.49%</b>	<b>2.06%</b>	<b>0.75%</b>	<b>0.31%</b>	<b>6.31%</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 following is a breakdown of the transactions with related parties as at 31 December 2017:

In thousands of Euro	As at 31 December 2017						
	Receivables trade	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
Aprice	-	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>

#### 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 2018 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 BKN4 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 2018 are shown below:

<i>(In thousands of Euros)</i>	Receivables and loans	Fair value	Fair value hierarchy
<b>Other financial assets</b>			
Other financial assets	195	<b>195</b>	Level 3
Other assets	59	<b>59</b>	Level 3
<b>Trade receivables</b>			
Trade receivables	6,848	<b>6,848</b>	Level 3
<b>Cash and cash equivalents</b>			
Bank and postal deposits	8,934	<b>8,934</b>	Level 1

<i>(In thousands of Euros)</i>	Liabilities at amortised cost	Fair value	Fair value hierarchy
<b>Non-current financial payables and liabilities</b>			
Payables to banks and other lenders	331	331	Level 3
<b>Current liabilities</b>			
Payables to banks and other lenders	3,952	<b>3,952</b>	Level 3
Due to suppliers	22,515	<b>22,515</b>	Level 3

The carrying amount of financial instruments in the financial year ended 31 December 2017 is shown below:

<i>(In thousands of Euros)</i>	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	9,276	-	<b>9,276</b>	Level 3
<b>Cash and cash equivalents</b>				
Bank and postal deposits	21,094	-	<b>21,094</b>	Level 1

\* restated to include the effects of the first time adoption of IFRS 15

<i>(In thousands of Euros)</i>	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

### 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 2018, there were no atypical and/or unusual transactions as defined in that Communication.

### Information pursuant to Law 124/2017

Law 124 of 4 August 2017 introduced, from financial statements for 2018, several transparency obligations pertaining to parties which receive “subsidies, contributions, paid offices and economic advantages of any kind” from public administrations and from a series of similar parties with which they have economic relations.

In consideration of the fact that this provision raised questions on interpretations and applications which still remain unresolved, the Group has carried out the necessary in-depth investigations and, also in the light of the most recent guidelines, believes that they do not come under the scope of the obligation to publish:

- the sums received as payment for public works, services and supplies;
- paid offices coming under the typical exercising of business operations;
- the general measures which can be used by all companies coming under the general structure of the reference system defined by the State (e.g.: ACE);
- selective economic advantages received to apply a scheme of aid, accessible to all companies that satisfy certain conditions, based on pre-determined general criteria (for example: contributions to research and development projects and tax relief);
- public resources related to public bodies of other countries (European or on-European) and other European institutions;
- contributions for training received from inter-professional funds (for example: Fondimpresa and Fondirigenti); because they are funds in the form of an association and have the legal status of private law entities which are funded through contributions paid by the actual businesses.

The ePRICE Group has not received disbursements during the year which come under donations or ad hoc public aid, namely not granted on the basis of a general scheme.

#### **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
<b>Total ePRICE S.p.A.</b>			<b>91</b>
Statutory audit on 31 December	EY S.p.A.	ePRICE Group companies	38
Other services	EY S.p.A.	ePRICE Group companies	15
<b>Total ePRICE Group</b>			<b>144</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 2018.
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, 06 March 2019

*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, 2018

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



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## Independent auditor's report pursuant to 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, 2018, 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, 2018, 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 Euro 2.525.000,00 i.v.  
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Iscritta all'Albo Speciale delle società di revisione  
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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We identified the following key audit matters:

Key Audit Matter	Audit Response
<p>Valuation of intangible assets with indefinite useful life</p> <p>As at December 31, 2018 intangible assets with indefinite useful life amount to Euro 12.8 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 for period 2019-2023 (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 sensitivity analyses 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, 2018 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 others, the analysis of future taxable income forecasts 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 2018 fiscal year resulted in a comprehensive loss and an overall reduction in cash and cash equivalents balance. On March 6, 2019 the Board of Directors of ePRICE S.p.A. approved the updated strategic guidelines underlying the Group's strategic Plan.</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 influence the assessment 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 judgment involved in forecast activities and their potential implications on the determination of the going concern basis of accounting, we have considered that this area represents a key audit matter.</p> <p>The paragraphs "Comment on the results" and "Outlook" of the Directors' report discuss the results achieved in the fiscal year and the actions taken by the directors on the basis of the forecasts assumed in the Plan.</p>	<p>Our 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 whose basic strategic guidelines have been approved by the Board of Directors of ePRICE S.p.A. on March 6, 2019 and assessment 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>• written representations from management relating to future action plans and their feasibility;</li> <li>• assessment of the deviation of the results of the first months of 2019 as compared to the budget.</li> </ul> <p>Lastly, we 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 of the consolidated financial statements that give a true and fair view 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.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company ePRICE S.p.A. or to cease operations, or have 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 consider this matter in forming 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 shareholders 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 pursuant to 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, 2018, 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, 2018 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, 2018 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 20, 2019

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

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## STATEMENT OF FINANCIAL POSITION

(In Euros)	Notes	31 December 2018	Of which related parties	31 December 2017	Of which related parties
<b>NON-CURRENT ASSETS</b>					
Plant and equipment	1	682,142		910,058	
Intangible assets	2	2,939,842		3,731,413	
Equity investments	3	61,234,673	61,234,673	45,990,638	45,990,638
Non-current financial assets	4	19,853,435	19,853,435	35,458,437	34,453,435
Other non-current assets	5	2,326		15,211	
Deferred tax assets	6	5,093,249		5,093,249	
<b>NON-CURRENT ASSETS TOTAL</b>		<b>89,805,667</b>		<b>91,199,006</b>	
<b>CURRENT ASSETS</b>					
Trade receivables and other receivables	7	5,331,913	5,330,564	3,298,031	3,271,016
Other current assets	8	1,619,214		3,030,953	
Cash and cash equivalents	9	4,682,182	183,708	8,417,948	421,448
<b>CURRENT ASSETS TOTAL</b>		<b>11,633,309</b>		<b>14,746,932</b>	
<b>ASSETS TOTAL</b>		<b>101,438,976</b>		<b>105,945,938</b>	
<b>LIABILITIES AND NET EQUITY</b>					
<b>NET EQUITY</b>					
Share capital		826,297		826,297	
Reserves		99,077,494		107,016,992	
Profit (loss) for the year		(1,767,079)		(8,235,540)	
<b>TOTAL NET EQUITY</b>	<b>10</b>	<b>98,136,712</b>		<b>99,607,749</b>	
<b>NON-CURRENT LIABILITIES</b>					
Payables to banks and other lenders	11	0		536,530	
Provisions for personnel	12	322,723		285,766	
Provisions for risks and charges	13	360,000		360,000	
Other non-current liabilities	15	0		78,027	
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>682,723</b>		<b>1,260,323</b>	
<b>CURRENT LIABILITIES</b>					
Trade and other payables	14	1,122,930		1,949,903	
Payables to banks and other lenders	11	747,355		2,067,968	
Other current liabilities	15	749,256	107,805	1,059,995	244,654
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,619,541</b>		<b>5,077,866</b>	
<b>TOTAL LIABILITIES</b>		<b>3,302,264</b>		<b>6,338,189</b>	
<b>TOTAL NET EQUITY AND LIABILITIES</b>		<b>101,438,976</b>		<b>105,945,938</b>	

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(In Euros)	Notes	31 December 2018	Of which related parties	31 December 2017	Of which related parties
Revenue	16	2,350,808	2,072,415	3,025,599	2,293,331
Other income	17	862,792		290,746	
Costs for raw materials and goods for resale	18	(26,030)		(39,165)	
Costs for services	19	(3,922,635)		(5,659,926)	
<i>Of which non-recurring</i>					
Personnel expenses	20	(1,898,244)		(2,548,675)	
<i>Of which non-recurring</i>					
Depreciation, amortisation and impairment	21	(1,253,201)		(1,375,577)	
Other costs	22	(153,641)		(202,073)	
<b>Operating profit (loss)</b>		<b>(4,040,151)</b>		<b>(6,509,071)</b>	
Financial expenses	23	(8,618)		(12,621)	
Financial income	24	1,762,059		363	
Minority interest in income of associates	25	(265,625)		(1,376,710)	
<b>Profit (loss) before tax from continuing operations</b>		<b>(2,552,335)</b>		<b>(7,898,039)</b>	
Income Taxes	26	0		(1,023,064)	
<b>Profit (loss) from continuing operations</b>		<b>(2,552,335)</b>		<b>(8,921,103)</b>	
Net profit (loss) from discontinued operations	27	785,256		685,563	
<b>Profit (loss) for the period</b>		<b>(1,767,079)</b>		<b>(8,235,540)</b>	
<b>Other components of comprehensive income:</b>					
<i>That will not subsequently be reclassified into profit (loss) for the year</i>					
Employee benefits		(5,202)		(680)	
Tax effect		0		0	
<b>Total</b>		<b>(5,202)</b>		<b>(680)</b>	
<i>That will subsequently be reclassified into profit (loss) for the year</i>					
<b>Comprehensive profit/(loss) for the period</b>		<b>(1,772,281)</b>		<b>(8,236,220)</b>	

## STATEMENT OF CASH FLOW

	(In thousands of Euros)	31 December 2018	Of which related parties	31 December 2017	Of which related parties
<b>NET CASH FLOW FROM OPERATIONS</b>					
Profit (loss) for the year		(2,552)		(8,921)	
<i>Adjustments to reconcile profit for the year with cash flow generated by operating activities:</i>					
Depreciation and Amortisation		1,253		1,339	
Bad debt provision		0		36	
Employee benefit fund provision		92		116	
Employee benefit fund change		(60)		(98)	
Change in deferred tax assets and liabilities		0		1,023	
Other non-monetary items		142		341	
Share of the result pertaining to associated companies		266		1,377	
Capital gain from sale of financial instruments		(1,762)		-	
Change in other non-current liabilities		(78)		41	
<i>Changes in working capital</i>					
Change in trade receivables		(2,217)	(2,060)	(2,537)	(2,639)
Change in other current assets		1,917		1,021	
Change in trade payables		(827)		619	(102)
Change in other payables		(817)	(136)	124	116
<b>NET CASH FLOW GENERATED (ABSORBED) BY OPERATIONS</b>		<b>(4,643)</b>		<b>(5,519)</b>	
<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>					
Acquisition of tangible assets		(6)		(71)	
Disposal of tangible assets		0		13	
Change in other non-current assets		12		(1)	
Acquisition of intangible assets		(227)		(2,210)	
Provision of financing		(400)	(400)	(25,300)	(25,300)
Acquisition of subsidiaries		(350)	(350)	0	
Cash flow from discontinued operations		785		686	
Change in sale of financial instruments		2,950		0	
<b>NET CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITIES</b>		<b>2,764</b>		<b>(26,883)</b>	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Financial payables		(1,857)		2,442	
Share capital increase		0		1,045	
Treasury shares		0		(675)	
Dividends paid		0		(5,252)	
<b>NET CASH FLOW ABSORBED BY FINANCING ACTIVITIES</b>		<b>(1,857)</b>		<b>(2,440)</b>	
(Decrease)/Increase in cash and cash equivalents		(3,736)		(34,842)	
Net exchange rate differences on cash and cash equivalents					
<b>CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR</b>		<b>8,418</b>		<b>43,260</b>	
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>4,682</b>		<b>8,418</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 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>
Result for the year							(1,767)			(1,767)
<b>Other components of comprehensive income:</b>										0
that will not subsequently be reclassified into profit (loss) for the year									(5)	(5)
that will subsequently be reclassified into profit (loss) for the year										0
<b>Total income</b>							(1,767)		(5)	(1,772)
Transactions on treasury shares				45	(45)					0
Share capital increase										0
Share-based payment					301					301
Allocation of the result										0
Reclassifications										0
<b>Balance as at 31 December 2018</b>	<b>826</b>	<b>125,194</b>	<b>164</b>	<b>(3,166)</b>	<b>1,052</b>	<b>538</b>	<b>(26,004)</b>	<b>(449)</b>	<b>(18)</b>	<b>98,137</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 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>

## EXPLANATORY NOTES

### Accounting principles and measurement criteria used to prepare the financial statements as at 31 December 2018

The separate financial statements of ePRICE S.p.A. for the year ended 31 December 2018 were approved by the Board of Directors on 06 March 2019.

The separate financial statements for the year ended 31 December 2018 (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 2018 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 instruments

A financial instrument is any contract which gives rise to a financial asset for an entity and to a financial liability or an equity instrument for another entity.

## Financial assets

- **Initial recognition and measurement**

At the time of the initial recognition, financial assets are classified, as applicable, on the basis of the subsequent measurement methods, i.e. at the amortised cost, fair value reported in the comprehensive income statement OCI, and the fair value recorded in the income statement. The classification of financial assets at the time of the initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the business model that the company uses for their management. With the exception of trade receivables which do not contain a significant financial component or for which the Company has applied the practical expedient, the Company initially values a financial asset at its fair value plus, in the case of a financial asset not at fair value recorded in the income statement, the transaction costs. Trade receivables which do not contain a significant financial component or for which the Company has applied the practical expedient are measured the price of the transaction calculated according to IFRS 15. In order for a financial asset to be classified and measured at the amortised cost or at the fair value reported in the OCI, it should generate cash flows which only depend on the principal and on the interest on the amount of the principal to be repaid. The Group's business model for the management of financial assets refers to the way in which it manages its financial assets in order to generate financial flows. The corporate model determines whether the financial flows result from the collection of contractual financial flows, the sale of financial assets, or from both. The purchase or sale of a financial asset requiring delivery within the time frame established by regulation or market convention 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 amortised cost;
- Financial assets at fair value recorded in the comprehensive income statement with reclassification of the cumulative gains and losses;
- Financial assets at fair value recorded in the comprehensive income statement without the reversal of cumulative gains and losses at the time of derecognition;
- Financial assets at fair value through profit or loss.

- **Financial assets at amortised cost**

The Company measures financial assets at amortised cost if both the following requirements are met:

- the financial asset is owned in the framework of a business model whose objective is the possession of financial assets aimed at the collection of contractual financial flows
- and
- the contractual terms of the financial asset include financial flows at certain dates represented solely by payments of the principal and interest on the capital amount to be repaid.

Financial assets at amortised cost are later measured using the effective interest criterion and are subject to impairment. Profits and losses are recorded in the income statement when the asset is derecognised, amended or revalued.

- **Financial assets at fair value reported in OCI**

The Company reports assets at fair value in the comprehensive income statement if both the following conditions are met:

- the financial asset is owned under the framework of a business model whose objective is achieved either through the collection of contractual financial flows or through the sale of the financial assets
- and
- the contractual terms of the financial asset include financial flows at certain dates represented solely by payments of the principal and interest calculated on the capital amount to be repaid.

For assets measured at fair value in OCI, the interest income, the changes on account of foreign exchange differences and losses in value, together with write-backs, are recorded in the income statement and calculated in the same way as financial assets at amortised cost. The remaining changes in fair value are recorded in OCI. At the time of derecognition, the cumulative change in fair value recorded in OCI is reclassified in the income statement.

- **Investments in equity instruments**

At the time of the initial recognition the Company can irrevocably decide to classify its equity investments as equity instruments measured at the fair value recorded in OCI when they satisfy the definition of equity instruments pursuant to IAS 32 Financial Instruments: Presentation and they are not held for trading. The classification is determined for each individual instrument. The gains and losses realised on these financial instruments are never redirected to the income statement. Dividends are reported like other revenue in the income statement when the right to payment has been approved, except when the Company benefits from this income recovering part of the cost of the financial asset and in that case these gains are recorded in OCI. Equity instruments recorded at fair value in OCI are not subject to impairment tests.

- **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, or financial assets which must compulsorily be valued at fair value. Assets held for trading are all assets purchased in order to be sold or repurchased in the short-term. Financial assets with financial flows which are not solely represented by payments of principal and interest are classified and measured at the fair value in the income statement, independently of the business model. In spite of the criteria for debt instruments to be classified at amortised cost or at the fair value reported in OCI, as described above, debt instruments can be recognised at the fair value reported in the income statement at the time of the initial recognition if this involves the elimination or significant reduction of an accounting mismatch. Financial instruments at fair value through profit or loss are posted to the statement of financial position at fair value and net changes in fair value are recognised in the income statement for the year.



- **Derecognition**

A financial asset is derecognised firstly when the right to receive cash flows from the asset are extinguished or if 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 has substantially transferred all risks and benefits of ownership of the financial asset, or 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 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 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 Group. When the residual involvement of the entity is a guarantee on the asset transferred, the involvement is measured on the basis of the lower amount between the amount of the asset and the maximum amount of the consideration received which the entity may have to repay.

- **Impairment losses on financial assets**

The Company posts a write-down for expected losses (expected credit loss 'ECL') for all financial assets represented by debt instruments not held at the fair value reported in the income statement. The ECLs are based on the difference between the contractual financial flows due in conformity with the contract and all the financial flows that the Company expects to receive, discounted at an approximation of the effective original interest rate. The expected cash flows include financial flows resulting from the enforcement of collateral held or other guarantees which are an integral part of the contractual conditions. Expected losses are recorded in two phases. With regard to credit exposures for which there has not been a significant increase in the credit risk since the initial recognition, the credit losses resulting from the estimate of default events which could possibly occur within the next 12 months must be measured. For credit exposures for which there has been a significant increase in the credit risk since the initial recognition, the expected losses which refer to the residual duration of the exposure must be measured in full, irrespective of the time that the default event is expected to occur. For trade receivables and assets resulting from contracts, the Company applies a simplified approach to calculating the anticipated losses. Therefore, the Company does not monitor changes in credit risk, but reports the anticipated loss in full at every reference date. For assets represented by debt instruments measured at fair value reported in OCI, the Company applies the simplified approach permitted for assets with a low credit risk. At every reporting date for the financial statements, the Company assesses whether the debt instrument has a low credit risk using the information available which can be obtained without excessive cost or effort. When making this assessment, the Company monitors the creditworthiness of the debt instrument. A financial instrument is eliminated when there is no reasonable expectation of the recovery of the contractual financial flows.

## 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.

- **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. Financial liabilities held for trading are all of those assumed with the intention of extinguishing them or transferring them in the short-term. 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 IFRS 9 are satisfied. At the time of initial recognition, the Company has not designated financial assets at fair value with changes recognised in the income statement.

- **Loans**

After initial recognition, 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. This category generally includes interest bearing loans and receivables.

- **Derecognition**

A financial liability is derecognised when the underlying obligation is extinguished, cancelled or fulfilled. 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.

## 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.

## 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.

- **Right of return**

The consideration received from the customer is variable as a result of the fact that the contract allows the customer to return products. The Group uses the expected value method to estimate the goods that will be returned because this method makes it possible to estimate more accurately the amount of the variable consideration which the Group has a right to. When defining the amount of the variable consideration which can be included in the transaction price, the Group applies the requirements of IFRS 15 in limiting the estimates of the variable consideration. The Group presents a liability for returns separately in the statement of financial position and an asset for recovery rights from customers included under inventories, with disclosure provided in the notes to the financial statements.

- **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.

### Aftersales service obligations

The Group offers aftersales service through its e-commerce websites for repairs provided by third-party suppliers or Group companies. In the case of warranties provided by third-parties, the Group is not considered the main party responsible for fulfilling the promise to provide the repair service if required. In this context, the Group has the discretion to define the price of

the aftersales service; the consideration recognised to the Group in these contracts is calculated as the difference between the purchase price and the sales price. In cases in which the Group acts as a principal, maintaining control and being responsible for the cost of the repairs; the revenue and related costs are reported pro-rata temporis in the period in which the Group is called upon to provide the obligation that is the subject of the aftersales service.

## 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 Company did not adopt any new principles, interpretations or amendments issued but not yet in force early.

The nature and effects of these changes are described below. Although these new principles and amendments apply for the first time in 2018, they have not had any material impact on the separate financial statements. The nature and impact of each new standard/amendment is listed below:

### IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and the related interpretations and applies to all revenue from contracts with customers, unless these contracts come under the scope of other principles. The new principle 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 principle involves the entities exercising an opinion, which takes into consideration all the important facts and circumstances in the application of each phase of the model to contracts with customers. The principle also specifies the accounting of incremental costs linked to obtaining a contract and costs directly connected to the conclusion of a contract.

The Company adopted IFRS 15 using the full retroactive application method.

Contracts relating to online sales generally include one single obligation. The Company concluded that revenue relating to product sales should be recognised at the particular time in which the control of the asset is transferred to the customer, usually when the goods are delivered. The adoption of IFRS 15 did not therefore have any impact on the timing of the recognition of revenue. Moreover, there were impacts on the amount of revenue to be recognised, as described below.

Sales contracts give customers a right of return. Before the adoption of IFRS 15, the Company recorded revenue from the sale of goods at the fair value of the consideration received or to be received, net of adjustments relating to returns and trade discounts. With the adoption of IFRS 15, rights of return generate a variable consideration. This consideration is estimated at the start of the contract and limited until the uncertainty considered is settled.



#### Right of return

According to IFRS 15, the consideration received from the customer is variable as a result of the fact that the contract allows the customer to return products. The Company uses the expected value method to estimate the goods that will be returned because this method makes it possible to estimate more accurately the amount of the variable consideration which the Company has a right to. When defining the amount of the variable consideration which can be included in the transaction price, the Company applies the requirements of IFRS 15 in limiting the estimates of the variable consideration.

#### Aftersales service obligations

The Company offers aftersales service through its e-commerce websites for repairs provided by third-party suppliers or Group companies. In the case of warranties provided by third-parties, the Company is not considered the main party responsible for fulfilling the promise to provide the repair service if required. In this context, the Company has the discretion to define the price of the aftersales service; the consideration recognised to the Group in these contracts is calculated as the difference between the purchase price and the sales price. With the adoption of IFRS 15, the Company established that in these cases it does not control the post-warranty support services and that its role is therefore that of an agent. This change led to a fall in revenue for the sale of goods and the cost of goods sold and an increase in revenue for the provision of services for the difference. After the acquisition of control of Installo, in certain cases the Company acts as a principal, maintaining control and being responsible for the cost of the repairs; in such cases the revenue and related costs are reported pro-rata temporis in the period in which the Group is called upon to provide the obligation that is the subject of the aftersales service. The application did not have significant impacts for the Company.

#### IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments. Recognition and measurement for the years starting 1 January 2018 or later, bringing together all three aspects relating to the accounting of financial instruments: classification and measurement, loss in value and hedge accounting. The Company applied IFRS 9 retroactively, with the first application date of 1 January 2018 and with the adjustment of the comparative information for the year starting 1 January 2017. The application did not have significant impacts for the Company.

#### Interpretation IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in defining the spot exchange rate to be used for the initial recognition of the asset, cost or revenue (or part of these) at the time a non-monetary asset or non-monetary liability relating to advances on considerations is cancelled, the date of the transaction is the date on which the entity initially recognises the non-monetary asset or the non-monetary liability relating to the advances on considerations. In the case of multiple payments or advances, the entity should define the transaction date for each payment or advance payment on considerations. This interpretation had no impact on the separate financial statements of the company.

#### Amendments to IAS 40 Investment Property

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. These amendments had no impact on the separate financial statements.

#### Amendments to IFRS 2 Share-based Payments

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 had no impact on the separate financial statements.

#### Amendments to IFRS 4 - Joint Application of IFRS 9 Financial Instruments and IFRS 4 Insurance contracts

The amendments involve the problems which arise from the adoption of the new principle on financial instruments, IFRS 9 before the adoption of IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities that issue insurance contracts: a temporary exemption in the application of IFRS 9 and the overlay approach. These amendments are not significant for the Company.

#### Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that the measurement of an investment at fair value reported in the profit/(loss) for the year is a decision that is applied to the individual investment

The amendments 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 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. These amendments had no impact on the separate financial statements.

#### Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Cancellation 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. These amendments had no impact on the separate financial statements.

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 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.

### **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 Company 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 Company 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 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 2018			At 31 December 2017		
	Hist. cost	Acc. amort.	Net value	Hist. cost	Acc. amort.	Net value
Plant and equipment	13	(13)	0	13	(13)	0
Fixtures and furnishings	553	(452)	101	553	(418)	135
Electronic machinery	287	(237)	50	281	(198)	83
Electronic machinery under leasing	202	(99)	103	202	(59)	143
Other assets	788	(360)	428	788	(239)	549
<b>Total plant and equipment</b>	<b>1,843</b>	<b>(1,161)</b>	<b>682</b>	<b>1,837</b>	<b>(927)</b>	<b>910</b>

Note that as at 31 December 2018, 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 2017	Increases due to purchases	Decreases	Amort.	At 31 December 2018
Plant and equipment	-	-	-	-	-
Fixtures and furnishings	135	-	-	(34)	101
Electronic machinery	83	6	-	(39)	50
Electronic machinery under leasing	143	-	-	(40)	103
Other assets	549	-	-	(121)	428
<b>Total tangible assets</b>	<b>910</b>	<b>6</b>	<b>-</b>	<b>(234)</b>	<b>682</b>

The increases for the year involved the purchase of several computers.

## 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:

(In thousands of Euros)	At 31 December 2018			At 31 December 2017		
	Hist. cost	Acc. amort.	Net value	Hist. cost	Acc. amort.	Net value
Software, patents, concessions and licences	5,449	(2,509)	2,940	5,063	(1,417)	3,646
Fixed assets under development	-	-	-	85	-	85
<b>Total intangible assets</b>	<b>5,449</b>	<b>(2,509)</b>	<b>2,940</b>	<b>5,148</b>	<b>(1,417)</b>	<b>3,731</b>

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

(In thousands of Euros)	At 31 December 2017	Increases due to purchases	Reclassifications	Amort.	At 31 December 2018
Software, patents, concessions and licences	3,646	227	85	(1,019)	2,940
Fixed assets under development	85	-	(85)	-	-
<b>Total intangible assets</b>	<b>3,731</b>	<b>227</b>	<b>-</b>	<b>(1,019)</b>	<b>2,940</b>

Total investments during the year amounted to €227 thousand and related mainly to the implementation of the new Group ERP, which was commissioned at the start of 2017.

## 3. Equity investments

Equity investments amounted to €61,235 thousand, with a net increase of €15,245 thousand from the previous year. During the year the controlling interest in ePRICE Operations S.r.l. increased by €15,000 thousand as a result of the partial waiver of shareholder loans and by €160 thousand as a result of the accounting of the stock options granted to its employees and those of the indirect subsidiary Installlo S.r.l.

Equity investments in associates increased through the share capital increase in Il Post S.r.l. by €350 thousand and were written-down by €265 thousand following the losses incurred in the year that were deemed permanent.

The following table shows changes in shareholdings during the year:

<i>Name</i>	<i>31 December 2018</i>	<i>Increases</i>	<i>Write-downs</i>	<i>31 December 2018</i>
<i>Eprice Operations S.r.l.</i>	45,952	15,160	-	61,112
<b>Total subsidiaries</b>	<b>45,952</b>	<b>15,160</b>	<b>-</b>	<b>61,112</b>
<i>Il Post S.r.l.</i>	38	350	265	123
<i>Giornalettismo S.r.l.</i>	-	-	-	-
<b>Total associates</b>	<b>38</b>	<b>350</b>	<b>265</b>	<b>123</b>
<b>Total</b>	<b>45,990</b>	<b>15,510</b>	<b>265</b>	<b>61,235</b>

As at 31 December 2018, in the same way as at 31 December 2017, 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 2019-2024 plan for a time scale of five years. The impairment test was approved by the Board of Directors on 06 March 2019.

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 2018</i>	<i>At 31 December 2017</i>
<i>E-Commerce</i>	12.4%	10.27%

The growth rate (g) used to define the cash flows of the CGUs as at 31 December 2018 was 1.40%.

The results of the impairment test show that, as at 31 December 2018, 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 higher than the carrying amount.

The value of the WACC, growth rate and EBITDA percentage change, which individually would make the recoverable value equal to the book value as at 31 December 2018, was also calculated:

Terminal growth rate	1.01%
WACC	12.66%
EBITDA change	-1.7%

The following are the main data relating to equity investments in subsidiaries as at 31 December 2018:

Name	Registered offices	Share capital	Net Equity	Profit (loss) Stake	Stake	Carrying value
Eprice Operations S.r.l.	Milan	2,500	9,993	(13,780)	100.00%	61,112

## 4. Non-current financial assets

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

Non-current financial assets	At 31 December 2018	At 31 December 2017	Change
Financial receivables	19,853	34,453	(14,600)
Investments in other companies	-	1,005	(1,005)
<b>Total non-current assets</b>	<b>19,853</b>	<b>35,458</b>	<b>(15,605)</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 in the year in financial receivables is due to the waiver of €15 million in loans to the subsidiary Eprice Operations S.r.l., net of the disbursements during the year equal to €400 thousand. The valuation of the existing loans has been done in conjunction with the impairment test carried out on the equity investments.

Investments in other companies were reduced to zero following the disposal of the investment in Interactive Thinking S.r.l., which made it possible to record net income of €1,454 thousand.

## 5. Other non-current assets

The balance for other non-current assets was €2 thousand and mainly includes security deposits for leases and utilities.



## 6. Deferred tax assets

This item, unchanged compared with the previous year, stands at €5,093 thousand and includes the balance of prepaid taxes which stem mainly from the tax losses which can be reported; these prepaid taxes are considered to be recoverable in the period of the 2019-2024 plan whose strategic guidelines were approved by the Board of Directors on 6 March 2019.

The Company has fiscally material losses and other temporary differences of a further €24 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 €5,332 thousand, compared with €3,298 thousand at the end of the previous year, as indicated below:

Sales costs	At 31 December 2018	At 31 December 2017
Receivables from customers	33	96
Trade receivables from subsidiaries	5,331	3,271
Provision for bad debts	(32)	(69)
<b>Total trade receivables</b>	<b>5,332</b>	<b>3,298</b>

Receivables from subsidiaries are for Eprice Operations S.r.l. and they 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.

The following table shows the amount of receivables broken down by due date range:

Amounts (in € 000s)	At 31 December 2018	At 31 December 2017
To become due	563	1,635
Due for <30 days	-	-
Due for 30-90 days	-	56
Due for 90-180 days	1,141	92
Due for >180 days	3,660	1,584
<b>Total</b>	<b>5,364</b>	<b>3,367</b>

## 8. Other current assets

The breakdown of other current assets is as follows:

Current assets	At 31 December 2018	At 31 December 2017
Tax credits	1,550	1,896
Other receivables	19	74
Accruals and deferrals	50	1,061
<b>Total other current assets</b>	<b>1,619</b>	<b>3,031</b>

Tax credits mainly consist of VAT credit of around €743 thousand and tax credits for research and development of €419 thousand.

Prepayments and accrued income fell significantly because 2017 included the share of advertising costs for promotional campaigns on Mediaset networks not used in 2016 and 2017 which were charged in full to Eprice Operations S.r.l. during the year.

## 9. Cash and cash equivalents

Cash and cash equivalents amounted to €4,682 thousand compared with €8,418 thousand as at 31 December 2017; the reduction is due to the cash flows absorbed by operations and investment, as well as the repayment of outstanding loans, as can be seen in the cash flow statements.

## 10. Shareholders' equity

Net Equity fell in the period from €99,608 thousand to €98,137 thousand, mainly on account of the overall result for the period, which was negative by €1,772 thousand, partly offset by increases of €301 thousand following the cost associated with the employee incentive schemes.

The total number of treasury shares held by the company at 31 December 2018 amounted to 1,011,372.

### 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.

The Ordinary Shareholders' Meeting of 17 April 2018 resolved the approval of the establishment of an incentive plan known as the 2018 Stock Grant Plan which involves the granting of a maximum of 450,000 ordinary shares in total to employees of the Company and any subsidiaries if the performance targets defined on parameters related to the performance of the extraordinary efficiency/margins initiatives defined in the 2018 Budget and relating to individual performance are reached.

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

	2018	2018 WAPY	2017	2017 WAPY
Outstanding at 1 January	1,144,875	4.67	1,170,375	4.57
No. assigned	0	0.00	0	0.00
No. cancelled/not vested	0	0.00	25,500	0.00
No. exercised	0	0.00	0	0.00
No. lapsed	0	0.00	0	0.00
No. outstanding	1,144,875	4.67	1,144,875	4.67
No. exercisable	1,087,118	4.73	543,559	4.73

## 11. Payables to banks and other lenders

The breakdown of current payables due to banks and other lenders as at 31 December 2018 is as follows:

Current portion	At 31 December 2018	At 31 December 2017
Current portion of loans	719	2,001
Current payables to other lenders	28	67
<b>Payables to banks and other lenders</b>	<b>747</b>	<b>2,068</b>

The breakdown of non-current payables due to banks and other lenders as at 31 December 2018 is as follows:

Non-current portion	At 31 December 2018	At 31 December 2017
Due to banks	-	501
Non-current payables to other lenders	-	35
<b>Payables to banks and other lenders</b>	<b>-</b>	<b>536</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 to banks were represented by around €218 thousand through the use of account overdrafts and by around €501 thousand by the residual amount of a loan taken out during the previous year with the following characteristics:

(In thousands of Euros)			At 31 December 2018						
Lending institution	Loan type	Interest rate	Amount disbursed	Year taken out	Year of Accounting expiry	Within balance 1 year	From 1 to 5 years	More than 5 years	
UBI Banca Commercio e Industria	Unsecured	3-month Euribor + spread	4,000	2017	2019	501	501	-	-
<b>Total bank loans</b>			<b>4,000</b>			<b>501</b>	<b>501</b>	<b>-</b>	<b>-</b>

### Liquidity/net financial debt

The breakdown of net financial debt as at 31 December 2018 is reported below, in accordance with the Consob Communication of 28 July 2006 and in compliance with the ESMA/2011/81 Recommendations:

<i>(In thousands of Euros)</i>	At 31 December 2018	At 31 December 2017
(A) Cash	-	-
(B) Other cash and cash equivalents	(4,682)	(8,418)
(C) Stocks held for trading	-	-
<b>(D) Liquidity (A)+(B)+(C)</b>	<b>(4,682)</b>	<b>(8,418)</b>
(E) Current financial receivables	218	-
(F) Current financial payables	-	-
(G) Current portion of non-current debt	501	2,001
(H) Other current financial payables	28	67
<b>(I) Current financial debt (F)+(G)+(H)</b>	<b>747</b>	<b>2,068</b>
<b>(J) Net current financial liquidity/debt (D)+(E)+(I)</b>	<b>(3,935)</b>	<b>(6,350)</b>
(K) Non-current bank payables	-	501
(L) Bonds issued	-	-
(M) Other non-current payables	-	35
<b>(N) Non-current financial debt (K)+(L)+(M)</b>	<b>-</b>	<b>536</b>
<b>(O) Net Financial (Liquidity)/Debt (J)+(N)</b>	<b>(3,935)</b>	<b>(5,814)</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 year ended 31 December:

<i>(In thousands of Euros)</i>	At 1 January 2018	Service cost	Interest cost	Advances and settlements	Actuarial gains/losses	At 31 December 2018
Severance pay	286	55	4	(27)	5	323
<b>Total provisions for employee benefits</b>	<b>286</b>	<b>55</b>	<b>4</b>	<b>(27)</b>	<b>5</b>	<b>323</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 2018	At 31 December 2017
<b>Economic and financial assumptions</b>		
Discount rate	1.57%	1.30%
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 2018	At 31 December 2017
Due to suppliers	1,123	1,950
<b>Total trade payables and other payables</b>	<b>1,123</b>	<b>1,950</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 2018	At 31 December 2017
To become due	886	1,109
Due for <30 days	76	464
Due for 30-90 days	79	214
Due for 90-180 days	1	123
Due for >180 days	81	39
<b>Total</b>	<b>1,123</b>	<b>1,950</b>

## 15. Other non-current and current liabilities

Other non-current liabilities stood at zero (€78 thousand at 31 December 2017, when they included the directors' severance pay).

The following table shows the breakdown of other current liabilities:

Other current liabilities	At 31 December 2018	At 31 December 2017
Due to employees and directors	128	162
Due to social security bodies	117	174
Tax payables	60	152
Other payables	444	572
<b>Total</b>	<b>749</b>	<b>1,060</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 €444 thousand, a decrease of €128 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 2018 amounted to €2,351 thousand, compared with the €3,026 thousand generated in 2017.

This consisted almost exclusively of revenue from charge-backs to Group companies or companies that left the Group during previous years, on market terms and conditions and governed by suitable contracts with variable maturities. The reduction compared with the previous year is mainly due to the gradual disappearance of revenue from companies leaving the Group in previous years, which left the facilities equipped by the company in previous years.

In terms of the breakdown of revenue by region, revenue was exclusively generated in Italy.

### 17. Other income

Other income totalled €863 thousand (€291 thousand in the previous year) 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 €26 thousand, compared with €39 thousand recorded in 2017; 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	2018	2017
Sales and marketing costs	973	1,367
Transport and logistics	-	11
Consulting and contract workers	520	902
IT services and technical consulting	750	685
Rentals and leases	858	1,012
Bank charges	19	15
Travel expenses	60	100
Utilities	142	140
Directors' remuneration	308	1,069
Others	293	359
<b>Total costs for services</b>	<b>3,923</b>	<b>5,660</b>

Costs for services totalled €3,923 thousand compared with €5,660 thousand for the previous year.

The reduction is mainly due to overall cost containment; sales and marketing costs were represented by the costs re invoiced to the subsidiary ePRICE Operations S.r.l. for the advertising during the year on Mediaset television networks.



## 20. Personnel expenses

The breakdown of employee costs is as follows:

*In thousands of Euro*

Personnel expenses	2018	2017
Salaries and wages	1,269	1,757
Social security charges	396	560
Severance pay	92	116
Internal capitalisations	-	(225)
Stock option	141	341
<b>Total</b>	<b>1,898</b>	<b>2,549</b>

Personnel expenses fell in 2018, especially as a result of the departure of several senior managers in the first months of the year, partly offset by the new hires and promotions during the year.

The cost for stock options represents the charge posted in the relevant 2018 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 2018 and 2017:

	31 December 2018		31 December 2017	
	Average	Actual	Average	Actual
Senior managers	5	5	4	5
Middle managers	8	8	10	9
Clerical workers	4	4	5	4
Manual workers	2	2	2	2
<b>Total</b>		<b>19</b>		<b>20</b>

## 21. Depreciation, amortisation and impairment

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

Depreciation, amortisation and impairment	2018	2017
Amortisation of intangible assets	1,019	1,082
Amortisation of tangible assets	234	257
Bad debt provision	-	36
<b>Total amortisation and impairments</b>	<b>1,253</b>	<b>1,375</b>

Depreciation and amortisation were essentially in line with the previous year, with a slight fall as a result of several assets which completed the amortisation process.

There was no need during the year for any allocation to the provision for bad debts, which almost entirely involved the subsidiary Eprice Operations.

## 22. Other costs

Other costs amounted to €153 thousand (€202 thousand in the previous year).

This item mainly includes indirect taxes, subscriptions, membership dues and donations, related costs and corporate events.

## 23. Financial expenses

Financial expenses amounted to €8 thousand, a reduction compared with €13 thousand in the previous year as a result of the fall in the average debt.

## 24. Financial income

Financial income totals €1,762 thousand (zero in the previous year) and breaks down into €1,485 thousand from the capital gain realised through the sale of the equity investment in Interactive Thinking and €277 thousand from the recording of the dividends of Interactive Thinking.

## 25. Minority interest in income of associates

This item amounts to a net expense of €265 thousand (€1,377 thousand in 2017) and includes the Group share relating to the result achieved in the year by the associate company II Post.

## 26. Income Taxes

This entry has a balance of zero, while in the previous year there was an expense of €1,023 thousand represented by the partial reversal of deferred tax income recorded in previous years.

## 27. Profit (loss) from discontinued operations

The profit (loss) from discontinued operations relates mainly to the earn-out applicable to 2018 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 2018	31 December 2017
Gross capital gain/earn-out	785	723
Transaction costs	-	(38)
<b>Profit (loss) from discontinued operations</b>	<b>785</b>	<b>685</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 2018:

<i>In thousands of Euro</i>	<i>As at 31 December 2018</i>					
	Trade receivables	Equity investments	Non-current financial assets	Cash	Other payables	Revenue
Banca Profilo S.p.A.	-	-	-	184	-	-
ePRICE Operations	5,331	61,112	19,818	-	108	2,072
Il Post S.r.l.	-	123	35	-	-	-
<b>Total</b>	<b>5,331</b>	<b>61,235</b>	<b>19,853</b>	<b>184</b>	<b>108</b>	<b>2,072</b>
<b>Total balance sheet item</b>	<b>5,332</b>	<b>61,235</b>	<b>19,853</b>	<b>4,682</b>	<b>749</b>	<b>2,351</b>
<b>Weight %</b>	<b>99.98%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>3.93%</b>	<b>14.42%</b>	<b>88.13%</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 2017:

*In thousands of Euro*

*As at 31 December 2017*

	Trade receivables	Equity investments	Financial assets non-current	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>

### 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 2018, 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 2018 is shown below:

<i>(In thousands of Euros)</i>	Receivables and loans	Financial instruments	Fair value	Fair value hierarchy
<b>Other financial assets</b>				
Equity investments	-	61,235	<b>61,235</b>	Level 3
Financial receivables	19,853	-	<b>19,853</b>	Level 3
<b>Trade receivables</b>				
Trade receivables	5,332	-	5,332	Level 3
<b>Cash and cash equivalents</b>				
Bank and postal deposits	4,682	-	<b>4,682</b>	Level 1

<i>(In thousands of Euros)</i>	Liabilities at amortised cost	Fair value	Fair value hierarchy
<b>Current liabilities</b>			
Payables to banks and other lenders	747	747	Level 1
Due to suppliers	1,123	<b>1,123</b>	Level 3

The carrying amount of financial instruments in the financial year ended 31 December 2017 is shown below:

<i>(In thousands of Euros)</i>	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

<i>(In thousands of Euros)</i>	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

### **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.

### **Information pursuant to Law 124/2017**

Law 124 of 4 August 2017 introduced, from financial statements for 2018, several transparency obligations pertaining to parties which receive “subsidies, contributions, paid offices and economic advantages of any kind” from public administrations and from a series of similar parties with which they have economic relations.

In consideration of the fact that this provision raised questions on interpretations and applications which still remain unresolved, the Group has carried out the necessary in-depth investigations and, also in the light of the most recent guidelines, believes that they do not come under the scope of the obligation to publish:

- the sums received as payment for public works, services and supplies;
- paid offices coming under the typical exercising of business operations;
- the general measures which can be used by all companies coming under the general structure of the reference system defined by the State (e.g.: ACE);
- selective economic advantages received to apply a scheme of aid, accessible to all companies that satisfy certain conditions, based on pre-determined general criteria (for example: contributions to research and development projects and tax relief);
- public resources related to public bodies of other countries (European or on-European) and other European institutions;
- contributions for training received from inter-professional funds (for example: Fondimpresa and Fondirigenti); because they are funds in the form of an association and have the legal status of private law entities which are funded through contributions paid by the actual businesses.

The ePRICE Group has not received disbursements during the year which come under donations or ad hoc public aid, namely not granted on the basis of a general scheme.

### 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 2018	EY S.p.A.	ePRICE S.p.A.	49
<b>Total ePRICE S.p.A.</b>			<b>91</b>

*Chairman*  
Paolo Ainio



## Board of Directors proposal

To our Shareholders,

We submit the financial statements of ePRICE S.p.A. at 31 December 2018 for your approval. These financial statements report a loss of €1,767,079, which we propose to carry forward.

Milan, 06 March 2019

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 2018.
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, 06 March 2019

*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, 2018

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



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## Independent auditor's report pursuant to 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, 2018, 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, 2018, 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 Euro 2.525.000,00 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  
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Iscritta all'Albo Speciale delle società di revisione  
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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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, 2018 the investments' balance amounts to Euro 61.2 million and includes the investment in the subsidiary ePrice Operations S.r.l. for Euro 61.1 million. As at the same date, non-current financial assets' balance amounts to Euro 19.8 million and it is entirely related to financial receivables from the subsidiary ePrice Operations S.r.l.. 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 forecast 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 sensitivity analyses 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, 2018 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 others, the analysis of future taxable income forecasts 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 2018 fiscal year resulted in a comprehensive loss and an overall reduction in cash and cash equivalents' balance. On March 6, 2019 the Board of Directors of ePRICE S.p.A. approved the updated strategic guidelines underlying the Group's strategic Plan.</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 influence the assessment 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 judgment involved in forecasting activities and their potential implication on the determination of the going concern basis of accounting, we have considered that this area represents a key audit matter.</p> <p>The paragraphs "Comment on the results" and "Outlook" of the Directors' report discuss the results achieved in the fiscal year and the actions taken by the directors on the basis of the forecasts assumed in the Plan.</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 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 whose basic strategic guidelines have been approved by the Board of Directors of ePRICE S.p.A. on March 6, 2019, and assessment 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>• written representations from management relating to future action plans and their feasibility;</li> <li>• assessment of the deviation of the results of the first months of 2019 as compared to the budget.</li> </ul> <p>Lastly, we 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 of the financial statements that give a true and fair view 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.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have 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 consider this matter in forming 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 shareholders 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 pursuant to 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, 2018, 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, 2018 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, 2018 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 20, 2019

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.**

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