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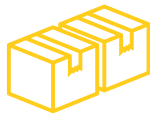
Company Overview



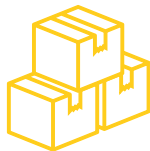
The first integrated **e-Commerce** and **e-Service** platform in Italy. Serving the technological evolution of Italian households.



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



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



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



133

Pick&Pay



309

Lockers



1

Fulfilment center



1

Integrated platform for e-commerce services



4

Millions of offers



c. 900

Merchant



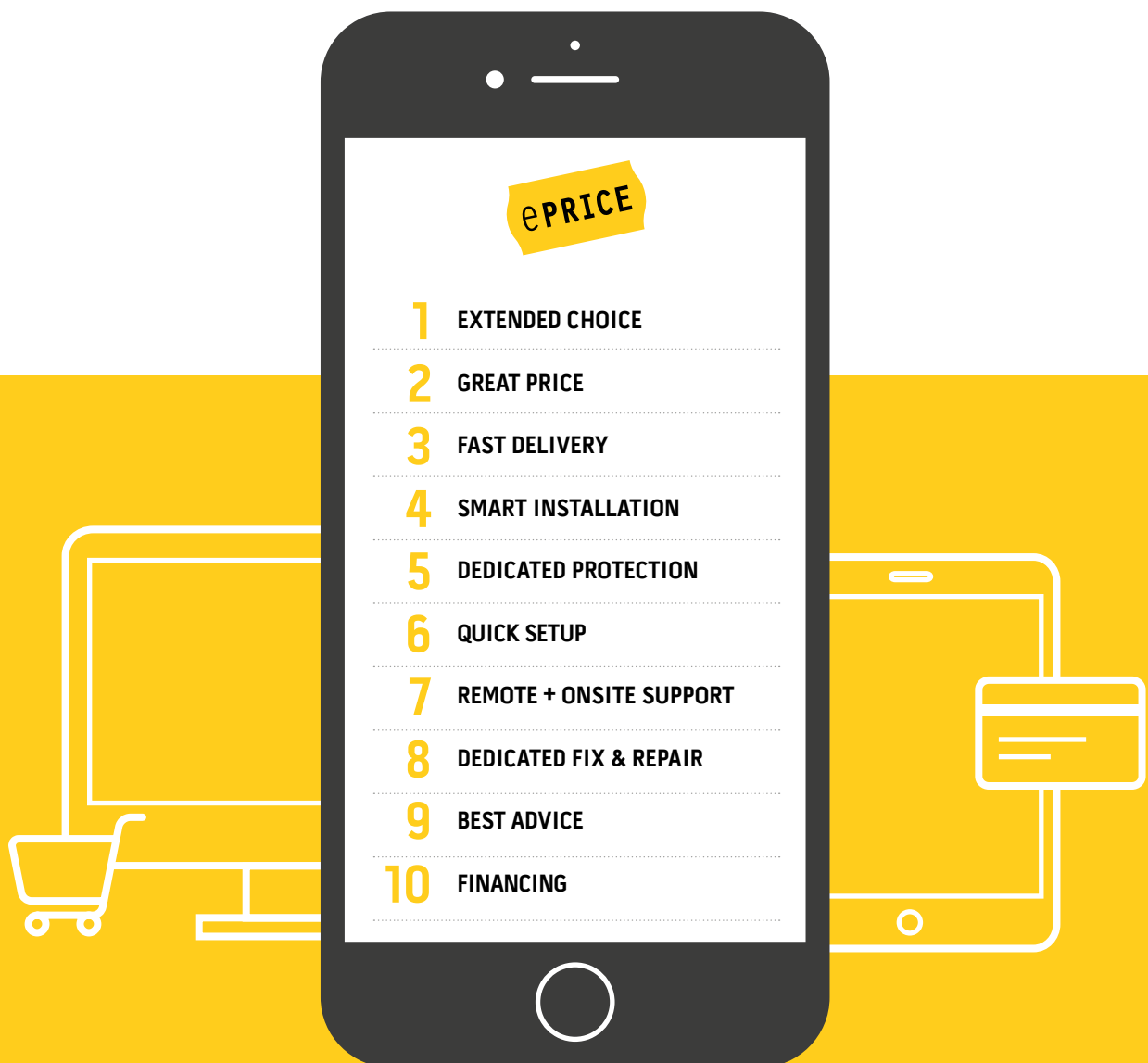
Mission e Vision



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



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





Chairman's Letter to Shareholders

Dear Shareholders

2016 was a year of significant growth for our Company.

We focused all our attention on e-Commerce and **ePRICE**, so much so that this is now the new name of the company. We added innovation with the launch of the new Home Service offering; the Marketplace has more than doubled in size since it started in 2015; and we launched the “**ePRICE** Serves You” TV campaign to position and strengthen our brand.

ePRICE was confirmed as a local leader in e-Commerce, ending 2016 with €254 million in GMV (total spending on **ePRICE** by our customers), up by 23% YOY, and revenues of €198 million, up 18% YOY. Thanks to the substantial capital gains realised from the sale of Banzai Media and Saldiprivati, the Company closed 2016 with a profit of over €10 million and net cash position of more than €56 million.

In 2016, the total e-Commerce market for technology products and domestic appliances grew in double figures (+20%), and the outlook is also positive for 2017. The online sales segment in Italy is attracting increasing attention from the market and investors, partly due to a forecast of 16% CAGR in the next five years.

Against this background, **ePRICE** succeeded in growing by approximately 4% more than its reference market in 2016. The Company reaffirmed its leadership for online sales of large domestic appliances, partly thanks to the boost provided by the offer of value-added services, such as installation on appointment, recycling the old appliance, and appliance configuration and set-up via a qualified network of about 400 installers covering the main Italian cities.

Two important assets in our strategy are reaching a point of maturity and solidity. Our e-Commerce distribution network has grown to 133 Pick&Pay® outlets and 309 Lockers, while the Merchant Marketplace now has 2.8 million offers placed by about 900 sellers. The Marketplace numbers are expected to rise strongly over the next few years, with the addition of new products and new categories.

The fourth quarter of 2016 also saw the launch on Mediaset networks of the new “**ePRICE** Serves You” TV campaign, made possible by a three-year agreement reached as part of the sale of Banzai Media, which gives **ePRICE** a €7 million benefit on advertising investment over the 3 years period. The campaign was a hit, both

with consumers who rewarded us in the year-end results and with operators and brands in our market, who launched new infocommerce activities with **ePRICE**. “**ePRICE** Serves You” marks the starting point for the creation of a “premium brand” awareness for the **ePRICE** brand, based around the concept of service, linked to e-Commerce.

The results achieved this year pave the way for the targets which we have set ourselves for the future.

According to the guidance for the next five years presented last November, the Company plans to treble GMV thanks partly the contribution of product sales with a market share of 19-21% in tech & appliances and of Marketplace, but also to the growth in the Home Service segment, where we aim to achieve a market share of between 4% and 6% by the end of the period. Eventually almost 50% of our EBITDA will be generated by Services and the Merchant Marketplace. Two years after its listing on the STAR segment of the Italian Stock Exchange, the Company today is focusing on growth and the improvement of margins.

We have the satisfaction of having built – and of having been supported by – a team of exceptional quality over these years, with whom we celebrated the opening of the new headquarters at Via San Marco 29 in the centre of Milan, where, together with old friends and competitors, both Italian and international, we are recreating a new district of digital champions.

The Company has never stopped investing in people and, thanks to our focus on a single business, we have undertaken a process of partial renewal of management, bringing in new talents and new skills.

This was a year of great satisfaction and many changes, for which we have to thank - above all - our 563,000 customers. It was they, in 2016, who chose tech products and services on **ePRICE**, which, thanks to them, is confirmed as the leading Italian player in online sales for this segment. We will make every effort in 2017 to give them even more choice and to offer them even better service.

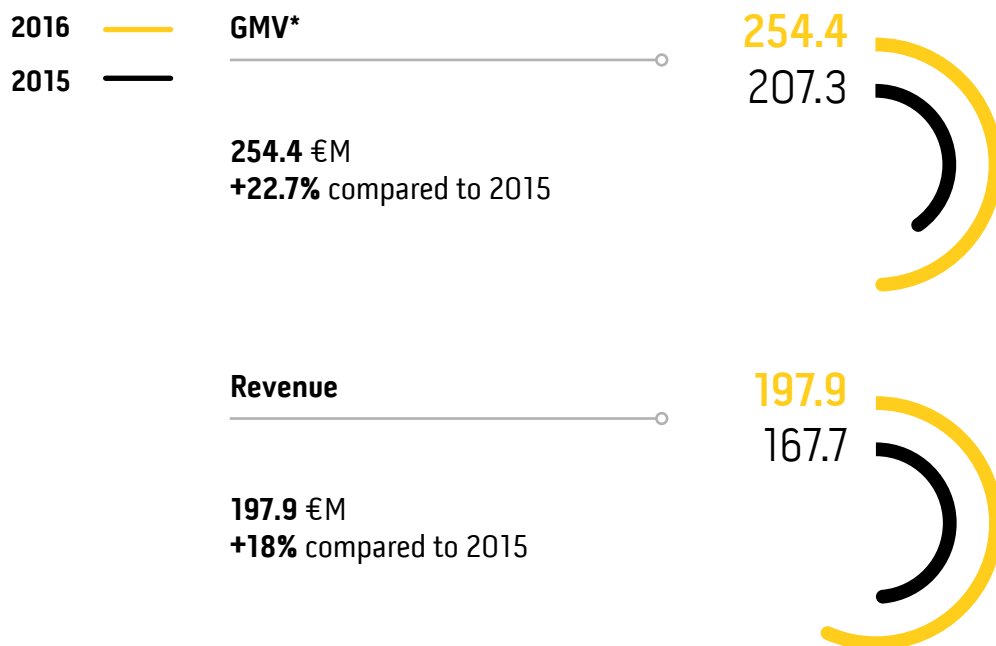
Paolo Ainio
Chairman of the Board of Directors





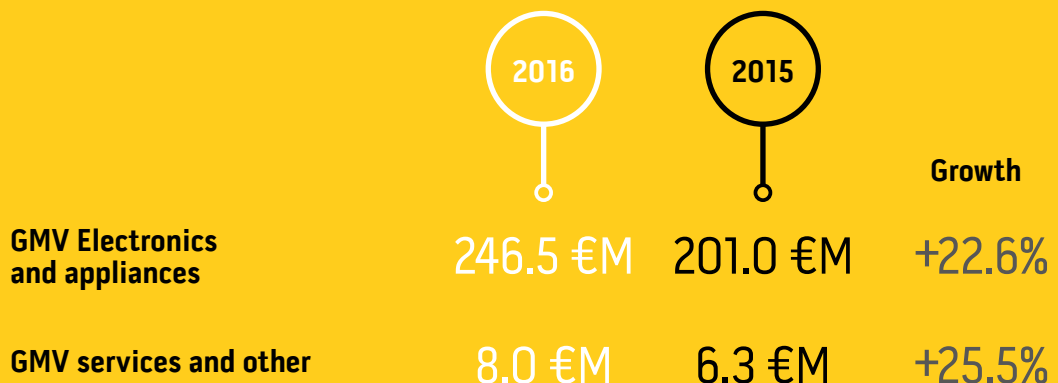
Financial Highlights 2016

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

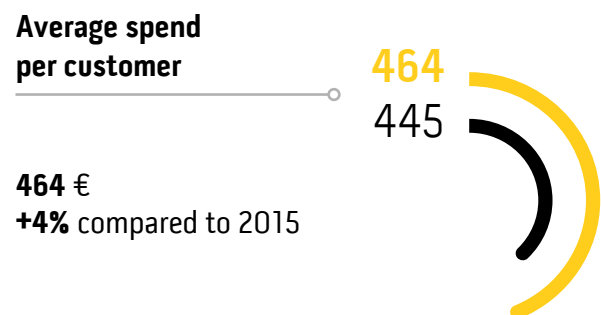
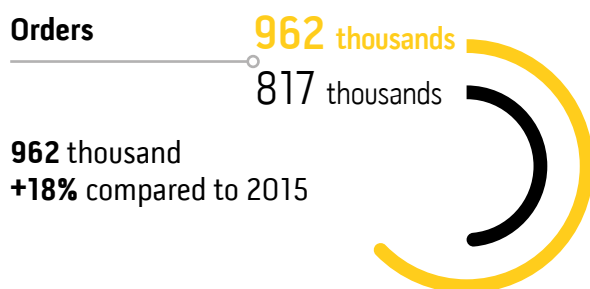
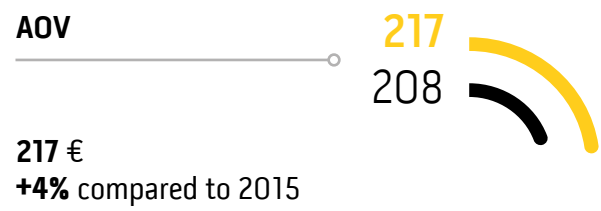
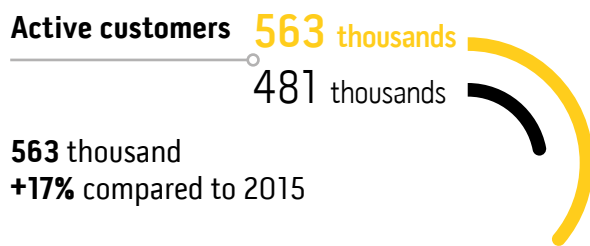


* Gross Merchandise Volume: includes revenue from products, shipping and volume generated by the 3P Marketplace, net of returns and including VAT. Does not include Infocommerce and B2B.

Sales KPIs



g VAT.



Main financial data

	2016	2015		2016	2015
GROSS PROFIT	30.2 €M	23.1 €M	EBITDA ADJUSTED	(9.7) €M	(8.8) €M
% OF REVENUES	15.3%	13.8%	NET PROFIT	10.1 €M	(10.8) €M



2016 from Banzai to ePRICE

LAUNCH
OF HOME SERVICE

Q1

35%
population coverage
at launch

+50% NPS⁽¹⁾
vs. prev. svcs

SALE
OF BANZAI MEDIA

Q2

45 €M EV

17 €M
capital gain

7 €M benefit
3Y agreement w/ Mediaset
to purchase TV ADV

NEW BRAND IDENTITY
& TV CAMPAIGN

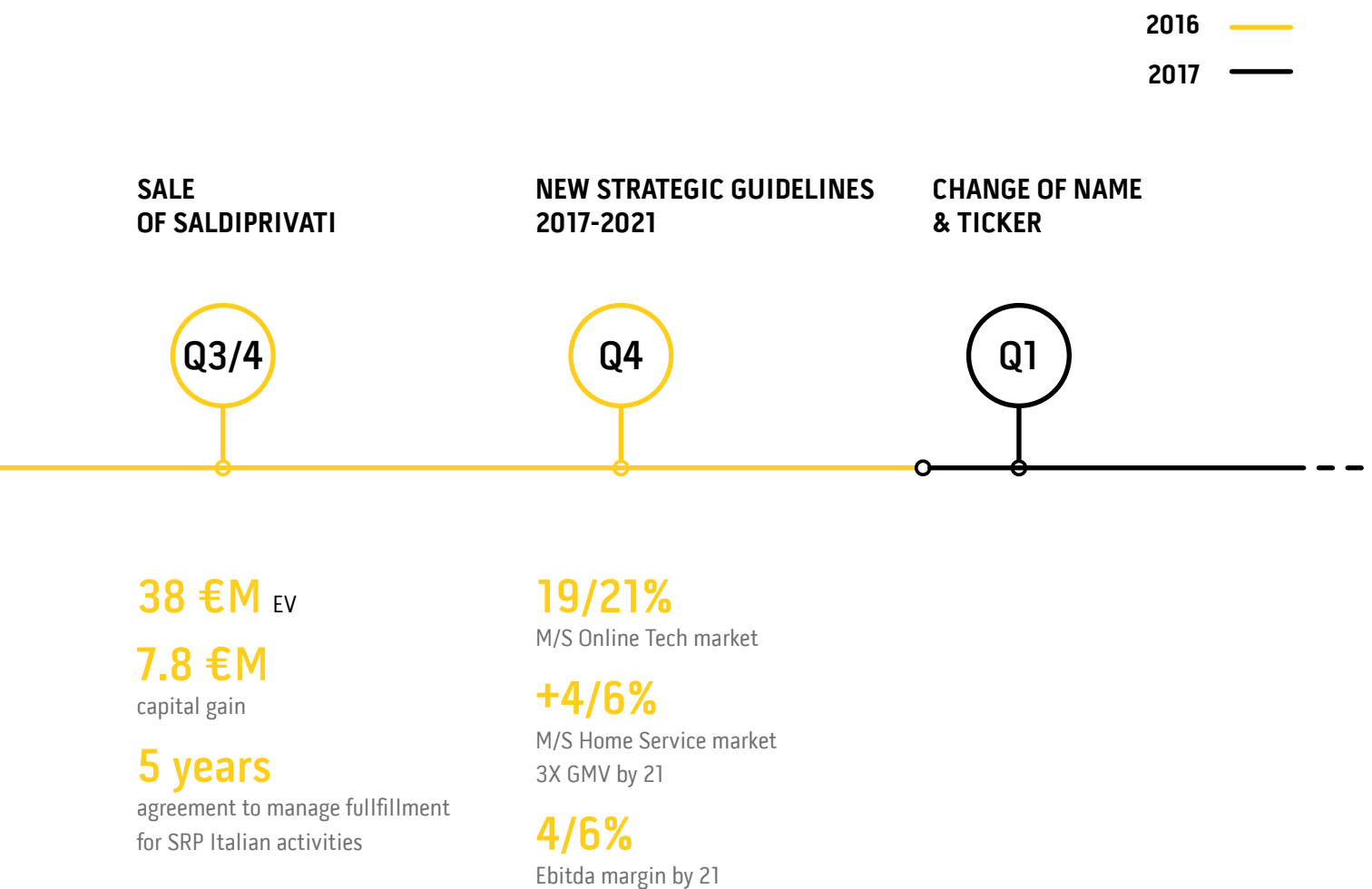
Q3

10 €M

ADV campaign in 3 years

8 M
people reached on 35-54 y.o. target

⁽¹⁾ Net Promoter Score is a management tool that can be used to gauge the satisfaction of a firm's customer relationships. It can be as low as -100 (everybody is a detractor) or as high as +100 (everybody is a promoter). An NPS that is positive (i.e., higher than zero) is felt to be good, and an NPS of +50 is excellent.





Advertising campaign

In 2016 **ePRICE** initiated a new phase in its advertising and in its branding project.

The “**ePRICE** Serves You” campaign has enhanced the brand with a new awareness and strengthened the brand equity by associating the traditional values conveyed by the e-commerce brands, such as convenience and broad selection, with the values of service and proximity.

The campaign, which was carried out by Ogilvy & Mather and planned by Mindshare, reached 80% of the target (out of a total of 11,470,000 adults aged 35-54 with home internet access).

The campaign, which will continue into 2017 and 2018, was broadcast periodically by Mediaset networks from the end of September 2016 and supported the last fiscal quarter in particular delivering growth, during Black Friday and Christmas periods.

Goals achieved through 4Q16 adv tv campaign



YoY traffic

+30%

+100% YoY Mobile



MDA orders

+50%⁽²⁾



Home Service Orders

2X



Attach rate

+9%

⁽²⁾ Average number of orders growth since kick-off of ADV Campaign vs. average annual number of orders.

Black Friday



ePRICE introduced Black Friday in Italy in 2010, and in 2016 it had record Black Friday results:

- Orders were up by 81%, and by 89% (including the thursday early start).
- Orders quadrupled for about 800 merchants in the marketplace due in part to the introduction of payment on delivery at Pick&Pay points.
- The number of “advanced” Home Service delivery services tripled.
- The number of appliances sold doubled.
- Visits were up by over 90% and unique users rose by over 70%.
- An absolute record was set for visits in a single day, with peaks of Mobile Traffic at 70%.



Improvement in consumer perception post campaign*

"Quality of home service"	+14 P.P.
"Better than other retailers"	+12 P.P.
"Wide range of products"	+10 P.P.

*Source: Mindshare Survey Commissioned by ePRICE, Autumn 2016 vs. Autumn 2015.



Social Responsibility:

School, culture and digitisation

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

Norcia in Central Italy Earthquake region

In collaboration with the Ministry of University and Research project known as "Restart from to School", Banzai and **ePRICE** employees voluntarily contributed part of their monthly salary to donate to people affected by the earthquakes in central Italy in summer and autumn 2016. The company "matched" the sum collected, making it possible to purchase and donate 100 Lenovo tablets to students and teachers at the De Gasperi-Battaglia Comprehensive Institute of Norcia, which will be used to complete lessons even without paper books.



ePRICE scholarships for top students

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

ITALIAN

MATHEMATICS

INFORMATICS

PHYSICS

CHEMISTRY

NATURAL SCIENCES

CLASSICAL LANGUAGES
AND CIVILISATIONS

ASTRONOMY

PHILOSOPHY

STATISTICS

NEW DESIGN COMPETITION

ECONOMICS

ePRICE supported the project with two scholarships, in Mathematics and Statistics, and by the attendance and participation of its Executive Chairman, Paolo Ainio, at the *Fuoriclasse Campus*, organised this year at the Museo del Risorgimento in Turin, which welcomed all the winning youngsters for three days.



FAI 2016

In 2016 **ePRICE** supported the commitment of FAI (the Italian Environmental Foundation) to protect and safeguard Italy's artistic treasures and nature. Thanks to the daily commitment of the Foundation, neglected artistic treasures and nature became an asset appreciated by local citizens and communities.

During the October 2016 campaign known as "Remember to save Italy", **ePRICE** customers were able to include a donation to FAI in their basket, and as a result obtained FAI membership card and the chance to access historical and natural treasures protected by the Foundation for a year. <http://www.visitfai.it>.

Photo left: Photo by Alessio Mesiano 2009 © FAI - Fondo Ambiente Italiano - BALBIANELLO.

Photo right: Villa dei Vescovi 1_Foto (C) Archivio Consorzio Terme Euganee G. De Sandre_2015.



The new HQ ePRICE offices contribute to the rebirth of Italian digitalization talents

In October 2016, the new **ePRICE** offices were opened at Via San Marco 29, in the historical centre of Milan. The new offices feature the work of illustrator Francesco Poroli, who has produced a large mural at the entrance depicting all phases of the “Italian style of e-Commerce” proposed by Banzai, especially under the **ePRICE** brand. Poroli’s images also roll by on a large LED wall that cuts vertically through all floors of the building.

With leading Digital players, Milan’s city centre is becoming a new hub of talents and job opportunities in the innovation market. The HQ in Via San Marco currently hosts over 250 professionals in the digital world with an average age between 35 and 40.





Marketplace

In 2015 ePRICE opened its Marketplace to allow other sellers to benefit from their loyal customers and expand their businesses.

Our 3P Marketplace:

- Attracted interest of thousands of Italian merchants (+114% in the last year).
- Over 3 million offers, with an increase of 100% over last year.
- GMV* growth of 123% with an average monthly growth rate of 8.6%.
- Opened to foreign merchants with the aim of reaching over 300 new merchants by the end of 2017.
- Unique services for merchants: exclusive payment and delivery services.
- AOV** increased by 7% last year.

Marketplace KPIs



MARKETPLACE OFFERS
2.8 M
+100% vs. 2015



SELLERS
877
+150% vs. 2015



GMV GROWTH
+123% vs. 2015



AVERAGE WEIGHT ON GMV
c.10%

* 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.

** AOV, average order value.

DISTRIBUTION OF ePRICE's PICK&PAY

(Yellow points opened after listing)



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

Advantages of the Pick&Pay service for Marketplace customers:

1



NO WAITING FOR COURIERS

the client decides when and where to pick up products

2



PAY ON DELIVERY

with a credit or debit card

3



SAVE MONEY

because it costs less than a courier

93% coverage of the population

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



Home Service

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

Now that's a real comprehensive service. And that's why **ePRICE** has become the leader in the online sale of large appliances.

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

ePRICE HOME SERVICE INCLUDES:



Prompt delivery

Set up an appointment based on your availability



Professional installation

Qualified and certified technicians and reliable, fast and courteous staff



Personalised service

A customer service representative will be available at all times



Total control

Continuous, reliable and precise supervision of your service

Services KPIs



+100%
MDAs Shipped



54%
Population covered



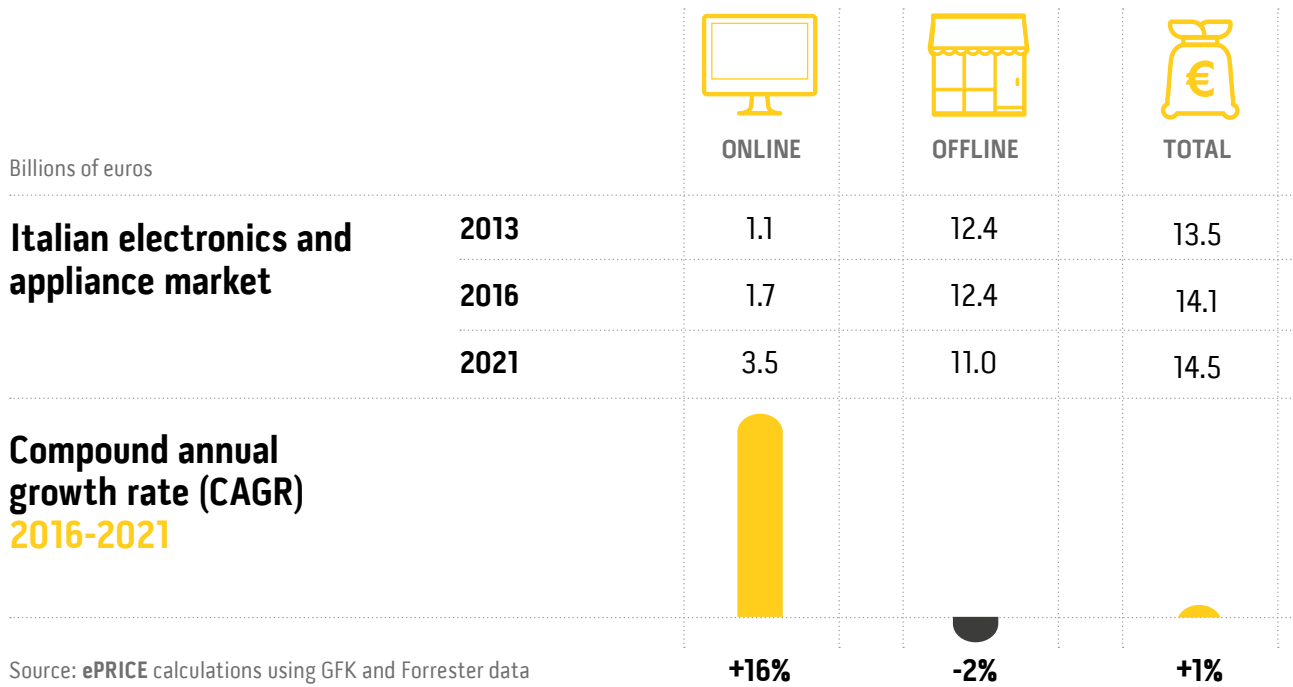
4x
skilled Home Service professionals
vs. beginning of the year



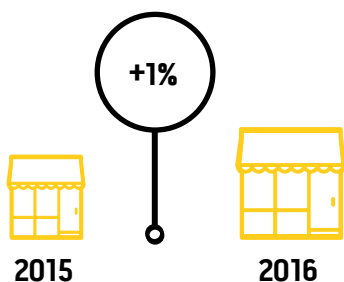
c. 70
Net Promoter Score



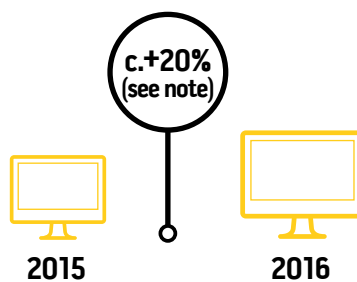
e-Commerce growth forecast



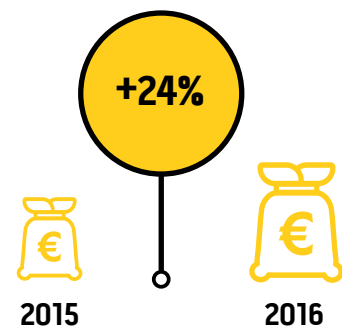
Growth of offline retail of electronics and appliances 2015 vs. 2016



Growth of online retail of electronics and appliances 2015 vs. 2016



GMV sales growth of ePRICE electronics and appliances 2015 vs. 2016



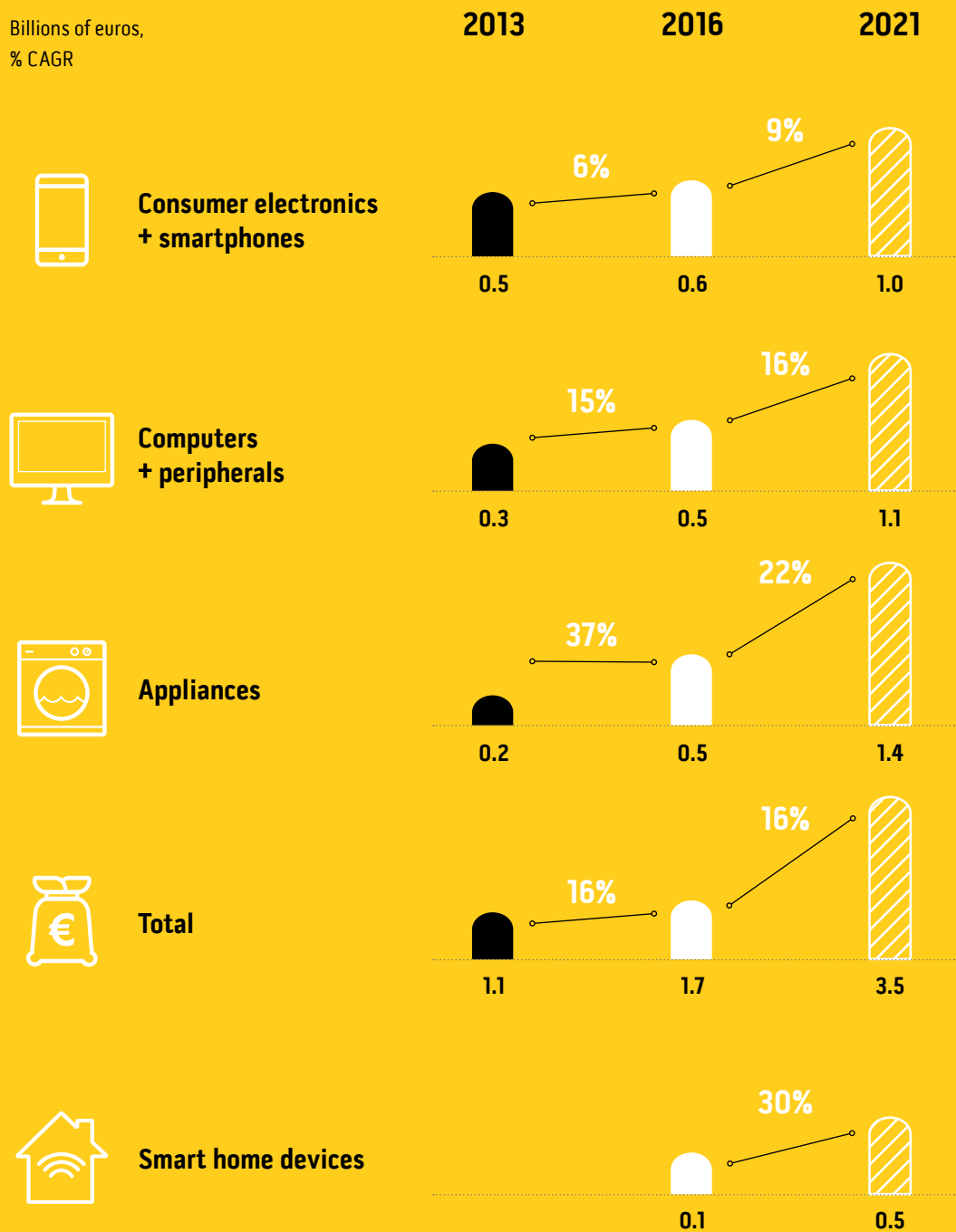
Note: growth from 2015 to 2016 including sales defined as Click&Collect by certain market participants (which were included in the online retail area only from 2016) results in a market growth of 24% year on year.

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

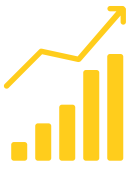
* Gross Merchandise Volume: includes revenue from products, shipping and volume generated by the 3P Marketplace, net of returns and including VAT. Does not include Infocommerce and B2B.

Online market for electronics and appliances

Billions of euros,
% CAGR



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



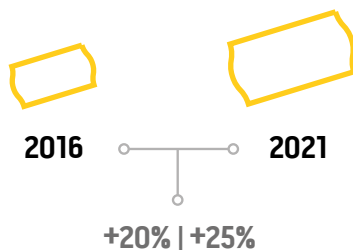
Strategic Guidelines 2017-2021: strategy and goals

In 2016, Banzai redefined the scope of **ePRICE** and launched its Plan on a new path of strong growth, to position it as the leading platform in the Tech & Appliance market, extending from large domestic appliances segment, to services for Smart Families.

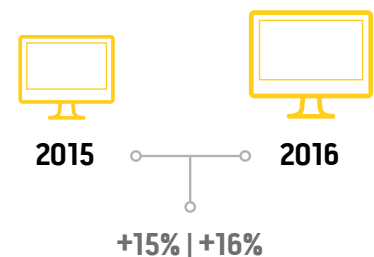
ePRICE will invest about €40 million in technology over the next five years to accelerate growth. And continue to expand its Marketplace to a GMV share of 30% by 2021, doubling the network of 400 installers. This will enable **ePRICE** to reach a large sharer of the 19 million Italians who already buy online and the additional 7 million who will buy online for the first time in the next few years.

The plan presented by **ePRICE** will enable it to accelerate the growth of GMV and sales and to achieve an EBITDA of 4-6%, with cash generation, as of 2019.

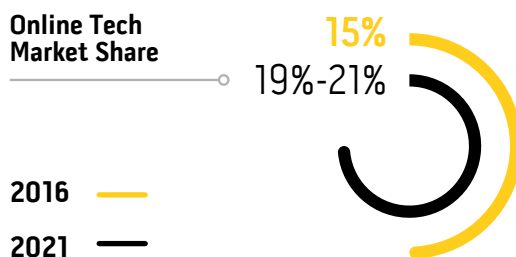
ePRICE GMV* CAGR



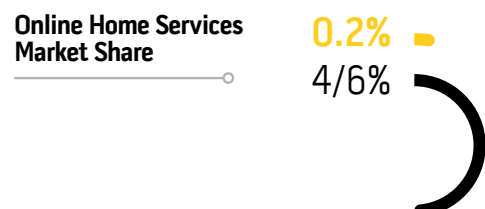
Online Tech market CAGR



Online Tech Market Share



Online Home Services Market Share



* 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.



Corporate Boards

Board of Directors

Paolo Ainio

Chairman

Pietro Scott Jovane

CEO

Roland Berger

Independent director

Pierluigi Bernasconi

Non-executive director

Andrea Biasco

Non-executive director

Pietro Boroli

Non-executive director

Chiara Burberi

Independent director

Matteo Renzulli

Non-executive director

Serenella Rossano

Independent director

Control and Risks and Related-Parties Committee

Serenella Rossano

Independent director

Chiara Burberi

Independent director

Roland Berger

Independent director

Remuneration Committee

Roland Berger

Independent director

Serenella Rossano

Independent director

Pierluigi Bernasconi

Non-executive director

Board of Statutory Auditors

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

Francesco Perrini
Chairman

Stefania Bettoni
Standing Auditor

Luca Zoani
Alternate Auditor

Gabriella Chersicla
Standing Auditor

Beatrice Galli
Alternate Auditor

Supervisory Body

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

Jean-Paule Castagno
Chairman

Fabio Meda
Member

Stefania Bettoni
Member

Independent Auditors

EY S.P.A.



Share ownership and stock performance

Main Shareholders

The share capital of Banzai S.p.A. is equal to Euro 820,797 composed by n. 41,039,850 ordinary shares without par-value.



RELEVANT SHAREHOLDERS



NUMBER OF SHARES



% SHARE CAPITAL

PAOLO AINIO*	9,447,615	23.02%
AREPO BZ S.A.R.L.	8,613,850	20.99%
PIETRO BOROLI	2,138,997	5.21%
TREASURY SHARES	835,425	2.03%

*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.

Stock Performance

Closing price at 30/12/2016 4.05

Maximum price in 2016 4.57

Minimum price in 2016 2.47

Capitalization as at 30/12/2016 166 €M

For more information, please visit the website <http://investors.eprice.it>

Directors' Report

DIRECTORS' REPORT

Background

ePRICE S.p.A. (formerly Banzai S.p.A.) is Italy's leading e-Commerce company. Founded by Paolo Ainio AND listed on the STAR segment of the Italian Stock Exchange since 2015, it is one of the largest internet companies in Italy. ePRICE is one of Italy's leading online businesses, specialising in the sale of high-tech products (electronics) and a leader in the segment of large domestic appliances sold online. In January 2016, ePRICE launched the Home Service integrated online mobile platform, which manages premium deliveries and installations, with coverage of 14 million inhabitants. ePRICE manages a network of more than 133 Pick&Pay outlets in 109 cities, offering collection and payment points that combine the advantages of buying online with the convenience and security of a local store.

COMMENT ON THE RESULTS FOR THE YEAR

ANALYSIS OF KEY OPERATING RESULTS

Analysis of revenue and profitability

Revenue

In 2016, the revenue of ePRICE (formerly Banzai) totalled €197.9 million, net of the Vertical Content and BNK4 SaldiPrivati S.r.l. division, sold during the course of the year. Revenue growth in 2016 was therefore 18.0% compared with the pro-forma figure for 2016, i.e. excluding the income items which should be allocated to Vertical Content and to Flash Sales which was sold during the year, driven by the electronics and domestic appliances categories.

The ePRICE Group (hereinafter also referred to as ePRICE), recorded GMV¹ growth of 22.7% during the year, with a total of €254.4 million compared with a pro-forma figure of €207.3 million for 2015, largely due to the strong contribution of the Marketplace, which grew by +123% compared with 2015. The contribution made by the Marketplace, launched in 2Q15, almost doubled during the year to reach more than 10% of GMV compared with 5.6% in 2015.

<i>(in thousands of Euros)</i>	2016	2015	% Change
e-Commerce	197,894	167,720	18.0%
Revenues	197,894	167,720	18.0%
<i>(in millions of Euros)</i>			
GMV	254.4	207.3	22.7%

¹ GMV Gross Merchandise Volume: includes revenue from products, from shipping and the volumes generated by the 3P Marketplace, net of returns and including VAT.

The breakdown of Revenue and GMV by product type is as follows:

Revenue

<i>(In thousands of Euros)</i>	2016	2015	% Change
Electronics, Domestic Appliances and other products	180,806	155,189	16.5%
Services / Other revenue	17,088	12,531	36.4%
Revenue	197,894	167,720	18.0%

GMV

<i>(In millions of Euros)</i>	2016	2015	% Change
Electronics, Domestic Appliances and other products	246.5	201.0	22.6%
Services / Other revenue	8.0	6.3	27%
GMV	254.4	207.3	22.7%

In 2016 ePRICE recorded €180,806 thousand of revenue from product sales. The growth of 16.5% compared with 2015 is attributable mainly to the single category “Electronics and domestic appliances”, which grew by more than 24% over the year, due to the widening of the range of products offered and the development of the “premium” services (delivery, installation and old appliance removal).

Revenue from sales of Services and Other rose steeply in 2016 (+36.4% compared with 2015). January 2016 saw the launch of the new generation of personalised Home Service delivery, installation and old appliance removal services, integrated with a proprietary mobile platform accessible via a smartphone app, which enables our customers to interact continuously with ePRICE from the moment of purchase until installation in the home. Home Service was also the focus of a TV campaign launched on 23 September 2016, which helped accelerate the rate of adoption of the service.

In the segment of domestic appliances sold online alone, where ePRICE is market leader, growth was far higher in the areas covered by the new services of Home Service, with a Net Promoter Score (NPS)² of about 70. In 2016, the number of installations of domestic appliances grew by 100% compared with 2015.

In addition to the development of Home Service, in 2016 ePRICE completed and optimised the network of Pick&Pay outlets and Lockers, the only network of its kind in the Italian market which was ranked, respectively, with 133 and 309 points as at 31 December 2016 (vs. 100 and 300 as at 31 December 2015). The Pick&Pay delivery services have an NPS of over 80, and from December these were also opened up to merchants on Marketplace.

GMV grew by 22.7% in 2016, supported by the performance of the Marketplace, which ended the period with 877 merchants and achieved growth of 123% over the year, driven by Electronics. It should be noted that the GMV does not include Infocommerce and B2B services.

² The Net Promoter Score is calculated by subtracting the percentage of detractors from the obtained percentage of promoters.

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

	2016	2015	% Change
<i>Orders (thousands)</i>	962	817	18%
<i>AOV (Euros)³</i>	217	208	4%
<i>Buyers (thousands)⁴</i>	563	481	17%

In 2016, 962,000 orders were handled, up by +18% compared with 2015, with an average order value (AOV) of €217, up by 4%, mainly due to the mix in favour of high-ticket categories (Electronics and Domestic Appliances). Lastly, the number of buyers was 563,000, up by 17% compared with 2015.

³ Average order value (excluding VAT).

⁴ Customers with at least 1 order in the period.

Reclassified consolidated income statement

The table below illustrates the Reclassified Income Statement for 2016 and 2015, on a like-for-like basis, 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	2016	% of total revenues	2015	% of total revenues	% Change
Total revenues	197,894	100.0%	167,720	100.0%	18.0%
Cost of sales ⁵	(167,707)	-84.7%	(144,591)	-86.2%	16.0%
Gross margin ⁶	30,187	15.3%	23,129	13.8%	30.5%
Sales and marketing costs	(11,038)	-5.6%	(8,937)	-5.3%	23.5%
Logistics costs	(18,962)	-9.6%	(14,332)	-8.5%	32.3%
IT costs	(1,414)	-0.7%	(1,051)	-0.6%	34.5%
General and administrative expenses	(8,297)	-4.2%	(6,735)	-4.0%	23.2%
Adjusted EBITDA	(9,524)	-4.8%	(7,926)	-4.7%	20.2%
Non-recurring costs and income and stock option plans	(200)	-0.1%	(910)	-0.5%	-78.0%
EBITDA	(9,724)	-4.9%	(8,836)	-5.3%	10.0%
Depreciation, amortisation and impairment	(4,259)	-2.2%	(3,036)	-1.8%	40.3%
EBIT	(13,983)	-7.1%	(11,872)	-7.1%	17.8%
Net financial expenses	34	0.0%	(30)	0.0%	-213.3%
Minority interest in income of associates	(79)	0.0%	(270)	-0.2%	-70.7%
Impairment losses on financial assets	(668)	-0.3%			
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(14,696)	-7.4%	(12,172)	-7.3%	20.7%
Income taxes	(18)		2,608		
Net profit (loss) from discontinued operations	24,782		(1,192)		N/A
NET PROFIT (LOSS)	10,068	5.1%	(10,756)	-6.4%	N/A

Gross Margin

Gross Margin stood at €30,187 thousand, an increase of €7,058 thousand, or 30.5%, compared with 2015 (€23,129 thousand), showing significantly higher growth than that seen in Revenues. In percentage terms, the ratio of Gross Margin to Revenues was 15.3%, compared with 13.8% in 2015.

⁵ The **Cost of sales** mainly includes the purchase cost of goods and the cost of some services, including the cost of collection fees.

⁶ **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 gross margin. 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.

It should be noted that the Gross Margin does not include shipping and installation costs, which have been more properly restated among logistics costs. The percentage impact on revenues was 4.5% in 2016 and 3.5% in 2015.

The improvement in the Gross Margin had been one of the objectives announced to the market, and was achieved thanks to various factors, including: the diverse sales mix, which is generating an increasing contribution from Domestic Appliances, the greater contribution from the Marketplace as described above, and the increase in infocommerce and advertising activities, including a one-off contract (relating to TV commercials on Mediaset networks) for which the related costs have been recognised under sales and marketing costs.

Adjusted EBITDA

Adjusted EBITDA stood at -€9,524 thousand, a decline compared with the -€7,296 thousand recorded in 2015.

The change is attributable mainly to the +23.5% increase in sales and marketing costs (+18.5% net of marketing costs relating to the one-off infocommerce contract mentioned above), and the +32.3% rise in logistics costs; in both cases, the increase reflects the strong growth of ePRICE in terms of customers and sales volumes, particularly in the domestic appliances category and, to a lesser extent, the strong expansion of the network of Pick&Pay outlets and Lockers, which is not yet fully up and running.

Sales and marketing costs also include television advertising costs, which in 2016 amounted to about €1 million, benefiting from the agreement with Mondadori following the sale of the Vertical Content division, compared with costs of about €1.5 million incurred for the television advertising campaign in 2015.

The breakdown of adjusted EBITDA for 2016 and 2015 is provided below:

<i>(In thousands of Euros)</i>	2016	% of revenues	2015	% of revenues
Operating profit (loss)	(13,983)	-7.1%	(11,872)	-7.1%
+ Depreciation, amortisation and impairment	4,259	2.2%	3,036	1.8%
Non-recurring costs, contributions and stock option plans	200	0.1%	910	0.5%
Adjusted EBITDA	(9,524)	-4.8%	(7,926)	-4.7%
EBITDA	(9,724)	-4.9%	(8,836)	-5.3%

EBITDA for 2016 stood at -€9,724 thousand, and includes costs of €454 thousand relating to the stock option plans, costs of €312 thousand relating to the adoption of the new Group headquarters, staff restructuring costs of €456 thousand net of contributions, amounting to €1,023 thousand, paid in the form of tax credit generated by research and development activities carried out in 2015.

EBITDA for 2015 stood at -€8,836 thousand and includes non-recurring costs of €811 thousand relating to bonuses paid to employees and contract workers for achieving the goal of listing on the Italian Stock Exchange, and costs of approximately €99 thousand relating to the stock option plan.

EBIT

EBIT stood at -€13,983 thousand compared with -€11,872 thousand in 2015, partly as a result of the lower EBIDTA as described above. Depreciation and amortisation increased by 40.3% compared with 2015, mainly due to major investments made in 2015 and 2016 using resources generated by the IPO to support growth.

Earnings before tax from continuing operations

EBT was -€14,696 thousand, compared with -€12,172 thousand in 2015. Financial income, net of expenses, stood at €34 thousand, an improvement over the previous year (net expenses of €30 thousand), due to the improvement in the net financial position.

Write-downs of financial receivables of €668 thousand were registered during the year, all due from the associate Uollet, which was sold at the start of 2017.

Profit (loss) from discontinued operations

Profit (loss) deriving from discontinued operations relates to the Vertical Content segment, following the sale of the entire equity investment held in Banzai Media Holding to Arnoldo Mondadori Editore S.p.A., and to the Flash Sales segment following the sale of the shareholding in BNK4 – Saldi Privati S.r.l. to the SRP Group.

The scope of the transaction relating to the Vertical Content segment includes the entire investment in Banzai Media Holding S.r.l., with the underlying shareholdings listed below:

Name	Activity	Ownership percentage
Banzai Media Holding S.r.l.	Subholding company	100
Banzai Media S.r.l.	Vertical Content	100
Banzai Direct S.r.l.	Vertical Content	100
MyTrainerCommunity S.r.l.	Vertical Content	100
AdKaora S.r.l.	Vertical Content	100
Bobo Software S.r.l.	Vertical Content	100

The scope did not include the “News” segment. ePRICE S.p.A. consequently acquired from Banzai Media Holding the equity investment in associate “Il Post” and created Giornalettismo S.r.l., in which it maintained a share of 30%.

The sale price relating to the Vertical Content segment was set at €24,660 thousand, based on an enterprise value of €41 million, not including the net financial position at the closing date, plus earn-outs of up to €4 million if certain conditions based on economic performance and page visits are met by 2018. ePRICE also issued to the buyer the usual representations and warranties for a sale transaction, in particular as part for the tax and labour law guarantees, under which the maximum amount claimable is equal to the overall value of the transaction. The best estimate of the risks of activation of these guarantees is reflected in the provision for risks and charges set aside in this annual financial report.

With regard to the sale of the Flash Sales segment, the price of the transaction was €24,997 thousand, of which €24,453 thousand was received at the closing and €544 thousand in February 2017 by way of price adjustment.

In addition, the Contract provides for the payment of a further amount not exceeding €5 million (the “Retained Amount”), to be paid to the Seller by the Buyer on completion of the transfer to the Sold Company of certain administrative and management activities performed by the seller that are required to make the company independent.

In addition to the Final Price, the Contract also provides the obligation for the Buyer to pay the Seller a further amount not exceeding €10 million if certain targets defined in the Contract are achieved, linked to the 2018 results of BNK4 SaldiPrivati S.r.l.

The ePRICE Group has also given the purchaser the representations and warranties usual in a sale. 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.

At the closing date, the ePRICE Group received, in addition to the price, an amount of €2.5 million corresponding to one half of the Retained Amount, and at the same time the SRP Group paid a further €2.5 million, corresponding to the other half of the Retained Amount, into a guarantee deposit, recognised under Other current receivables.

Net profit (loss) deriving from discontinued or divested assets is shown below:

<i>(In thousands of Euros)</i>	2016	2015
Vertical Content		
Gross capital gain	18,861	-
Net profit (loss)	(982)	991
Transaction costs	(923)	-
Vertical Content total	16,956	991
Flash Sales		
Gross capital gain	12,070	-
Net profit (loss)	(3,798)	(2,183)
Transaction costs	(446)	-
Flash Sales net profit	7,826	(2,183)
Profit (loss) from discontinued operations	24,782	(1,192)

The breakdown of the profit performance of the Vertical Content and Flash Sales segments for 2016, up to the date of sale, is shown in the following table:

<i>Vertical Content</i>	2016	2015
Revenue	10,883	24,335
Costs	(12,163)	(23,161)
Earnings Before Tax	(1,280)	1,174
Tax	298	(183)
Net profit (loss)	(982)	991

The result generated by Vertical Content in the early months of 2016 includes premiums and bonuses disbursed to employees and directors at the time of the activities relating to the sale.

<i>Flash Sales</i>	2016	2015
Revenue	34,505	44,361
Costs	(38,299)	(46,977)
Earnings Before Tax	(3,794)	(2,616)
Tax	(4)	433
Net profit (loss)	(3,798)	(2,183)

SUMMARY OF DATA FOR THE FOURTH QUARTER

The table below illustrates the Income Statement for the fourth quarter reclassified by destination, in accordance with the accounting plan used by the Group's management.

€ thousand	Q4 2016	% of total revenues	Q4 2015	% of total revenues	% Change
Total revenues	70,695	100.0%	60,999	100.0%	15.9%
Cost of sales	(59,990)	-84.9%	(52,936)	-86.8%	13.3%
Gross Margin	10,705	15.1%	8,063	13.2%	32.8%
Sales and marketing costs	(3,943)	-5.6%	(4,041)	-6.6%	-2.4%
Logistics costs	(6,638)	-9.4%	(5,163)	-8.5%	28.6%
IT costs	(400)	-0.6%	(300)	-0.5%	33.3%
General and administrative expenses	(2,318)	-3.3%	(2,088)	-3.4%	11.0%
Adjusted EBITDA	(2,594)	-3.7%	(3,529)	-5.8%	-26.5%
Non-recurring costs and Stock Option Plan	457	0.6%	(75)	-0.1%	-709.3%
EBITDA	(2,137)	-3.0%	(3,604)	-5.9%	-40.7%
Depreciation, amortisation and impairment	(1,373)	-1.9%	(1,130)	-1.9%	21.5%
EBIT	(3,510)	-5.0%	(4,734)	-7.8%	-25.9%
Net financial expenses	(5)	0.0%	(7)	0.0%	-28.6%
Minority interest in income of associates	3	0.0%	(109)	-0.2%	-102.8%
Impairment losses on financial assets	(229)	-0.3%	0	0.0%	
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	-3,741	-5.3%	-4,850	-8.0%	-22.9%
Income taxes	(18)		2,608		
Net profit (loss) from discontinued operations	10,871		399		N/A
NET PROFIT (LOSS)	7,112	10.1%	(1,843)	-2.6%	N/A

Consolidated revenue in the fourth quarter of 2016 totalled €70,695 thousand, up by 15.9% compared with the fourth quarter of 2015 (€60,999 thousand). The growth in revenue was strong, reversing the trend of the third quarter, which had shown growth of 8.2% due to an unfavourable comparison with the third quarter of 2015 for sales of air conditioners (which trimmed revenue growth by about 3.4% in the third quarter of 2016) and growing competitive pressure.

Gross margin stood at €10,705 thousand, representing further growth of 32.8% compared with the figure of €8,063 thousand in the fourth quarter of 2015 and growth of 29.3% over the first nine months of 2016. The percentage impact on revenues was 15.1%, a significant recovery in terms of percentage points compared with the 13.2% recorded in the fourth quarter of 2015.

ADJUSTED EBITDA amounted to -€2,594 thousand compared with -€3,529 thousand in the fourth quarter of 2015, showing an improvement of about €1 million or 26.5%. This was due to the reduction in sales and marketing costs resulting from the lower impact of costs for the television advertising campaign as described above and also to improved control of general and administrative expenses, which grew at a slower pace compared with the growth in revenues and gross margin.

EBITDA amounted to -€2.137 thousand compared with -€3,604 thousand in the fourth quarter of 2015, representing an improvement of about €1.5 million or 40.7%, benefiting in particular from the positive impact of non-recurring income relating to the tax credit for research and development activities as described earlier.

EBIT was -€3,510 thousand, after depreciation and amortisation of €1,373 thousand, compared with -€4,734 thousand in the fourth quarter of 2015, representing an improvement of about 26%.

EBIT from continuing operations was -€3,741 thousand, compared with -€4,850 thousand in the fourth quarter of 2015, representing an improvement of about 23%.

ANALYSIS OF KEY RESULTS FROM THE STATEMENT OF FINANCIAL POSITION

The following table shows the reclassification according to sources and uses of the statement of financial position; for better comparability, as well as the data as at 31 December 2015, a "31 December 2015 pro forma" column is shown, which excludes the assets and liabilities allocable to the Vertical Content and Flash Sales segments (sold during the year).

<i>(thousands of Euros)</i>	31 December 2016	31 December 2015	31 December 2015 pro forma
USES			
Net Working Capital	(4,356)	776	(3,504)
Fixed assets	33,554	55,648	28,573
Long-term assets	9,996	12,120	9,892
Personnel fund	(2,131)	(3,741)	(1,984)
Long-term liabilities	(396)	(3,875)	-
Net Invested Capital	36,667	60,928	32,977
SOURCES			
Net Financial Liquidity/Debt	56,176	23,205	-
Net Equity	(92,843)	(84,133)	-
FUNDING SOURCES TOTAL	(36,667)	(60,928)	(32,977)

Net Working Capital

Net working capital on a like-for-like basis fell by €852 thousand, mainly due to the increase in trade payables, partially offset by an increase in inventories as a result of higher purchase volumes of products held for sale. There was also an increase in trade receivables, particularly in relation to Infocommerce B2B activities.

In the item "Other current assets" there was a substantial increase in prepaid expenses, including €2.1 million in payments for advertising costs to the Mondadori Group to acquire space on the Mediaset networks, which is to be utilised in the three-year period 2016-2018 but for which the promotional campaigns were launched in the latter part of 2016.

The table below provides a breakdown of Net Working Capital:

(€ thousands)	31 December 2016	31 December 2015	31 December 2015 pro forma
Inventories	22,092	24,425	15,516
Trade receivables and other accounts receivable	9,798	17,081	5,167
Trade and other payables	(36,874)	(39,121)	(24,610)
Trade Working Capital	(4,984)	2,385	(3,927)
Other current receivables and payables	628	(1,609)	423
Net Working Capital	(4,356)	776	(3,504)

Fixed assets

Fixed assets as at 31 December 2016 were down by €22,094 thousand compared with 31 December 2015, mainly due to the change in the scope of consolidation linked to the sale of Vertical Content and BNK4 – Saldi Privati S.r.l.; in particular, this contributed to a reduction of €25,763 thousand in intangible fixed assets, including €19,212 thousand in goodwill. On a like-for-like basis, there was an increase of €4,981 thousand. During the year, investments of €6,219 thousand were made in intangible fixed assets, particularly in relation to the platform and the development of the new ERP accounting and management system, €1,370 thousand in tangible assets, particularly in improvements and furnishings relating to the Group's new registered office and administrative headquarters, and €1,499 thousand in equity investments, mainly linked to the increase in the stake in the associate Il Post to 38.16%, and in the acquisition of 23% of Termostore S.r.l.

Net Equity

Shareholders' equity increased from €84,133 thousand to €92,843 thousand during the year, due mainly to comprehensive income, which came in at €10,053 thousand. Shareholders' equity also decreased by €1,794 thousand due to the purchase of treasury shares during the year, and there was an increase of €454 thousand in the stock option reserve due to the cost of employee incentive plans.

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

Net Financial Position

(thousands of Euros)

	31 December 2016	31 December 2015
(A) Cash	(243)	(109)
(B) Other cash and cash equivalents	(54,468)	(33,434)
(C) Stocks held for trading	-	-
(D) Liquidity (A)+(B)+(C)	(54,711)	(33,543)
(E) Current financial receivables	(1,700)	(738)
(F) Current financial payables	-	3,081
(G) Current portion of non-current debt	-	1,250
(H) Other current financial payables	109	54
(I) Current financial debt (F)+(G)+(H)	109	4,385
(J) Net current financial liquidity/debt (D)+(E)+(I)	(56,302)	(29,896)
(K) Non-current bank payables	-	6,619
(L) Bonds issued	-	-
(M) Other non-current payables	126	72
(N) Non-current financial debt (K)+(L)+(M)	126	6,691
(O) Net Financial (Liquidity)/Debt (J)+(N)	(56,176)	(23,205)

As at 31 December 2016, the Group reported net liquidity of €56,176 thousand, representing a significant increase compared with 31 December 2015. The increase is due to the net resources coming in from the sale of Banzai Media Holding to Arnoldo Mondadori S.p.A. and of BNK4 – Saldi Privati to SRP Group, amounting to €52,228 thousand, net of resources absorbed by the investment activities described earlier, totalling €11,605 thousand, and by the purchase of treasury shares of €1,794 thousand, and the absorption of €8,160 thousand in financial resources for operational management. The absorption generated by operational management is partly due to the Group's strategy, which provides for a strong acceleration of revenues and market share, including through higher investments in marketing.

During the year, the Group repaid loan portions amounting to €1,417 thousand and made early repayment of two existing loans with a total residual value of €7,251 thousand using part of the available liquidity.

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>	2016	2015
Total Revenues	2,826	1,833
EBITDA ⁷	(5,667)	(4,291)
Operating profit (EBIT)	(6,082)	(4,567)
Profit (loss) before tax (EBT)	(6,123)	(4,582)
Profit (loss) from continuing operations	(6,123)	(3,511)
Profit (loss) from discontinued operations	11,718	-
Net profit (loss)	5,595	(3,511)

Revenues during 2016 amounted to €2,826 thousand, compared with the €1,833 thousand realised in 2015. These consisted almost exclusively of revenues from charge-backs to Group companies or former Group companies during the course of the year. The increase compared with the previous year is mainly due to the charge-back to the subsidiary ePRICE S.r.l. of advertising costs amounting to €850 thousand and to Banzai Commerce of certain costs incurred as part of the sale of the equity investment in BNK4 SaldiPrivati S.r.l.

EBITDA, negative by €5,667 thousand, worse by €1,376 thousand compared with 2015, mainly due to higher costs for services and higher employee costs.

These higher costs also had an impact on operating profit (EBIT), profit (loss) before tax (EBT) and net profit.

⁷ **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 2016	31 December 2015
USES		
Net Working Capital	2,582	493
Fixed assets	61,189	76,741
Long-term assets	6,130	6,137
Personnel fund	(267)	(214)
Long-term liabilities	(397)	-
Net invested capital	69,237	83,157
SOURCES		
Net Financial Liquidity/Debt	43,097	24,931
Net Equity	(112,334)	(108,088)
FUNDING SOURCES TOTAL	(69,237)	(83,157)

Net Working Capital increased by €2,089 thousand, mainly due to an increase in other current assets, which include €2,150 thousand of prepaid expenses relating to advertising costs.

Intangible fixed assets fell by €15,552 thousand, mainly due to the sale of the equity investment in Banzai Media Holding and the repayment of the shareholder loans.

Long-term assets relate mainly to deferred tax assets, and are essentially unchanged due to the decision not to make any provision for additional prepaid taxes on fiscally significant losses for the year.

Shareholders' equity increased by €4,246 thousand in the year, due mainly to comprehensive income, which came in at €5,586 thousand. Shareholders' equity also decreased by €1,794 thousand due to the purchase of treasury shares in the period, and an increase of €454 thousand in the stock option reserve due to the cost of employee incentive plans.

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

<i>(In thousands of Euros)</i>	As at 31 December 2016	As at 31 December 2015
(A) Cash	(1)	(1)
(B) Other cash and cash equivalents	(43,259)	(31,208)
(C) Stocks held for trading	-	-
(D) Liquidity (A)+(B)+(C)	(43,260)	(31,209)
(E) Current financial receivables	-	(1,592)
(F) Current financial payables	-	-
(G) Current portion of non-current debt	-	1,250
(H) Other current financial payables	67	-
(I) Current financial debt (F)+(G)+(H)	67	1,250
(J) Net current financial liquidity/debt (D)+(E)+(I)	(43,193)	(31,551)
(K) Non-current bank payables	-	6,620
(L) Bonds issued	-	-
(M) Other non-current payables	96	-
(N) Non-current financial debt (K)+(L)+(M)	96	6,620
(O) Net Financial (Liquidity)/Debt (J)+(N)	(43,097)	(24,931)

As at 31 December 2016, the Company reported net liquidity of €43,097 thousand. The change compared with 31 December 2015 (net liquidity of €24,931 thousand) is mainly due to resources from the sale of Banzai Media Holding, offset by the absorption of financial resources relating to investment activities, and to the absorption of financial resources for operational management. During the year, the outstanding loans were repaid early, in view of the available liquidity.

OTHER INFORMATION

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 adopts 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 2016, the Group continued to invest in improving the quality of services offered to customers, in existing processes and in platform components to make them scalable for increasing volumes. The Group continued to develop the technology platform by integrating the components available on the market as much as possible. The benchmark architectural paradigm follows a structure which is exposed to services in which the software components can be integrated and cooperate through standard technologies.

The development of a platform for the management of specialist local services related to the world of household appliances (MDA) and the construction/activation of the premium delivery and professional installation network both continued. This network is being developed to provide a system to manage transportation and installation services, designed particularly for

sales of Domestic appliances. The platform includes many innovative services: for example, the availability and scheduling of installers can be managed in real time; an operator monitors the customer order end-to-end (and a dedicated call centre is provided); a sequence of blocking questions that are nestable and differentiated by product type is presented to the customer while the features of the service are being defined (e.g. floor, availability and width of lift access, width of staircase, etc.); the customer is informed about the technical installer who will come to their home; and service prices are compared with a standard list.

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

Logistics software platform development activities continued and a rental agreement was defined for the new fulfilment centre, which will be operational in early 2017.

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

Human resources and talent acquisition

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

	31 December 2016		31 December 2015	
	Average	Actual	Average	Actual
Senior managers	8	6	8	9
Middle managers	31	21	39	42
Clerical workers	241	146	298	336
Manual workers	3	2	3	3
Total		175		390

The reduction in the actual and average workforce compared with the previous year is mainly attributable to the resources employed in the companies sold during the year.

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.

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, in the 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, 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.	5,596	112,335
IFRS profits of the subsidiaries and the difference between book value and their shareholders' equity	6,626	(19,382)
Minority interest in income of associates not included in the financial statements	(79)	(180)
Consolidation differences allocated to intangible fixed assets, net of tax effect	(75)	70
ePRICE Group	10,068	92,843

SIGNIFICANT EVENTS IN THE YEAR

In January 2016, the Group increased its equity investment in associate "Il Post" from 24.01% to 38.16% by buying the shares of some shareholders and then carrying out a capital increase, for a total investment of approximately €793 thousand.

On 8 June 2016, the sale of the entire equity investment held in Banzai Media Holding to Arnoldo Mondadori Editore S.p.A. was completed. The scope of the transaction includes the entire investment in Banzai Media Holding S.r.l., with the underlying investments listed below:

Name	Activity	Ownership percentage
Banzai Media Holding S.r.l.	Subholding company	100
Banzai Media S.r.l.	Vertical Content	100
Banzai Direct S.r.l.	Vertical Content	100
MyTrainerCommunity S.r.l.	Vertical Content	100
AdKaora S.r.l.	Vertical Content	100
Bobo Software S.r.l.	Vertical Content	100

The scope did not include the “News” segment. ePRICE later acquired from Banzai Media Holding the equity investment in associate “Il Post” and created the wholly-owned subsidiary Giornalettismo S.r.l. (70% of which it subsequently sold to third parties, while still holding 30% as at 31 December 2016), which owns the eponymous website and has several employment contracts.

In August 2016, the company transferred its registered office and administrative headquarters to Via San Marco, 29, Milan, from its premises at Corso Garibaldi and Via Vico. As well as improving logistical efficiency and giving the Group more space, the relocation will generate savings in rental costs.

On 3 November 2016, the sale of the entire equity investment held in BNK4 – Saldi Privati S.r.l. to SRP Group S.A. was completed. At the same time, a five-year agreement was signed in relation to logistics management and fulfilment activities for the future scope of the Italian operations of Showroomprivè.

In December 2016, the Group invested €700 thousand in Termostore, the first start-up in Italy to have developed a full-service model for the installation and maintenance of heating and air-conditioning equipment. In February 2017, the Group invested a further €300 thousand in the company, increasing its stake to 43%.

L'assemblea degli azionisti del 20 dicembre 2016 ha approvato il cambio di denominazione sociale da Banzai S.p.A. in ePRICE S.p.A.; in data 30 gennaio 2017 il registro delle imprese ha omologato il cambio di denominazione.

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

Also in February 2017, the Group completed the sale of the equity investment held in Uollet S.r.l.

OUTLOOK

The 2017-2021 business plan provides for the Group's share of the Tech & Appliance market to increase from 15% to 21% in the next five years, thanks to the development of four strategic lines of action, already partially indicated at the time of the IPO (and partly implemented):

- **Leadership in sales of domestic appliances** on a first-party basis. ePRICE proposes to treble sales of large domestic appliances, and also to increase brand significance, with a positive impact on margins. The new logistics centre, planned for 2017, increases the available capacity by 50%.
- **Strengthening and saturation of the Pick&Pay network**, which currently covers about 93% of the population and has a Net Promoter Score of over 80 (best sales channel according to this criterion). The Pick&Pay channel creates customer loyalty, encourages repeat purchasing and frequently allows the customer to benefit from free delivery. It is also a driver of profitability in terms of logistics costs, once saturated.
- **Expansion of the 3P Marketplace** with the goal of exceeding 30% of GMV by 2021, thanks to the introduction of new categories complementary to ePRICE's categories, such as technical sportswear, toys, car spares, household items, DIY, etc.
- **Gradual growth of ePRICE as a Services platform** to complete the offer of Tech&Appliance products, positioning ePRICE as leader for the Smart Home, but also as a platform for maintenance and repair services by leveraging the existing network of installers. The Home Serve service, with a Net Promoter Score of over 70, is proving to be an extremely effective factor for loyalty creation. The aim is to more than double the network of installers from the current 400, to achieve an attach rate of about 40% of GED.

The strategy described above will enable ePRICE to achieve its medium-term objectives:

- **Strong growth of revenues and GMV**, driven by Large Domestic Appliances, Services and 3P Marketplace. In particular, thanks to the growth of the Marketplace, the Gross Merchandise Volume, or the volume of sales made on the ePRICE platform, is forecast to treble in the next five years.
- **Gross operating margin (EBITDA) of 4-6% in the medium term**, with slightly less than half of this deriving from Marketplace and services. The strong growth will also be supported by a cost optimisation plan.



- **Gross operating margin (EBITDA) and Operating Cash Flow break even in 2018.**
- **Positive Cash Flow in 2019** on an organic basis.

Board of Directors proposal

To our Shareholders,

We submit the financial statements of ePRICE S.p.A. as at 31 December 2016 for your approval. These financial statements report a profit of €5,595,575, to allocate €163,489.22 to the Legal Reserve, which would thus amount to €164,159.40 or 20% of the share capital.

As regards the residual profit of €5,432,085.78, we propose to distribute a dividend of €0.13 to each of the 40,176,338 shares entitled to one, including the treasury shares, for a total amount of €5,222,923.94.

You are therefore invited to approve the financial statement for the year ended 31 December 2016 and the following proposal for allocation of the profit:

To the Legal Reserve: €163,489.22

Dividend of €0.13 to 40,176,338 shares for € 5,222,923.94.

€209,161.84 to be carried forward.

Milan, 15 March 2017

The Board of Directors



Consolidated Financial Statements as at 31 December 2016

PROPOSAL OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(In thousands of Euros)</i>	Notes	31 December 2016	Of which related parties	31 December 2015	Of which related parties
NON-CURRENT ASSETS					
Plant and equipment	1	3,013		3,113	
Intangible assets	2	26,853		49,475	
Investments in associates	3	2,468	2,468	1,114	1,114
Non-current financial assets	4	1,220	211	1,946	933
Other non-current assets	5	273		214	
Deferred tax assets	6	9,723		11,906	
NON-CURRENT ASSETS TOTAL		43,550		67,768	
CURRENT ASSETS					
Inventories	7	22,092		24,425	
Trade receivables and other receivables	8	9,798	309	17,081	376
Other current assets	9	12,285		7,594	
Cash and cash equivalents	10	54,711	2,722	33,543	22,705
CURRENT ASSETS TOTAL		98,886		82,643	
ASSETS TOTAL		142,436		150,411	
LIABILITIES AND NET EQUITY					
NET EQUITY					
Share capital		821		821	
Reserves		81,954		94,068	
Profit (loss) for the year		10,068		(10,756)	
TOTAL NET EQUITY	11	92,843		84,133	
NON-CURRENT LIABILITIES					
Payables to banks and other lenders	12	126		6,691	
Provisions for personnel	13	2,130		3,741	
Provisions for risks and charges	14	360		-	
Other non-current liabilities	16	37		3,876	
TOTAL NON-CURRENT LIABILITIES		2,653		14,308	
CURRENT LIABILITIES					
Trade and other payables	15	36,874	1,009	39,121	427
Payables to banks and other lenders	12	109		4,385	
Other current liabilities	16	9,957		8,464	
TOTAL CURRENT LIABILITIES		46,940		51,970	
TOTAL LIABILITIES		49,593		66,278	
TOTAL NET EQUITY AND LIABILITIES		142,436		150,411	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>(In thousands of Euros)</i>	Notes	2016	Of which related parties	2015*	Of which related parties
Revenue	17	205,398	1,495	174,057	1,754
Other income	18	2,280		1,168	
Costs for raw materials and goods for resale	19	(166,297)		(143,416)	
Costs for services	20	(40,669)	2,467	(32,237)	304
<i>Of which non-recurring</i>		(312)		(145)	
Personnel expenses	21	(9,852)		(7,689)	
<i>Of which non-recurring</i>		(456)		(664)	
Depreciation, amortisation and impairment	22	(4,259)		(3,036)	
Other fees	23	(584)		(719)	
Operating profit (loss)		(13,983)		(11,872)	
Financial expenses	24	(182)		(266)	
Financial income	24	216	23	236	31
Minority interest in income of associates	25	(79)		(270)	
Loss of value of financial assets	26	(668)			
Profit (loss) before tax from continuing operations		(14,696)		(12,172)	
Income taxes	27	(18)		2,608	
Profit (loss) from continuing operations		(14,714)		(9,564)	
Net profit (loss) from divestitures or discontinued operations	28	24,782		(1,192)	
Profit (loss) for the year		10,068		(10,756)	
Other components of comprehensive income:					
<i>That will not subsequently be reclassified into profit (loss) for the year</i>					
Employee benefits		(20)		235	
Tax effect		5		(56)	
Total		(15)		179	
<i>That will subsequently be reclassified into profit (loss) for the year</i>					
Comprehensive profit/(loss)	11	10,053		(10,577)	
Earnings per share	29	0.25		(0.27)	
Diluted earnings per share	29	0.23		(0.25)	

* restated pursuant to IFRS 5

CONSOLIDATED STATEMENT OF CASH FLOW

<i>(In thousands of Euros)</i>	2016	Of which related parties	2015*	Of which related parties
NET CASH FLOW FROM OPERATIONS				
Net result from operations	(14,714)		(9,564)	
<i>Adjustments to reconcile profit for the year with cash flow generated by operating activities:</i>				
Depreciation and Amortisation	4,105		2,976	
Bad debt provision	155		60	
Employee benefit fund provision	544		475	
Inventory write-down	276		26	
Employee benefit fund change	(394)		(159)	
Change in deferred tax assets and liabilities	17		(2,557)	
Share of the result pertaining to associated companies	79		270	
Impairment losses on non-current assets	668		0	
Change in other non-current liabilities	35		(170)	
Other non-monetary items	454		98	
<i>Changes in working capital</i>				
Change in inventories	(6,853)		(7,891)	
Change in trade receivables	(4,787)	(65)	(1,741)	(134)
Change in other current assets	(1,290)		(2,267)	
Change in trade payables	12,263	582	7,192	180
Change in other payables	1,282		222	
Cash flow from discontinued operations	-		405	
NET CASH FLOW GENERATED (ABSORBED) BY OPERATIONS	(8,160)		(12,625)	
NET CASH FLOW FROM INVESTMENT ACTIVITIES				
Acquisition of tangible assets	(1,370)		(1,260)	
Disposal of tangible assets	24			
Change in other non-current assets	(121)		(77)	
Acquisition of intangible assets	(6,219)		(6,333)	
Provision of financing	(270)	(270)	(665)	(665)
Purchase of associates	(1,499)	(1,499)	(311)	(311)
Other investments	(2,150)		0	
Cash flow from discontinued operations	52,228		(6,400)	
NET CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITIES	40,623		(15,046)	
CASH FLOW FROM FINANCING ACTIVITIES				
Financial payables	(8,539)		4,380	
Share capital increase	-		50,086	
Current financial receivables	(962)		(451)	
Treasury shares	(1,794)		-	
Cash flow from discontinued operations	-		(2,180)	
NET CASH FLOW ABSORBED BY FINANCING ACTIVITIES	(11,295)		51,835	
(Decrease)/Increase in cash and cash equivalents	21,168		24,164	
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR	33,543		9,379	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	54,711		33,543	

* restated pursuant to IFRS 5

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

	Share capital	Share premium	Legal reserve	Treasury shares	Stock Option reserve	Other capital reserves	Retained earnings (losses)	FTA Reserve	Employee benefits	Total
Balance as at 31 December 2015	821	124,153	1	(791)	221	538	(39,289)	(1,350)	(172)	84,133
Result for the year							10,068			10,068
Other components of comprehensive income:										0
that will not subsequently be reclassified into profit (loss) for the year									(15)	(15)
that will subsequently be reclassified into profit (loss) for the year										0
Total income							10,068		(15)	10,053
Transactions on treasury shares				(1,794)						(1,794)
Reclassification pursuant to IFRS 5					(121)		(844)	864	101	0
Share-based payment					454					454
Balance as at 31 December 2016	821	124,153	1	(2,585)	554	538	(30,065)	(486)	(86)	92,843

	Share capital	Share premium	Legal reserve	Treasury shares	Stock Option reserve	Other capital reserves	Retained earnings (losses)	FTA Reserve	Att. Employee benefits	Total
Balance as at 31 December 2014	653	75,607	1	(791)	0	538	(31,193)	(1,350)	(351)	43,114
Result for the year							(10,756)			(10,756)
Other components of comprehensive income:										
that will not subsequently be reclassified into profit (loss) for the year									179	179
that will subsequently be reclassified into profit (loss) for the year										
Total income	-	-	-			-	(10,756)	-	179	(10,577)
Share capital increase	168	51,206								51,374
Other share capital operations						-				-
Share-based payment					221					221
Allocation of the result		(2,660)					2,660			-
Balance as at 31 December 2015	821	124,153	1	(791)	221	538	(39,289)	(1,350)	(172)	84,133

EXPLANATORY NOTES

Accounting principles and measurement criteria used to prepare the consolidated financial statements as at 31 December 2016.

The consolidated financial statements of the ePRICE Group as at 31 December 2016 were approved by the Board of Directors on 15 March 2017.

The consolidated financial statements for the year ended 31 December 2016 (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, consolidated cash flow statement and consolidated statement of changes in shareholders’ equity. The Group has chosen to prepare the statement of comprehensive income, which includes profit (loss) for the year as well as changes in shareholders’ equity relevant to income statement items which, by express provision of the international accounting standards, are recognised as components of shareholders’ equity.

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

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

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

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

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

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

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

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

The scope of consolidation as at 31 December 2016 was substantially different from that of 31 December 2015, following the sale to the Mondadori Group of Banzai Media Holding and its subsidiaries, which constituted the “Vertical Content” segment, and the sale of BNK4 – SaldiPrivati S.r.l. to the Showroomprivè Group. Following these sales, the scope of consolidation as at 31 December 2016 was as follows:

SUBSIDIARIES

(with an explanation of the activity conducted and percentage owned)

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

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

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

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

Accounting principles

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

The Consolidated Financial Statements were prepared according to the principle of historical cost and the assets and liabilities in the Group financial statements are classified according to the current/non-current criterion.

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

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

Measurement criteria

Plant, equipment and finance and operating leases

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

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

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

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

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

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

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

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

Business combinations

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

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

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

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

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

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

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

Intangible assets with an indefinite useful life

Trademarks

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

Goodwill

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

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

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

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

Intangible assets with a finite useful life

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

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

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

Equity investments in associates

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

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

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

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

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

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

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

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

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

Treasury shares

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

Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

Financial assets at fair value through profit or loss

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

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

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

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

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

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

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

Derecognition

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

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

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

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

Impairment losses on financial assets

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

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

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

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

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

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

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

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

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

Inventories

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

Cash and cash equivalents

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Liabilities for loans

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

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

Financial guarantees

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

Derecognition

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

Offsetting of financial instruments

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

Trade and other payables

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

Employee benefits

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

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

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

Provisions for risks and charges

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

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

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

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

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

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

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

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

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

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

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

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

Share-based payment

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

Recognition of revenue

Sale of goods

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

Provision of services

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

Recognition of costs

Costs are recognised when the good or service is acquired.

Tax

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

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

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

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

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

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

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

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

Earnings (loss) per share

Basic

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

Diluted

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

Significant accounting estimates and judgements

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

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

Goodwill

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

Provision for bad debts

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

Prepaid taxes

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

Provisions for risks and charges

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

Provision for obsolete inventory

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

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

The table below shows the new accounting principles and amendments which came into force on 1 January 2016 and were adopted by the Company:

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

IFRS 14 Regulatory Deferral Accounts. IFRS 14 is an optional standard which enables a company, whose assets are subject to regulated tariffs and when it first adopts IFRS, to continue to apply most of the previous accounting standards adopted for amounts relating to rate regulation. A company which adopt IFRS 14 must present the balances relating to rate regulation on separate lines in the financial position and present the movements in these accounts in separate lines of the profit/(loss) statement for the year and those relating to the other items of comprehensive income statement. The standard requires that information be provided on the nature and associated risks of the regulated tariffs and of the latter's impact on the company's net assets. This standard is not applicable to the Group, as it has already adopted the IFRS; this standard will not be endorsed by the European Union.

Amendments to IAS 19 Employee Benefits: defined contribution plans

IAS 19 requires an entity to consider employee or third party contributions when accounting for defined benefit plans. When the contributions are linked to the service rendered, they should be allocated to the periods of service as a negative benefit. This amendment makes it clear that, if the amount of the contributions is independent of the number of years of service, the company is allowed to record these contributions as a reduction in the cost of the service for the period in which the service is provided, rather than to allocate the contribution to the periods of service. This amendment applies for the financial years from 1 February 2015 onwards. This amendment is not relevant for the Group.

Annual improvement cycle 2012-14

These improvements apply for financial years starting on 1 January 2016 or later. They include:

"The standards which are affected by this annual improvement are IFRS 2, IFRS 3, IAS 16, IAS 24 and IFRS 8.

IFRS 2 Share-Based Payments

This improvement applies prospectively and clarifies various points relating to the definition of the performance condition and the continued service condition which constitute the vesting conditions, including:

A performance condition must include a continued service condition

A performance objective must be achieved while the party in question continues to provide his services

A performance condition may refer to the transactions or business activities of a company, or to those of another company in the same Group

A performance condition may be a market condition or a condition not connected with the market

If for whatever reason the party in question no longer provides his services during the vesting period, the continued service condition is not met.

The definitions listed above are consistent with the way in which the Group, in previous periods, identified the performance condition and continued service condition which constitute the vesting conditions. However, these improvements have no effect on the accounting principles applied by the Group.

IFRS 3 Business combinations

The amendment applies prospectively and makes it clear that all agreements relating to potential payments classified as liabilities (or assets) which result from a business combination, must subsequently be measured at fair value through profit or loss, whether or not they come within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the accounting principles applied by the Group and therefore this amendment has had no impact.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets

This amendment is applied retrospectively and makes it clear that in IAS 16 and IAS 38 an asset may be revalued based on observable data either by adjusting the gross carrying amount of the asset to the market value or by calculating the market value of the carrying amount and adjusting the gross carrying amount proportionally so that the carrying amount is equal to the market value. Furthermore, accumulated depreciation is the difference between the gross carrying amount and the carrying amount of the asset. The Group has not recognised any revaluation adjustments during the reference period.

IAS 24 Related party disclosures

The amendment applies retrospectively and makes it clear that a management company (an entity which provides services for senior managers with key responsibilities) is a related party subject to related party disclosures. Moreover, an entity which uses the services of a management company should disclose the costs incurred for the management services. This change is not significant for the Group because it does not receive management services from other companies.

IFRS 8 Operating segments

The amendment applies retrospectively and makes it clear that: a company shall disclose the valuations made by management when applying the aggregation criteria under paragraph 12 of IFRS 8, including a brief description of the operating segments which have been aggregated and of the economic characteristics (e.g. sales, gross margin) used to define whether the segments are “similar”. It is only necessary to reconcile the segment’s assets with total assets if the reconciliation is presented at the highest decision making level, as is required for segment liabilities.

The Group has not applied the aggregation criteria required by IFRS 8.12. In previous periods, the Group presented the reconciliation of the segment assets with the total assets. From 2016, the Group operates in only one operating segment.

Modifications to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Ventures

Amendments to IFRS 11 require that a joint operator accounting for the acquisition of an equity investment in a joint arrangement whose assets represent a business must apply the relevant standards of IFRS 3 regarding the accounting of business combinations. The modifications clarify also that in case the joint arrangements are maintained, the stake previously held in a joint arrangement is not re-measured at the time of acquisition of a further stake in the same joint arrangement. Moreover, an exclusion from the scope of IFRS 11 was added to clarify that the modifications do not apply when the parties sharing control, including the entity preparing the financial statements, are both controlled by the same ultimate controlling entity.

The modifications apply both to the acquisition of the initial shareholding in a joint arrangement, and to the acquisition of any further share in the same joint arrangement. The modifications must be applied prospectively for the years starting on 1 January 2016 or later; advanced application is permitted. No impact on the Company is expected as a result of application of these modifications.

Modifications to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The modifications clarify the guideline contained in IAS 16 and in IAS 38 which state that the revenue reflects a model of economic benefits generated by business operations rather than economic benefits resulting from use of the goods. As a result, a method based on revenue cannot be used for amortisation of buildings, equipment or machinery and could be used only in very limited circumstances for the amortisation of intangible assets. The modifications must be applied prospectively for the years starting on 1 January 2016 or later; advanced application is permitted. No impact on the Company is expected as a result of application of these modifications given that the Group does not use methods based on revenue for the amortisation of its non-current assets.

Modifications to IAS 27: Equity Method in Separate Financial Statements

The modifications will permit the entities to use the net assets method for accounting of stakes in controlled companies, joint ventures and related companies in their separate balance sheet. The entities already applying the IFRS, deciding to modify the accounting criterion passing to the net assets method in their separate balance sheet must apply the change retroactively. The modifications are effective for the years starting on 1 January 2016 or later; advanced application is permitted. The Company does not intend to exercise this option.

2012-2014 annual improvement cycle

These improvements apply for the years starting on 1 January 2016 or later. They include:

IFRS 5 Non-current assets held for sale and discontinued operative assets

The assets (or discontinued groups) are generally disposed of by sale or distribution to the shareholders. The modification clarifies that the change from one to the other of these transfer methods should not be considered as a new transfer plan, but instead as a continuation of the original plan. Therefore, there is no interruption in the application of the requirements of IFRS 5. This modification must be applied prospectively.

IFRS 7 Financial Instruments: Information

The modification makes it clear that a service contract which includes a payment may result in continuous involvement in a financial activity. An entity must define the nature of the compensation and agreement based on the guidance contained in IFRS 7 regarding continuous involvement to evaluate whether the information is required. The definition of which service contract includes a continuous involvement must be made retroactively. In any case, the required information does not have to be presented for the years preceding the year when the modification is first applied.

The modification makes it clear that the requirements for information about the payment do not apply to interim summary financial statements, unless such information provides a material update on the information presented in the most recent annual financial statements. This modification must be applied retroactively.

IAS 19 Benefits for Employees

The modification makes it clear that the market depth for high-quality corporate bonds must be defined with respect to the currency in which the bond is denominated, rather than the currency of the country where the bond is located. When there is no active market for high-quality company bonds in this currency, the respective rates of state bonds must be used. This modification must be applied prospectively.

IAS 34 Interim Financial Reporting

The modification makes it clear that the information required in interim financial statements must be either presented in the interim financial statements or incorporated via cross-referencing between the interim balance sheet and the part of the interim financial report in which it is included (for example, the management report or risk report).

The information presented in the interim financial report must be available for the reader in the same terms and within the same time frame as for the interim financial statements. This modification must be applied retroactively.

No impact is expected for the Company as a result of application of these modifications.

Modifications to IAS 1 Disclosure Initiative

The modifications to IAS 1 - Presentation of Financial Statements clarify, rather than significantly amend, certain existing IAS 1 requirements. The modifications clarify:

The material requirement of IAS 1

The fact that specific lines in profit/(loss) for the year or other components of comprehensive income or in the statement of financial position can be disaggregated.

That the entities have flexibility with regard to the order in which the notes to the financial statements.

That the quota of other components of the overall income statement related to related companies and joint ventures accounted for using the net assets method must be presented in aggregate in a single line, and classified among positions that will not be subsequently reclassified in the income statement.

Moreover, the modifications clarify the requirements that apply when subtotals are presented in annual profit/ (loss) statements or other components of comprehensive income or in the statement of financial position. The modifications are effective for the years starting on 1 January 2016 or later; advanced application is permitted. No impact is expected for the Company as a result of application of these modifications.

Modifications to IFRS 10, IFRS 12 and to IAS 28 - Investment Entities: Applying the Consolidation Exception

The modifications deal with problems arising in the application of the exception regarding investment entities described in IFRS 10. The modifications to IFRS 10 make it clear that the exemption from presentation of consolidated financial statements applies to a parent company which is the subsidiary of an investment entity, when the investment entity values all its subsidiaries at fair value.

Moreover, the modifications to IFRS 10 make it clear that only one subsidiary of an investment entity, which is not itself an investment entity and which provides support services to the investment entity, is consolidated. All other controlled companies of the investment entity are valued at fair value. The modifications to the IAS 28 permit the investor to maintain the fair value applied to related companies or joint ventures of an investment entity in the valuation of stakes in controlled companies in the application of the net assets method. The modifications must be applied retroactively and are effective for the years starting on 1 January 2016 or later; advanced application is permitted. No impact is expected for the Company as a result of application of these modifications.

Amendments to IAS 40 - Investment Property

On 8 December 2016, the IASB published the amendment to this standard. The purpose of these amendments is to clarify the application of paragraph 57 of IAS 40 which provides guidelines when there is a change in use of an asset which was not an investment property, and vice versa.

Annual Improvements to IFRSs: 2014 – 2016

On 8 December 2016, the IASB published the “Annual Improvements to IFRSs: 2014 – 2016 cycle”.

The main amendments that may be significant for the Group are contained in IFRS 12 - Disclosures of Interests in Other Entities. The document clarifies the scope of the standard, specifying that disclosure obligations, except for those in paragraphs B10-B16, also apply to investments in other companies classified as held for sale or for distribution, or as discontinued operations pursuant to IFRS 5. For venture capital and similar companies the other amendment refers to the valuation of interests in associates and joint ventures and provides the option to evaluate them at fair value with profits or losses recognised in income. The amendment clarifies that the choice is made for each individual investment.

IFRIC 22 - Foreign Currency Transactions

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

Standards issued but not effective yet

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

IFRS 9 Financial Instruments

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

The Company plans to apply the new standard as of the obligatory effective date, using the method of full retroactive application. Based on the evaluations of the 2016 activities, we do not expect the application of this standard to have a significant effect. However, because the Group is increasing the services it offers to its customers, we cannot preclude that more significant effects may be generated in the future.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 with reference to a loss of control in a subsidiary which is sold or allocated to an associated company or a joint venture. The amendments clarify that the profit or loss resulting from the sale or conferring of assets constituting a business, as defined in IFRS 3, between an investor and their related company or joint venture, must be fully recognised. Any profit or loss resulting from a sale or allocation of assets that do not constitute a business are therefore recognised only up to the portion held by third party investors in the related company or joint venture. The IASB has postponed the date of application of these amendments indefinitely, but should a company decide to apply them early, this must be done prospectively.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB disclosure initiative and require an entity to provide additional information to users of financial statements which enable them to evaluate the changes in liabilities arising from financing activities, including changes arising from cash flows and non-monetary changes. At the time of initial application of this amendment, the entity is not required to present comparative information on previous years. The amendments are effective for the years starting on 1 January 2017 or later; early application is permitted. The application of the amendments will require the Group to provide additional disclosures.

Modifications to IAS 12 - Income taxes

The IASB makes it clear how to account for deferred tax assets relating to unrealised losses on debt instruments measured at fair value. The amendments will be effective as of 1 January 2017.

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

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

Upon adoption, entities must apply the amendments without restating prior periods, however, retrospective application is allowed, all three amendments must be applied and other criteria fulfilled as well. The amendments are effective for the years starting on 1 January 2018 or later; early application is permitted. The Group is assessing the effects of these amendments on its own consolidated financial statements.

IFRS 16 – Leases

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

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

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

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

The Company has begun an analysis of the potential impacts of the application of this standard.

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, and following the disposal of the operating subsidiaries in the Vertical Content segment, 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 €3,013 thousand as at 31 December 2016 (€3,113 thousand as at 31 December 2015), as shown below:

<i>(In thousands of Euros)</i>	As at 31 December 2016			As at 31 December 2015		
	Hist. cost	Acc. amort.	Net value	Hist. cost	Acc. amort.	Net value
Plant and equipment	379	(276)	103	535	(315)	220
Equipment	924	(377)	547	1,162	(365)	797
Electronic machinery	2,400	(1,266)	1,134	4,191	(2,545)	1,646
Electronic machinery under leasing	705	(347)	358	503	(328)	175
Fixtures and furnishings	721	(503)	218	839	(624)	215
Other assets	805	(152)	653	181	(121)	60
Total	5,934	(2,921)	3,013	7,411	(4,298)	3,113

Note that, as at 31 December 2016, no owned operating assets were burdened by any type of guarantee issued to third parties, and that in the year, no indications emerged of any potential impairment of plant and equipment.

The following table shows changes in plant and equipment:

<i>(€ thousands)</i>	As at 31 December 2015	Increases	Decreases	Depreciation and Amortisation	Chg. scope of cons.	As at 31 December 2016
Plant and equipment	220	10	(2)	(50)	(75)	103
Equipment	797	71	-	(134)	(187)	547
Electronic machinery	1,646	238	(18)	(478)	(254)	1,134
Electronic machinery under leasing	175	202	-	(19)	-	358
Fixtures and furnishings	215	163	(3)	(86)	(71)	218
Other assets	60	686	(1)	(60)	(30)	653
Total	3,113	1,370	(24)	(827)	(617)	3,013

The main investments made during the year concerned improvements to third-party assets relating to the Group’s new headquarters, in use since August 2016, and to new office fixtures, furnishings and equipment (including those acquired under financial leasing arrangements) necessary for the new premises.

The change in the scope of consolidation is due to the sale of the Vertical Content and Flash Sales divisions.

2. Intangible assets

Intangible assets stood at €26,853 thousand (€49,475 thousand as at 31 December 2015) and break down as indicated below.

Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life consisted entirely of goodwill totalling €14,292 thousand (€33,504 as at 31 December 2015); the reduction compared with 31 December 2015 is due to the sale of the Vertical Content and Flash Sales segments.

The goodwill recognised as at 31 December 2016 refers to the excess of the purchase value over the fair value of the assets and liabilities acquired.

As at 31 December 2016, the intangible assets with an indefinite useful life were tested for impairment by comparing the recoverable amount of the CGUs with the net carrying amount of the related assets, including goodwill. The recoverable amount is the greater of the fair value of the asset, net of disposal costs, and its value in use, and is calculated as the present value of the future cash flows that are expected to be associated with the CGUs, discounted at a rate that reflects the specific risks of the individual CGUs at the valuation date.

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

The key assumptions used by the management are the estimate of future sales growth, cash flows from operations, terminal value growth rates and the discount rate (weighted average cost of capital - WACC). The determination of the residual value is based on the estimate of the value in use obtained as the current value of expected cash flows inferred from the guidelines to the 2017-2021 strategic plan. The impairment test relating to the Consolidated Financial Statements was approved by the Board of Directors on 15 March 2017.

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	As at 31 December 2016	As at 31 December 2015
e-Commerce	8.23%	9.18%

The growth rate (g) used to define the cash flows of the CGUs as at 31 December 2016 was 1.00%.

The results of the impairment test showed that, as at 31 December 2016, 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 100-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 2016:

Terminal growth rate	n.a.
WACC	19.0%
Change in EBITDA	-32.5%

The terminal growth rate was not considered to be a significant parameter, insofar as the value in use equals the net invested capital specified in the guidelines of the 2017-2021 strategic plan.

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

It is noted that the Company has performed an annual analysis on the recoverability of other intangible fixed assets. This check is carried out annually by identifying the existence of impairment indicators. As at 31 December 2016, no impairment indicators were identified.

Intangible assets with a finite useful life

Intangible assets with a finite useful life stood at €12,561 thousand as at 31 December 2016 (€14,597 thousand as at 31 December 2015).

The following table provides a breakdown of the historical cost, accumulated amortisation and net carrying amount of intangible fixed assets as at 31 December 2016 and 31 December 2015:

<i>(In thousands of Euros)</i>	As at 31 December 2016			As at 31 December 2015		
	Hist. cost	Acc. amort.	Net value	Hist. cost	Acc. amort.	Net value
Software, patents, concessions and licences	2,321	(1,296)	1,025	2,855	(1,464)	1,391
Platform development	15,076	(8,277)	6,799	30,184	(20,654)	9,530
Other fixed assets	788	(750)	38	1,997	(1,423)	574
Fixed assets under development	4,699		4,699	3,102		3,102
Total intangible assets	22,884	(10,323)	12,561	38,138	(23,541)	14,597

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

(€ thousands)	As at 31 December 2015	Increases	Decreases	Depreciation and Amortisation	Reclassifications and scope of cons.	Chg. scope of cons.	As at 31 December 2016
Software, patents, concessions and licences	1,391	243	-	(467)	-	(142)	1,025
Platform development	9,530	3,110	-	(2,726)	1,079	(4,194)	6,799
Other fixed assets	574	4	-	(84)	-	(456)	38
Fixed assets under development	3,102	2,862	-	-	(1,079)	(186)	4,699
Total intangible assets	14,597	6,219	-	(3,277)	0	(4,978)	12,561

The main investments made by the Group during the year 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.

Fixed assets under development, equal to €4,699 thousand (€3,102 thousand as at 31 December 2015), relate to projects under development specifically regarding the implementation of the new Group ERP and its related IT systems.

3. Investments in associates

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

(In thousands of Euros)	As at 31 December 2015	Share of profit (loss)	Increases due to purchases	Chg. scope of cons.	Reclassifications	As at 31 December 2016
Investments in associates	1,114	(79)	1,499	(87)	21	2,468
Total equity investments in associates	1,114	(79)	1,499	(87)	21	2,468

The breakdown of the item as at 31 December 2015 is as follows:

As at 31 December 2016	Registered offices	% shareholding held directly	Carrying amount
Il Post S.r.l.	Milan	38.16%	1,154
Giornalettismo S.r.l.	Milan	30.00%	3
Uollett S.r.l.	Milan	41.00%	0
Ecommerce Outsourcing S.r.l.	Rho	20.00%	212
Installo S.r.l.	Rovigo	39.00%	399
Termostore S.r.l.	Reserves	23.00%	700
Total equity investments in associates			2,468

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

The increases for the year relate mainly to the acquisition of 23% of Termostore S.r.l., subsequently increased during the early months of 2017 to 43%, and to the increase in the equity investment in "Il Post" from 24.01% to 38.16% and the subsequent capital increase in that company for a total of €793 thousand. Good Morning Italia and Gold 5 were also deconsolidated during the year as part of the sale of Vertical Content to Mondadori.

Based on the available information and/or business plans concerning the individual associates, management believed that as at 31 December 2016 there were no impairment indicators.

4. Non-current financial assets

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

Non-current financial assets	As at 31 December 2016	As at 31 December 2015	Change
Investments in other companies	1,009	1,013	(4)
Loans to associates	211	933	(722)
Total non-current assets	1,220	1,946	(726)

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

The balance of €1,009 thousand of equity investments in other companies decreased by €4 thousand as at 31 December 2016 due to the change in the scope of consolidation.

(In thousands of Euros)	As at 31 December 2016	As at 31 December 2015
<i>Quadrante S.r.l. in liquidation</i>	-	-
<i>Interactive Thinking S.r.l.</i>	1,005	1,005
<i>Consortia and collective credit guarantee cooperatives</i>	4	8
Total equity investments in other companies	1,009	1,013

Based on the available information, management believed that as at 31 December 2016 there were no impairment indicators or objective evidence that the equity investments in other companies were impaired.

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

Financial receivables of €211 thousand refer to the disbursement of interest-free loans, repayable on request, to associates. Specifically, most of the change during the year relates to the write-down of receivables from Uollet of €668 thousand and the deconsolidation of receivables from Gold 5.

5. Other non-current assets

Other non-current assets, which amount to €273 thousand (€214 thousand as at 31 December 2015), mainly include guarantee deposits for rentals, utilities and purchasing consortia; the increase compared with 31 December relates specifically to increased deposits to purchasing consortia in view of more goods moved.

6. Deferred tax assets

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

<i>(In thousands of Euros)</i>	<i>As at 31 December 2016</i>	<i>As at 31 December 2015</i>
Deferred tax	9,723	11,906

The deferred assets recorded were considered to be recoverable in the period of the 2017-2021 plan, the guidelines for which were approved by the Board of Directors on 9 November 2016.

The Group has fiscally relevant losses of approximately a further 15 million which may be carried forward to future years, against which no deferred tax assets have been allocated.

The change for the year is mainly due to the deconsolidation of prepaid taxes relating to the companies in the Vertical Content segment and BNK4 SaldiPrivati S.r.l.

7. Inventories

The breakdown of inventories is as follows:

<i>(In thousands of Euros)</i>	<i>As at 31 December 2016</i>	<i>As at 31 December 2015</i>
Goods	22,092	24,425
Total inventories	22,092	24,425

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

<i>Inventories</i>	<i>As at 31 December 2016</i>	<i>As at 31 December 2015</i>
Goods inventories	22,492	25,139
Provision for obsolete inventory	(400)	(714)
Total inventories	22,092	24,425

Inventories of goods comprise assets acquired for subsequent resale on the e-Commerce platforms. The decrease compared with the previous year is mainly attributable to the sale of BNK4 SaldiPrivati S.r.l. On a like-for-like basis, there was an increase

in inventories of €6,577 thousand, largely linked to the growth in volume of transactions. The provision for obsolete inventory has been adjusted to take into account the obsolescence risk for some slower moving goods.

8. Trade receivables and other receivables

Trade and other receivables totalled €9,798 thousand, compared with €17,081 thousand at the end of the previous year, as indicated below:

<i>(In thousands of Euros)</i>	As at 31 December 2016	As at 31 December 2015
Trade receivables	6,539	13,215
Invoices to be issued	3,447	4,615
Provision for bad debts	(188)	(749)
Total trade and other receivables	9,798	17,081

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

The substantial decrease compared with 31 December 2015 is due to the de-consolidation of the Vertical Content receivables and, to a lesser extent, of BNK4 SaldiPrivati S.r.l.

Allocations to the provision for bad debts are made for specific credit positions which 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>	As at 31 December 2016	As at 31 December 2015
Opening provision	749	741
Increases	144	60
Uses/Releases	(21)	(52)
Change in scope of consolidation	(684)	-
Provision for bad debts	188	749

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

<i>Amounts (in € 000s)</i>	As at 31 December 2016	As at 31 December 2015
To become due	8,340	13,747
Due for <30 days	664	1,529
Due for 30-90 days	695	1,466
Due for 90-180 days	31	247
Due for >180 days	256	841
Total due	1,646	4,083
Total	9,986	17,830

9. Other current assets

The breakdown of other current assets is as follows:

<i>(In thousands of Euros)</i>	As at 31 December 2016	As at 31 December 2015
Tax credits	3,187	3,207
Deferred collection receivables	1,700	738
Other receivables	4,099	1,184
Advances to suppliers	10	1,471
Accruals and deferrals	3,289	994
Total other current assets	12,285	7,594

Tax credits consist mainly of VAT credits of €1,871 and the tax credit deriving from the research and development activities carried out in 2015.

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

Other receivables, totalling €4,099 thousand, include a deposit for €2,500 thousand paid by SRP Group into an escrow account against payment of the Retained Amount, which will mature at the end of 2017, and the price adjustment of €544 thousand relating to the sale of BNK4 SaldiPrivati, received at the start of 2017.

Prepayments and accrued income include, in particular, multi-year advertising prepayments of €2,150 thousand.

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

10. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

<i>(In thousands of Euros)</i>	As at 31 December 2016	As at 31 December 2015
Bank and postal deposits	54,468	33,434
Cash	243	109
Total cash and cash equivalents	54,711	33,543

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 2016 were free from any constraints or restrictions on use.

The increase in cash and cash equivalents in the period is mainly due to the cash coming in from sale of the shareholdings in Banzai Media Holding and BNK4 SaldiPrivati, net of the resources absorbed during the year.

11. Shareholders' equity

Shareholders' equity increased from €84,133 thousand to €92,843 thousand in the period, due mainly to comprehensive income, which was a positive €10,053 thousand. Shareholders' equity also fell by €1,794 thousand due to the purchase of 550,175 treasury shares during the year, and there was an increase of €454 thousand in the stock option reserve associated with the cost of employee incentive plans.

The total number of treasury shares held by the company amounted to 835,425.

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 Plan, on 14 May 2015 the Board of Directors of the Company approved the Plan Regulations 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 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 employees of the Company and the subsidiaries.

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

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

	2016	2016 PMPE	2015	2015 PMPE
Outstanding as at 1 January	1,590,400	5.18	-	
Allocated during the year	363,900	3.68	2,400,000	5.46
Cancelled/ did not mature during the year	783,925	5.09	809,600	6.00
Allocated during the year	-		-	
Expired during the year	-		-	
Outstanding as at 31 December	1,170,375	4.57	1,590,400	5.18
Exercisable as at 31 December	-		-	

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 2016 is as follows:

<i>(In thousands of Euros)</i>	As at 31 December 2016	As at 31 December 2015
Due to banks	-	6,619
Due to other lenders	126	72
Total non-current payables due to banks and other lenders	126	6,691

The breakdown of current payables due to banks and other lenders as at 31 December 2016 is as follows:

<i>(In thousands of Euros)</i>	As at 31 December 2016	As at 31 December 2015
Due to banks	-	4,331
Due to other lenders	109	54
Total current payables due to banks and other lenders	109	4,385

The balance of payables to other lenders consists exclusively of payables to leasing companies and the increase for the year relates to the purchase of equipment for the new offices at via San Marco.

During the course of the year, the Group made early repayment of the two loans with UBI Banca; following this termination, the Group does not have any bank loans outstanding.

The tables below provide details of the loans outstanding as at 31 December 2015:

(In thousands of Euros)

(In thousands of Euros)			As at 31 December 2015							
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	Soft	3-month Euribor + spread	6,000	2015	2017	5,993	0	5,993	-	
UBI Banca Commerciale Industria	Unsecured	3-month Euribor + spread	2,500	2015	2017	1,876	1,250	626	-	
Total bank loans			8,500			7,869	1,250	6,619	-	

During the year, the Group did not take out any loans in any currency other than Euros. Loans that matured during the year were duly repaid.

Liquidity/net financial debt

The breakdown of net financial debt as at 31 December 2016 is reported below, in accordance with the Consob Communication of 28 July 2006 and in compliance with the ESMA/2011/81 Recommendations:

Net Financial Position

(thousands of Euros)

	31 December 2016	31 December 2015
(A) Cash	(243)	(109)
(B) Other cash and cash equivalents	(54,468)	(33,434)
(C) Stocks held for trading	-	-
(D) Liquidity (A)+(B)+(C)	(54,711)	(33,543)
(E) Current financial receivables	(1,700)	(738)
(F) Current financial payables	-	3,081
(G) Current portion of non-current debt	-	1,250
(H) Other current financial payables	109	54
(I) Current financial debt (F)+(G)+(H)	109	4,385
(J) Net current financial liquidity/debt (D)+(E)+(I)	(56,302)	(29,896)
(K) Non-current bank payables	-	6,619
(L) Bonds issued	-	-
(H) Other non-current payables	126	72
(N) Non-current financial debt (K)+(L)+(M)	126	6,691
(O) Net Financial (Liquidity)/Debt (J)+(N)	(56,176)	(23,205)

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

<i>(In thousands of Euros)</i>	At 1 January 2015	Service cost	Interest cost	Advances and settlements	Actuarial gains/losses	Transfers	As at 31 December 2015
Severance pay	3,315	951	47	(350)	(235)	13	3,741
Total provisions for employee benefits	3,315	951	47	(350)	(235)	13	3,741

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:

	As at 31 December 2016	As at 31 December 2015
Economic and financial assumptions		
Discount rate	1.31%	2.03%
Inflation rate	1.5%	1.5%
Rate of pay increase	2.8%	2.8%
Demographic assumptions		
Probability of dismissals and redundancies	10%	10%
Probability of early severance pay	1%	1%

14. Provisions for risks and charges

This item amounted to €360 thousand (0 as at 31 December 2015) and includes the provision relating to contractual guarantee provisions for risks.

15. Trade and other payables

Trade payables stood at €36,874 thousand (€39,121 thousand as at 31 December 2015) and are recorded at their nominal value. All payables mature within the next year, so there are no payables to be discounted. Trade payables include both payables due to suppliers of finished goods and raw materials and suppliers of services. All payables for significant amounts are denominated in Euros.

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

<i>Amounts (in € 000s)</i>	<i>As at 31 December 2016</i>	<i>As at 31 December 2015</i>
To become due	29,714	26,994
Due for <30 days	5,736	9,391
Due for 30-90 days	1,286	2,101
Due for 90-180 days	45	191
Due for >180 days	93	443
Total due	7,160	12,127
Total trade payables and other payables	36,874	39,121

16. Other current and non-current liabilities

Other non-current liabilities stood at €37 thousand, representing directors' severance pay. The substantial decrease by comparison with 31 December 2015 reflects the change in the scope of consolidation, as this item included the best estimate of earn-out payables due to the sellers of MyTrainerCommunity S.r.l., Adkaora S.r.l. and Bobo Software S.r.l.

Other current liabilities amounted to €9,957 thousand, broken down as follows:

<i>(In thousands of Euros)</i>	<i>As at 31 December 2016</i>	<i>As at 31 December 2015</i>
Due to employees/directors	1,052	2,191
Due to social security bodies	574	1,082
Advances from customers	1,506	2,699
Tax payables	737	1,573
Accruals and deferrals	527	714
Other payables	5,561	205
Total other current liabilities	9,957	8,464

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

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

Other payables include the payment on account of €5 million received from SRP Group in respect of the Retained Amount.

Notes on the main items of the consolidated income statement

Following the sale of Banzai Media Holding and BNK4 SaldiPrivati, the revenue from the Vertical Content operating segment and from the Flash Sales business were classified as net profit (loss) from discontinued businesses or as assets held for sale, just like the related comparative data.

17. Revenue

The breakdown of revenue is as follows:

(In thousands of Euros)	For the financial year ended 31 December	
	2016	2015
e-Commerce revenues	197,894	167,720
Other	7,504	6,337
Revenue	205,398	174,057

Revenues are recognised net of refunds on sales. Refunds on sales for the years 2016 and 2015 amounted to €6,329 thousand and €4,845 thousand, respectively.

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

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

18. Other income

Other income amounted to €2,280 thousand (€1,168 thousand in 2015) and consisted mainly of charge-backs to companies belonging to the Vertical Content segment and BNK4 SaldiPrivati in respect of services carried out by them, including after the sale. This item also includes the income represented by subsidies paid in the form of tax credits for research and development activities, amounting to €1,023 thousand.

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:

(In thousands of Euros)	For the financial year ended 31 December	
	2016	2015
Raw materials and goods for resale	(172,874)	(151,281)
Change in inventories	6,577	7,865
Total costs for raw materials and goods for resale	(166,297)	(143,415)

The increase in the purchase of goods is related mainly to the growth in turnover and the desirability of having a larger inventory in order to respond promptly to requests from customers.

20. Costs for services

The breakdown of costs for services is as follows:

Costs for services	2016	2015
Sales and marketing costs	10,322	8,701
Transport and logistics	17,828	13,666
Consulting and contract workers	1,779	1,771
IT services and technical consulting	1,610	1,233
Rentals and leases	2,556	2,423
Deposit fees and bank expenses	2,466	1,923
Travel expenses	332	245
Utilities	262	273
Directors' remuneration	1,249	860
Others	2,265	1,142
Total costs for services	40,669	32,237

Costs for services totalled €40,669 thousand compared with €32,237 thousand for the previous year.

During the year, due mainly to increased revenues, a proportional increase in costs for related services was recorded, particularly for transport, marketing, logistics and deposit fees.

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

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

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

Costs for services include €312 thousand of non-recurring expenses relating to the change of headquarters.

21. Personnel expenses

The breakdown of employee costs is as follows:

	2016	2015
Salaries and wages	7,994	6,158
Social security charges	2,224	2,087
Severance pay	544	475
Capitalised costs	(1,364)	(1,129)
Stock option	454	99
Employee costs	9,852	7,689

Employee costs increased in the period compared with the previous year due purely to the growth in activity. This item also includes non-recurring costs of €456 thousand relating to restructuring costs.

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 2016 and 2015:

	31 December 2016		31 December 2015	
	Average	Actual	Average	Actual
Senior managers	8	6	8	9
Middle managers	31	21	39	42
Clerical workers	241	146	298	336
Manual workers	3	2	3	3
Total		175		390

22. Depreciation, amortisation and impairment

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

Depreciation, amortisation and impairment	As at 31 December 2016	As at 31 December 2015
Amortisation of intangible assets	3,277	2,298
Amortisation of tangible assets	827	678
Bad debt provision	155	60
Total amortisation and impairments	4,259	3,036

The increase in depreciation and amortisation relates to investments made by Group companies: the allocation to the allowance for doubtful debts includes €11 thousand of write downs of other receivables.

23. Other fees

Other costs stood at €584 thousand (€719 thousand in 2015) and consist mainly indirect taxes, subscriptions, membership fees and losses suffered for various reasons.

24. Financial income and expenses

Financial income, net of expenses, stood at €34 thousand, a marked improvement on the previous year (net expenses of €30 thousand). Specifically, costs fell from €266 thousand to €182 thousand thanks to the termination of the loans outstanding during the course of 2016; income fell from €236 thousand to €216 thousand as the previous year had included the positive effect of the sale of the equity investment in Webperformance for approximately €73 thousand.

25. Minority interest in income of associates

This item amounts to a net expense of €79 thousand (€270 thousand in 2015) and includes the Group share relating to the result achieved in the year by associate companies.

26. Impairment losses on financial assets

This item stood at €668 thousand (0 as at 31 December 2015) and consists of write-downs of fixed financial receivables granted to the associate Uollet S.r.l., sold at the beginning of 2017 for the price of one euro.

27. Income taxes

Income taxes amounted to €18 thousand and relate exclusively to the tax impact of differences between national accounting standards adopted by the subsidiaries Banzai Commerce and ePRICE S.r.l. and the IFRS accounting standards used by the parent company. The Group did not allocate additional deferred tax assets as the amount recognised is considered to be representative of the taxes that can be recuperated during the 2017-2021 plan period.

Tax	As at 31 December 2016	As at 31 December 2015
Deferred taxes	(18)	2,608
Total taxes	(18)	2,608

The reconciliation between the nominal rate and the effective rate is as follow:

(In thousands of Euros)	For the financial year ended 31 December					
	2016			2015		
	Taxable amount	Tax		Taxable amount	Tax	
IRES (corporate income tax)						
Pre-tax profit (loss)	(14,714)	3,531	24.00%	(12,172)	2,921	24.00%
Other changes	75	(18)	24.00%	1,304	(313)	24.00%
Adjustment of deferred tax assets		(3,531)				
Total taxes		(18)			2,608	

28. Profit (loss) from discontinued operations

The income deriving from assets held for sale and discontinued operations relates to the Vertical Content segment, following the sale of the entire shareholding in Banzai Media Holding to Arnoldo Mondadori Editore S.p.A., and to the Flash Sales segment, following the sale of the shareholding in BNK4 – Saldi Privati S.r.l. to the SRP Group.

The scope of the transaction relating to the Vertical Content segment includes the entire investment in Banzai Media Holding S.r.l., with the underlying shareholdings listed below:

Name	Activity	Ownership percentage
Banzai Media Holding S.r.l.	Subholding company	100
Banzai Media S.r.l.	Vertical Content	100
Banzai Direct S.r.l.	Vertical Content	100
MyTrainerCommunity S.r.l.	Vertical Content	100
AdKaora S.r.l.	Vertical Content	100
Bobo Software S.r.l.	Vertical Content	100

The scope did not include the 'News' segment. ePRICE S.p.A. consequently acquired from Banzai Media Holding the equity investment in the associated company "Il Post" and created Giornataismo S.r.l., in which it kept a share of 30%.

The sale price was set at €24,660 thousand, based on an enterprise value of €41 million not including the net financial position on the date of closing, plus earn-outs of up to €4 million if certain conditions based on economic performance and page visits are met by 2018. ePRICE also issued to the buyer the usual representations and warranties for a sale transaction, in particular as part for the tax and labour law guarantees, under which the maximum amount claimable is equal to the overall 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 for in this annual financial report.

With regard to the sale of the Flash Sales segment, the cost the transaction was €24,997 thousand, of which €24,453 thousand was received at the closing and €544 thousand in February 2017 by way of price adjustment.

In addition, the Contract provides for the payment of a further amount not exceeding €5 million (the "Retained Amount"), to be paid to the Seller by the Buyer on completion of the transfer to the Sold Company of certain administrative and management activities performed by the seller which are necessary in order to make the sold company independent (the "Carve-out").

Under the Contract, the due date of the Retained Amount is linked to the achievement of certain targets, and therefore the Seller might achieve only some of these targets, in which case the Retained Amount would only partially become due.

In addition to the Final Price, the Contract also provides the obligation for the Buyer to pay the Seller a further amount not exceeding €10 million if the latter achieves certain targets defined in the Contract, linked to the 2018 results of BNK4 SaldiPrivati S.r.l.

The ePRICE Group has also given the purchaser the representations and warranties usual in a sale. 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.

At the closing date, the ePRICE Group received, in addition to the price, an amount of €2.5 million corresponding to one half of the Retained Amount, and at the same time the SRP Group paid a further €2.5 million, corresponding to the other half of the Retained Amount, into a guarantee deposit, recognised under Other current receivables.

Net profit (loss) deriving from discontinued or divested assets is shown below:

<i>(In thousands of Euros)</i>	2016	2015
Vertical Content		
Gross capital gain	18,861	-
Net profit (loss)	(982)	991
Transaction costs	(923)	-
Vertical Content total	16,956	991
Flash Sales		
Gross capital gain	12,070	-
Net profit (loss)	(3,798)	(2,183)
Transaction costs	(446)	-
Flash Sales net profit	7,826	(2,183)
Profit (loss) from discontinued operations	24,782	(1,192)

The breakdown of the profit performance of the Vertical Content and Flash Sales segments for 2016, up to the date of sale, is shown in the following table:

<i>Vertical Content</i>	2016	2015
Revenue	10,883	24,335
Costs	(12,163)	(23,161)
Earnings Before Tax	(1,280)	1,174
Tax	298	(183)
Net profit (loss)	(982)	991

The result generated by Vertical Content in the early months of 2016 includes premiums and bonuses disbursed to employees and directors at the time of the activities relating to the sale.

<i>Flash Sales</i>	2016	2015
Revenue	34,505	44,361
Costs	(38,299)	(46,977)
Earnings Before Tax	(3,794)	(2,616)
Tax	(4)	433
Net profit (loss)	(3,798)	(2,183)

The net cash flow deriving from divested assets breaks down as follows:

<i>(In thousands of Euros)</i>	<i>2016</i>
Receipts at closing	49,113
Repayment of loans at closing	11,593
Retained Amount payment	2,500
Increases in loans	(8,000)
"News" segment	(1,609)
Transaction costs paid	(1,369)
Net cash flow	52,228

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 (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>As at 31 December 2016</i>	<i>As at 31 December 2015</i>
Profit (loss) attributable to the parent company's ordinary shareholders (In thousands of Euro)	10,053	(10,756)
Average number of shares outstanding	40,464,439	39,551,475
Dilution effect	3,107,875	2,912,500
Average number of outstanding shares for the purposes of calculating diluted earnings	43,572,314	42,463,975
<i>Earnings per share (Euros)</i>	<i>0.25</i>	<i>-0.27</i>
<i>Diluted earnings per share (Euros)</i>	<i>0.23</i>	<i>-0.25</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.

Diluted earnings per share were considered taking into account of the potential dilutive effect caused by the exercise of 233 ePRICE 2014-2018 warrants which conferring the right to subscribe 2,912,500 'A' shares at €3.8 per share and of 195,375 stock options under the 2016-2018 Stock Option Plan conferring the right subscribe the same number of shares at €3.68 per share.

Because they are out of the money, the dilutive effect of the stock options in the 2015 plan has not been taken into account.

Primary and secondary reporting formats

Following the disposal of the operating subsidiaries in the Vertical Content segment, the Group's activity consists of only the e-Commerce operating segment. As a result, the Corporate segment was merged into the eCommerce segment. The result of the Vertical Content segment for 2016, until the date of sale and for 2015 is shown in the following table:

<i>Vertical Content</i>	2016	2015
Revenue	10,883	24,335
Costs	(12,163)	(23,161)
Earnings Before Tax	(1,280)	1,174
Tax	298	(183)
Net profit (loss)	(982)	991

The result generated by Vertical Content in the early months of 2016 includes premiums and bonuses disbursed to employees and directors at the time of the activities relating to the sale.

Other information

Related-party transactions

The following table shows details of related-party transactions:

In thousands of Euro	As at 31 December 2016							
	Trade receivables	Investments in associates	Non-current financial assets	Cash	Trade payables	Costs for services	Revenue	Financial income
Banca Profilo S.p.A.	-	-	-	2,722	-	-	-	23
Il Post S.r.l.	-	1,154	35	-	-	-	7	-
Ecommerce Outsourcing S.r.l.	309	212	-	-	-	-	1,482	-
Installo S.r.l.	-	399	176	-	1,009	2,467	5	-
Giornalettismo S.r.l.	-	3	-	-	-	-	-	-
Termostore S.r.l.	-	700	-	-	-	-	1	-
Total	309	2,468	211	2,722	1,009	2,467	1,495	23
Total balance sheet item	9,798	2,468	1,220	54,711	36,874	40,669	205,398	216
Weight %	3.2%	100.0%	17.3%	5.0%	2.7%	6.1%	0.7%	10.6%

Banca Profilo has been a related party of ePRICE since Sator Fund came to indirectly control Banca Profilo, and holds an indirect equity investment in the 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 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 2015:

In thousands of Euro

as of 31 December, 2015

	Trade receivables	Investments in associates	Non-current financial assets	Cash	Trade payables	Cost of services*	Revenues*	Financial income*
Banca Profilo S.p.A.	2	-	-	22,705	-	-	6	31
Il Post S.r.l.	64	555	35	-	345	-	-	-
Uollett S.r.l.	1	-	498	-	-	-	-	-
Good Morning Italia S.r.l.	-	65	-	-	-	-	-	-
Gold 5 S.r.l.	75	50	200	-	-	-	-	-
Ecommerce Outsourcing S.r.l.	234	200	-	-	-	-	1,745	-
Installo S.r.l.	-	309	200	-	82	304	3	-
Total	376	1,114	933	22,705	427	304	1,754	31
Total balance sheet item	17,081	1,114	1,946	33,543	39,121	32,237	174,057	236
Weight %	2.2%	100.0%	47.9%	67.7%	1.1%	0.9%	1.0%	13.1%

* Restated according to IFRS 5

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 2016. Additional to those issued 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 equals 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 for in this annual financial report.

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

Financial risk management policy

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

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

Types of financial risk

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

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

- **Liquidity risk**

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

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

- **Credit risk**

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

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

- **Market risk**

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

- **Currency risk**

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

Disclosure of the carrying amount and fair value of financial instruments

The carrying amount and fair value of financial instruments for the year ended 31 December 2016 are shown below:

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

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

The carrying amount of financial instruments in the financial year ended 31 December 2015 is shown below:

As at 31 December 2015						
(In thousands of Euros)	Financial instruments at fair value held for trading	Held-to-maturity assets	Receivables and loans	AFS financial instruments	Fair value	Fair value hierarchy
Other financial assets						
Equity investments	-	-	-	1,013	1,013	Level 3
Other financial assets	-	-	933	-	933	Level 3
Other assets			215		215	Level 3
Trade receivables						
Trade receivables	-	-	17,081	-	17,081	Level 3
Cash and cash equivalents						
Bank and postal deposits	-	-	33,543	-	33,543	Level 1

As at 31 December 2015				
(In thousands of Euros)	Financial instruments at fair value held for trading	Liabilities at amortised cost	Fair value	Fair value hierarchy
Non-current financial payables and liabilities				
Payables to banks and other lenders	-	6,691	6,691	Level 3
Current liabilities				
Due to banks	-	4,385	4,385	Level 3
Due to suppliers	-	39,121	39,121	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 2016, there were no atypical and/or unusual transactions as defined in that Communication.

Independent auditor compensation

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

Service	Entity providing the service	Beneficiary	Amount
Limited audit of the half-year report	EY S.p.A.	ePRICE S.p.A.	42
Statutory audit on 31 December	EY S.p.A.	ePRICE S.p.A.	48
Other services	EY S.p.A.	ePRICE S.p.A.	116
Other services	Ernst & Young Financial Business Advisor S.p.A.	ePRICE S.p.A.	19
Total ePRICE S.p.A.			225
Statutory audit on 31 December	EY S.p.A.	ePRICE Group companies	46
Total ePRICE Group			271

The 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 effective application of administrative and accounting procedures for the preparation of the consolidated financial statements during 2016.
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, 15 March 2017

Chairman

Paolo Ainio

The Manager Responsible for Preparing the Financial Reports

Emanuele Romussi

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39, DATED 27 JANUARY 2010 (Translation from the original Italian text)

To the Shareholders of
ePRICE S.p.A. (formerly Banzai S.p.A.)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of ePRICE Group (formerly Banzai Group), which comprise proposal of the consolidated statement of financial position as at December 31, 2016, 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 a summary of significant accounting policies and other explanatory notes

Directors' responsibility for the consolidated financial statements

The Directors of ePRICE S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 2.950.000,00 i.v.
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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of ePRICE Group as at December 31, 2016, 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 article 9 of Legislative Decree n. 38, dated 28 February 2005.

Report on other legal and regulatory requirements

Opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure with the consolidated financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Director's Report and of specific information of the Report on Corporate Governance and the 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. The Directors of ePRICE S.p.A. are responsible for the preparation of the Director's Report and of the Report on Corporate Governance and the Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Director's Report and the specific information of the Report on Corporate Governance and the Ownership Structure are consistent with the consolidated financial statements of ePRICE S.p.A. as at December 31, 2016.

Milan, March 27, 2017

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

PROSPECTUS STATEMENT OF FINANCIAL POSITION

(In Euros)	Notes	As at 31 December 2016		As at 31 December 2015	
			Of which related parties		Of which related parties
NON-CURRENT ASSETS					
Plant and equipment	1	1,109,128		254,867	
Intangible assets	2	2,603,666		1,883,547	
Equity investments	3	32,317,354	32,317,354	42,662,428	42,662,428
Non-current financial assets	4	25,158,437	24,153,435	31,939,478	30,934,476
Other non-current assets	5	13,990		21,069	
Deferred tax assets	6	6,116,313		6,116,313	
NON-CURRENT ASSETS TOTAL		67,318,888		82,877,702	
CURRENT ASSETS					
Trade receivables and other receivables	7	797,830	632,547	879,172	752,234
Other current assets	8	4,051,990		3,040,891	1,591,538
Cash and cash equivalents	9	43,259,620	2,721,761	31,208,535	22,705,341
CURRENT ASSETS TOTAL		48,109,440		35,128,598	
ASSETS TOTAL		115,428,328		118,006,300	

(In thousands of Euros)	Notes	As at 31 December 2016		As at 31 December 2015	
LIABILITIES AND NET EQUITY					
NET EQUITY					
Share capital		820,797		820,797	
Reserves		105,918,550		110,778,558	
Profit (loss) for the year		5,595,575		(3,511,215)	
TOTAL NET EQUITY	10	112,334,922		108,088,140	
NON-CURRENT LIABILITIES					
Payables to banks and other lenders	11	96,355		6,619,521	
Provisions for personnel	12	266,657		213,574	
Provisions for risks and charges	13	360,000		-	
Other non-current liabilities	15	36,680		-	
TOTAL NON-CURRENT LIABILITIES		759,692		6,833,095	
CURRENT LIABILITIES					
Trade and other payables	14	1,330,690	102,122	1,385,369	133,919
Payables to banks and other lenders	11	66,605		1,249,982	
Other current liabilities	15	936,419	129,025	449,714	
TOTAL CURRENT LIABILITIES		2,333,714		3,085,065	
TOTAL LIABILITIES		3,093,406		9,918,160	
TOTAL NET EQUITY AND LIABILITIES		115,428,328		118,006,300	

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(In Euros)	Notes	For the financial year ended 31 December			
		2016	Of which related parties	2015	Of which related parties
Revenue	16	2,825,897	1,825,161	1,832,766	1,832,748
Other income	17	6,850		2,111	
Costs for raw materials and goods for resale	18	(45,088)		(190,559)	(4,248)
Costs for services	19	(5,863,967)		(3,933,414)	
Of which non-recurring		(312,044)		(145,000)	
Personnel expenses	20	(2,355,420)		(1,856,067)	
Of which non-recurring		-		(299,905)	
Depreciation, amortisation and impairment	21	(414,532)		(276,057)	
Other fees	22	(235,592)		(146,085)	(183)
Operating profit (loss)		(6,081,852)		(4,567,304)	
Financial expenses	23	(84,383)		(136,115)	
Financial income	24	43,395	22,662	121,358	44,533
Impairment of financial assets					
Earnings Before Tax		(6,122,840)		(4,582,061)	
Income tax	25	-		1,070,847	
Profit (loss) from continuing operations		(6,122,840)		-	
Net profit (loss) from divestitures or discontinued operations	26	11,718,415		-	
Profit (loss) for the year		5,595,575		(3,511,215)	
Items of other comprehensive income:					
Other items in the comprehensive income statement which will not subsequently be reclassified within the income statement					
Actuarial gains/(losses) on employee benefits		(9,293)		20,213	
Tax		-		(4,851)	
Total items of other comprehensive income that will not subsequently be reclassified to the income statement		(9,293)		15,363	
Items of other comprehensive income that will subsequently be reclassified to the income statement					
Total items of other comprehensive income that will subsequently be reclassified to the income statement		-		-	
Total items of other comprehensive income		(9,293)		15,363	
Total comprehensive profit (loss)	10	5,586,282		(3,495,852)	

STATEMENT OF CASH FLOW

(In thousands of Euros)	For the financial years ended 31 December			
	2016	Of which related parties	2015	Of which related parties
NET CASH FLOW FROM OPERATIONS				
Profit (loss) for the year	(6,123)		(3,511)	
<i>Adjustments to reconcile profit for the year with cash flow generated by operating activities:</i>				
Depreciation and Amortisation	371		276	
Bad debt provision	43			
Employee benefit fund provision	109		91	
Employee benefit fund change	(65)		(47)	
Change in deferred tax assets and liabilities	0		(1,065)	
Other non-monetary items	394		99	
Change in other non-current liabilities	37			
<i>Changes in working capital</i>				
Change in trade receivables	38	120	249	249
Change in other current assets	1,139		(601)	154
Change in trade payables	(54)	(32)	(1,542)	(572)
Change in other payables	487	129	45	(114)
NET CASH FLOW GENERATED (ABSORBED) BY OPERATIONS	(3,624)		(6,006)	
NET CASH FLOW FROM INVESTMENT ACTIVITIES				
Acquisition of tangible assets	(1,050)		(49)	
Change in other non-current assets	6		(12)	
Acquisition of intangible assets	(1,007)		(1,128)	
Provision of financing	(480)	(480)	(24,941)	(24,941)
Repayments of financing	0		480	480
Other investments	(2,150)		0	
Cash flow from discontinued operations	29,857		0	
NET CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITIES	25,176		(25,650)	
CASH FLOW FROM FINANCING ACTIVITIES				
Financial payables	(7,707)		4,768	
Share capital increase			50,086	
Treasury shares	(1,794)			
Other changes			(4)	
NET CASH FLOW ABSORBED BY FINANCING ACTIVITIES	(9,501)		54,850	
(Decrease)/Increase in cash and cash equivalents	12,051		23,195	
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR	31,209		8,014	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	43,260		31,209	

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
Balance as at 31 December 2015	821	124,153	1	(791)	221	538	(16,403)	(449)	(3)	108,088
Result for the year							5,596			5,596
Other components of comprehensive income:										0
that will not subsequently be reclassified into profit (loss) for the year									(9)	(9)
that will subsequently be reclassified into profit (loss) for the year										0
Total income							5,596		(9)	5,587
Transactions on treasury shares				(1,794)						(1,794)
Reclassification pursuant to IFRS 5										0
Share-based payment					454					454
Reclassification					(121)		121			0
Balance as at 31 December 2016	821	124,153	1	(2,585)	554	538	(10,686)	(449)	(12)	112,335

	Share capital	Share premium	Legal reserve	Treasury shares	Stock Option reserve	Other capital reserves	Retained earnings (losses)	FTA Reserve	Att. Employee benefits	Total
Balance as at 31 December 2014	653	75,607	1	(791)	0	538	(15,552)	(449)	(18)	59,989
Result for the year							(3,511)			(3,511)
Other components of comprehensive income:										
that will not subsequently be reclassified into profit (loss) for the year									15	15
that will subsequently be reclassified into profit (loss) for the year										
Total income	-	-	-			-	(3,511)	-	15	(3,496)
Share capital increase	168	51,206								51,374
Other share capital operations						-				-
Share-based payment					221					221
Allocation of the result		(2,660)					2,660			-
Balance as at 31 December 2015	821	124,153	1	(791)	221	538	(16,403)	(449)	(3)	108,088

EXPLANATORY NOTES

Accounting principles and measurement criteria used to prepare the financial statements as at 31 December 2016

The separate financial statements of ePRICE S.p.A. (formerly Banzai S.p.A.) for the year ended 31 December 2016 were approved by the Board of Directors on 15 March 2017.

The separate financial statements for the year ended 31 December 2016 (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 2016 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 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 provisional calculations that are prepared separately for each Company CGU to which separate assets are allocated. These budgets and provisional calculations usually cover a period

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

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

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

Equity investments in subsidiaries and associates

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

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

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

Treasury shares

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

Financial assets

- ***Initial recognition and measurement***

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

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

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

- ***Subsequent measurement***

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

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

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

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

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

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

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

- ***Loans and receivables***

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

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

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

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

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

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

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

- ***Derecognition***

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

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

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

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

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

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

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

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

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

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

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

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

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

Inventories

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

Cash and cash equivalents

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

Financial liabilities

- ***Initial recognition and measurement***

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

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

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

- ***Subsequent measurement***

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

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

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

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

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

- ***Liabilities for loans***

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

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

- **Financial guarantees**

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

- **Derecognition**

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

- **Offsetting of financial instruments**

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

Trade and other payables

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

Employee benefits

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

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

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

Provisions for risks and charges

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

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

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

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

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

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

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

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

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

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

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

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

Share-based payment

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

Recognition of revenue

- **Sale of goods**

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

- **Provision of services**

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

Recognition of costs

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

Tax

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

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

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

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

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

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

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

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

Significant accounting estimates and judgements

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

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

- ***Provision for bad debts***

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

- ***Prepaid taxes***

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

- **Provisions for risks and charges**

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

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

The table below shows the new accounting principles and amendments which came into force on 1 January 2016 and were adopted by the Company:

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

IFRS 14 Regulatory Deferral Accounts. IFRS 14 is an optional standard which enables an entity whose assets are subject to regulated tariffs to continue to apply most of the previous accounting standards adopted for amounts relating to rate regulation, when it first adopts the IFR standards. An entity which adopt IFRS 14 must present the balances relating to rate regulation on separate lines in the statement of financial position and present the movements in these accounts in separate lines of the profit/(loss) statement for the year and those relating to the other items of comprehensive income statement. The standard requires that information be provided on the nature and associated risks of the regulated tariffs and of the latter's impact on the entity's net assets. This standard is not applicable to the Company, as it has already adopted the IFRS; this standard will not be endorsed by the European Union.

Amendments to IAS 19 Employee Benefits: defined contribution plans

IAS 19 requires an entity to consider employee or third party contributions when accounting for defined benefit plans. When the contributions are linked to the service rendered, they should be allocated to the periods of service as a negative benefit. This amendment makes it clear that, if the amount of the contributions is independent of the number of years of service, the entity is permitted to record these contributions as a reduction in the cost of the service for the period in which the service is provided, rather than to allocate the contribution to the periods of service. This amendment applies for the financial years from 1 February 2015 onwards. This amendment is not significant for the Company.

Annual improvement cycle 2012-14

These improvements apply for financial years starting on 1 January 2016 or later. They include:

The standards which are affected by this annual improvement are IFRS 2, IFRS 3, IAS 16, IAS 24 and IFRS 8.

IFRS 2 Share-Based Payments

This improvement applies prospectively and clarifies various points relating to the definition of the performance condition and the continued service condition which constitute the vesting conditions, including:

A performance condition must include a continued service condition

A performance objective must be achieved while the party in question continues to provide his services

A performance condition may refer to the transactions or business activities of an entity, or to those of another entity in the same Group

A performance condition may be a market condition or a condition not connected with the market

If for whatever reason the party in question no longer provides the service during the vesting period, the continued service condition is not met.

The definitions above are in line with the procedures on the basis of which, in previous periods, the Group identified the performance and continued service conditions that fulfil the vesting conditions. Therefore, these improvements have no effect on the accounting principles applied by the Company.

IFRS 3 Business combinations

The amendment applies prospectively and makes it clear that all agreements relating to potential payments classified as liabilities (or assets) which result from a business combination, must subsequently be measured at fair value through profit or loss, whether or not they come within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the accounting principles applied by the Company and therefore this amendment has had no impact on its accounting principles.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets

This amendment is applied retrospectively and makes it clear that in IAS 16 and IAS 38 an asset may be revalued based on observable data either by adjusting the gross carrying amount of the asset to its market value or by calculating the market value of the carrying amount and adjusting the gross carrying amount proportionally, so that the carrying amount is equal to the market value. Furthermore, accumulated depreciation is the difference between the gross carrying amount and the carrying amount of the asset. The Company has not made any revaluation adjustment during the reference period.

IAS 24 Related party disclosures

The amendment applies retrospectively and makes it clear that a management company (an entity which provides services for senior managers with key responsibilities) is a related party subject to related party disclosures. Moreover, an entity which uses the services of a management company should disclose the costs incurred for the management services. This change is not significant for the Company because it does not receive management services from other entities.

IFRS 8 Operating segments

The amendment applies retrospectively and makes it clear that: an entity shall disclose the valuations made by management when applying the aggregation criteria under paragraph 12 of IFRS 8, including a brief description of the operating segments which have been aggregated and of the economic characteristics (e.g. sales, gross margin) used to define whether the segments are “similar”. It is only necessary to reconcile the segment’s assets with total assets if the reconciliation is presented at the highest decision making level, as is also required for segment liabilities.

The Company operates as a holding company and the standard is not applicable to it and therefore the aggregation criteria required by IFRS 8.12 were not applied.

Modifications to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Ventures

Amendments to IFRS 11 require that a joint operator accounting for the acquisition of an equity investment in a joint arrangement whose assets represent a business must apply the relevant standards of IFRS 3 regarding the accounting of business combinations. The modifications clarify also that in case the joint arrangements are maintained, the stake previously held in a joint arrangement is not re-measured at the time of acquisition of a further stake in the same joint arrangement. Moreover, an exclusion from the scope of IFRS 11 was added to clarify that the modifications do not apply when the parties sharing control, including the entity preparing the financial statements, are both controlled by the same ultimate controlling entity.

The modifications apply both to the acquisition of the initial shareholding in a joint arrangement, and to the acquisition of any further share in the same joint arrangement. The modifications must be applied prospectively for the years starting on 1 January 2016 or later; advanced application is permitted. No impact on the Company is expected as a result of application of these modifications.

Modifications to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The modifications clarify the guidelines contained in IAS 16 and in IAS 38 which state that revenue reflects a model of economic benefits generated by business operations rather than economic benefits resulting from use of the goods. As a result, a method based on revenue cannot be used for amortisation of buildings, equipment or machinery and could be used only in very limited circumstances for the amortisation of intangible assets. The modifications must be applied prospectively for the years starting on 1 January 2016 or later; advanced application is permitted. No impact on the Company is expected as a result of application of these modifications given that the Group does not use methods based on revenue for the amortisation of its non-current assets.

Modifications to IAS 27: Equity Method in Separate Financial Statements

The modifications will permit the entities to use the net assets method to account for stakes in controlled companies, joint ventures and related companies in their separate balance sheet. The entities already applying the IFRS, deciding to modify the accounting criterion passing to the net assets method in their separate balance sheet must apply the change retroactively. The modifications are effective for the years starting on 1 January 2016 or later; advanced application is permitted. The Company does not intend to exercise this option.

2012-2014 annual improvement cycle

These improvements apply for the years starting on 1 January 2016 or later. They include:

IFRS 5 Non-current assets held for sale and discontinued operative assets

The assets (or discontinued groups) are generally disposed of by sale or distribution to the shareholders. The modification clarifies that the change from one to the other of these transfer methods should not be considered as a new transfer plan, but instead as a continuation of the original plan. Therefore, there is no interruption in the application of the requirements of IFRS 5. This modification must be applied prospectively.

IFRS 7 Financial Instruments: Information

The modification makes it clear that a service contract which includes a payment may result in continuous involvement in a financial activity. An entity must define the nature of the compensation and agreement based on the guidance contained in the IFRS 7 regarding the continuous involvement to evaluate in the information is required. The definition of which service contract includes a continuous involvement must be made retroactively. In any case, the required information does not have to be presented for the years preceding the year when the modification is first applied.

The modification makes it clear that the requirements for information about the payment do not apply to interim summary financial statements, unless such information provides a material update on the information presented in the most recent annual financial statements. This modification must be applied retroactively.

IAS 19 Benefits for Employees

The modification makes it clear that the market depth for high-quality corporate bonds must be defined with respect to the currency in which the bond is denominated, rather than the currency of the country where the bond is located. When there is no active market for high-quality company bonds in this currency, the respective rates of state bonds must be used. This modification must be applied prospectively.

IAS 34 Intermediate balance sheet

The modification makes it clear that the information required in interim financial statements must be either presented in the interim financial statements or incorporated via cross-referencing between the interim balance sheet and the part of the interim financial report in which it is included (for example, the management report or risk report).

The information presented in the interim financial report must be available for the reader in the same terms and within the same time frame as for the interim financial statements. This modification must be applied retroactively.

No impact is expected for the Company as a result of application of these modifications.

Modifications to IAS 1 Disclosure Initiative

The modifications to IAS 1 - Presentation of Financial Statements clarify, rather than significantly amend, certain existing IAS 1 requirements. The modifications clarify:

The materiality requirement of IAS 1

The fact that specific lines in profit/(loss) for the year or other components of comprehensive income or in the statement of financial position can be disaggregated.

That the entities have flexibility with regard to the order in which the notes to the financial statements are presented.

That the quota of other components of the overall income statement related to related companies and joint ventures accounted for using the net assets method must be presented in aggregate in a single line, and classified among positions that will not be subsequently reclassified in the income statement.

Moreover, the modifications clarify the requirements which apply when subtotals are presented in annual profit/ (loss) statements or other components of comprehensive income or in the statement of financial position. The modifications are effective for the years starting on 1 January 2016 or later; advanced application is permitted. No impact is expected for the Company as a result of application of these modifications.

Modifications to IFRS 10, IFRS 12 and to IAS 28 - Investment Entities: Applying the Consolidation Exception

The modifications deal with problems arising from application of the exception regarding investment entities described in IFRS 10. The modifications to IFRS 10 make it clear that the exemption from presentation of consolidated financial statements applies to a parent company which is the subsidiary of an investment entity, when the investment entity values all its subsidiaries at fair value.

The modifications to IFRS 10 also make it clear that only one subsidiary of an investment entity, which is not itself an investment entity and which provides support services to the investment entity, is consolidated. All other controlled companies of the investment entity are valued at fair value. The modifications to the IAS 28 permit the investor to maintain the fair value applied to related companies or joint ventures of an investment entity in the valuation of stakes in controlled companies in the application of the net assets method. The modifications must be applied retroactively and are effective for the years starting on 1 January 2016 or later; advanced application is permitted. No impact is expected for the Company as a result of application of these modifications.

Amendments to IAS 40 - Investment Property

On 8 December 2016, the IASB published the amendment to this standard. The purpose of these amendments is to clarify the application of paragraph 57 of IAS 40 which provides guidelines when there is a change in use of an asset which was not an investment property, and vice versa.

Annual Improvements to IFRSs: 2014 – 2016

On 8 December 2016, the IASB published the “Annual Improvements to IFRSs: 2014 – 2016 cycle”.

The main amendments that could be significant to the Company are contained in IFRS 12 - Disclosures of Interests in Other Entities. The document clarifies the scope of the standard, specifying that disclosure obligations, except for those in paragraphs B10-B16, also apply to investments in other companies classified as held for sale or for distribution, or as discontinued operations pursuant to IFRS 5. For venture capital and similar companies the other amendment refers to the valuation of interests in associates and joint ventures and provides the option to value them at fair value with the variances in the income statement. The amendment clarifies that the choice is made for each individual investment.

IFRIC 22 - Foreign Currency Transactions

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

Standards issued but not effective yet

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

IFRS 9 Financial Instruments

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 with reference to a loss of control in a subsidiary which is sold or allocated to an associated company or a joint venture. The amendments clarify that the profit or loss resulting from the sale or from the contribution of assets constituting a business, as defined in IFRS 3, between an investor and an associated company or joint venture, must be fully recognised. Any profit or loss resulting from a sale or contribution of assets which do not constitute a business are therefore recognised only up to the extent of the share held by third party investors in the associated company or joint venture. The IASB has postponed indefinitely the date for application of these amendments but should an entity decide to apply them in advance, it should do this prospectively.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB disclosure initiative and require the entity to provide additional information to users of financial statements which enable them to evaluate the changes in liabilities arising from financing activities, including changes arising from cash flows and non-monetary changes. At the time of initial application of this amendment, the entity is not required to present comparative information relating to previous years. These amendments are effective for the financial years starting on 1 January 2017 or later, and early application is permitted. The application of the amendments will require the Company to make additional disclosures.

Modifications to IAS 12 - Income taxes

The IASB makes it clear how to account for deferred tax assets relating to unrealised losses on debt instruments measured at fair value. The amendments will be effective as of 1 January 2017.

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

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

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

IFRS 16 – Leases

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

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

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

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

The Company has begun an analysis of the potential impacts of the application of this standard.

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:

(In thousands of Euros)	As at 31 December 2016			As at 31 December 2015		
	Hist. cost	Acc. amort.	Net value	Hist. cost	Acc. amort.	Net value
Plant and equipment	42	(34)	8	59	(41)	18
Fixtures and furnishings	585	(423)	162	469	(377)	92
Electronic machinery	252	(131)	121	414	(278)	136
Electronic machinery under leasing	202	(19)	183	-	-	-
Leasehold improvements	676	(47)	629	-	-	-
Other assets	78	(72)	6	81	(72)	9
Total plant and equipment	1,835	(726)	1,109	1,023	(768)	255

Note that as at 31 December 2016, no owned operating assets were burdened by any type of guarantee issued to third parties, and that in 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>	As at 31 December 2015	Increases due to purchases	Decreases	Amort.	As at 31 December 2016
Plant and equipment	18	-	(2)	(8)	8
Fixtures and furnishings	92	148	(2)	(76)	162
Electronic machinery	136	30	(2)	(43)	121
Electronic machinery under leasing	-	202	-	(19)	183
Leasehold improvements	-	676	-	(47)	629
Other assets	9	-	-	(3)	6
Total tangible assets	255	1,056	(6)	(196)	1,109

The main investments made during the year concerned improvements to third-party assets relating to the Company's new headquarters, in use since August 2016, and to new office fixtures, furnishings and equipment (including those acquired under financial leasing arrangements) necessary for the new premises.

2 Intangible assets

The breakdown of intangible assets is as follows:

<i>(In thousands of Euros)</i>	As at 31 December 2016	As at 31 December 2015
Software, patents, concessions and licences	223	491
Fixed assets under development	2,381	1,393
Total intangible assets	2,604	1,884

The following table provides a breakdown of the historical cost, accumulated amortisation and net carrying amount of the fixed asset items:

<i>(In thousands of Euros)</i>	As at 31 December 2016			As at 31 December 2015		
	Hist. cost	Acc. amort.	Net value	Hist. cost	Acc. amort.	Net value
Software, patents, concessions and licences	859	(636)	223	841	(350)	491
Fixed assets under development	2,381		2,381	1,393		1,393
Total intangible assets	3,240	(636)	2,604	2,234	(350)	1,884

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

<i>(In thousands of Euros)</i>	As at 31 December 2015	Increases due to purchases	Write- downs	Reclassifications	Amort.	As at 31 December 2016
Software, patents, concessions and licences	491	19	(112)	-	(175)	223
Fixed assets under development	1,393	988	-	-	-	2,381
Total intangible assets	1,884	1,007	(112)	-	(175)	2,604

Total investments during the year amounted to €1,007 thousand and relate mainly to fixed assets under development, which mostly relate to implementation of the new Group ERP, which was commissioned at the start of 2017.

The write-downs are due to partial impairment of the ERP software used by the Vertical Content division.

3 Equity investments

Equity investments amounted to €32,317 thousand, with a net decrease of €10,345 thousand compared with the previous year, mainly due to the sale of the Vertical Content division, represented in the financial statements as at 31 December 2015 by the equity investments in Banzai Media Holding S.r.l. e Banzai Direct S.r.l. This decrease was partially offset by an increase in the value of the equity investment in Banzai Commerce S.r.l. due to the recognition of the stock options allocated to that company's employees and those of the subsidiary ePRICE S.r.l., as well as the acquisition of the equity investments in the associate Il Post S.r.l. and in Giornalettismo S.r.l.

The following table shows changes in shareholdings during the year:

<i>Name</i>	31 December 2015	Increases	Decreases	Other changes	31 December 2016
<i>Banzai Commerce S.r.l.</i>	30,842	60	-	-	30,902
<i>Banzai Media Holding S.r.l.</i>	11,478	-	11,478	-	0
<i>Banzai Direct S.r.l.</i>	342	-	342	-	0
Total subsidiaries	42,662	60	11,820	-	30,902
<i>Il Post S.r.l.</i>	-	1,412	-	-	1,412
<i>Giornalettismo S.r.l.</i>	-	3	-	-	3
Total associates	-	1,415	-	-	1,415
Total	42,662	1,475	11,820	-	32,317

As at 31 December 2016, the shareholding in Banzai Commerce – subholding controlling ePRICE S.r.l. - was tested for impairment by comparing the recoverable amount with the net carrying value of the relevant assets, as it was as at 31 December 2015. 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 CGU of which Banzai Commerce is a sub-holding, discounted at a rate which 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 2017-2021 strategic plan. The impairment test was approved by the Board of Directors on 15 March 2017.

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	As at 31 December 2016	As at 31 December 2015
e-Commerce	8.23%	9.18%

The growth rate (g) used to define the cash flows of the CGUs as at 31 December 2016 was 1%.

The results of the impairment test show that, as at 31 December 2016, the recoverable amount of the CGU exceeds the carrying amount.

The Group's directors therefore confirmed the value of the equity investment in Banzai Commerce because the value in use is significantly higher than the carrying value.

The following are the main data relating to equity investments in subsidiaries as at 31 December 2016:

Name	Registered offices	Share capital	Net Equity	Profit/(Loss)	Stake	Carrying value
Banzai Commerce S.r.l.	Milan	13	27,716	4,887	100.00%	30,902
Total						30,902

4 Non-current financial assets

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

Non-current financial assets	As at 31 December 2016	As at 31 December 2015	Change
Financial receivables	24,153	30,934	(6,781)
Investments in other companies	1,005	1,005	-
Total non-current assets	25,158	31,939	(6,781)

The Group structure provides that the parent company carry out activities of coordination and of obtaining the financial resources necessary to support the eventual investments and operation of the subsidiaries. Consequently, over the years it has disbursed the financing needed by the Group companies. The change for the year is mainly attributable to the repayment of loans totalling €7,116 thousand advanced in previous years to Banzai Media Holding and Banzai Media, net disbursements

of €300 thousand to the subsidiary Banzai Commerce, and the acquisition of financial receivables of €35 thousand against the associate Il Post. The valuation of the existing loans has been done in conjunction with the impairment test carried out on the equity investments.

The balance of €1,005 thousand of equity investments in other companies as at 31 December 2016 was unchanged compared with the previous year, and breaks down as follows:

<i>(In thousands of Euros)</i>	<i>As at 31 December 2016</i>	<i>As at 31 December 2015</i>
<i>Interactive Thinking S.r.l.</i>	1,005	1,005
<i>Quadrante S.r.l. in liquidation</i>	-	-
Total equity investments in other companies	1,005	1,005

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

Based on the available information and the positive results posted, management has reached the conclusion that, as at 31 December 2016, there are no indicators of impairment or objective evidence that the Interactive Thinking stake has suffered a loss of value.

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

5 Other non-current assets

Other non-current assets mainly include security deposits for leases and utilities, with the balance of €14 thousand essentially unchanged from the previous year.

6 Deferred tax assets

This item includes the balance of prepaid tax assets that arise mainly from losses capable of being carried forward to future years:

<i>(In thousands of Euros)</i>	<i>As at 31 December 2016</i>	<i>As at 31 December 2015</i>
Deferred tax	6,116	6,116
Total deferred tax	6,116	6,116

Deferred taxes recorded were considered to be recoverable during the period of the 2017-2021 plan, the guidelines for which were approved by the Board of Directors on 9 November 2016.

The Company has fiscally material losses of a further €6.1 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 €798 thousand, compared with €879 thousand at the end of the previous year, as indicated below:

Sales costs	As at 31 December 2016	As at 31 December 2015
Receivables from customers	199	127
Trade receivables from subsidiaries	631	752
Provision for bad debts	(32)	-
Total trade receivables	798	879

Trade receivables are mainly held against companies sold during the year in respect of charge-backs relating to equipped spaces and certain services still performed by ePRICE S.p.A. This item also includes receivables held against companies of the Interactive Thinking Group, which between 2012 and 2013 acquired the Consulting Business Unit from the ePRICE Group; during the year, Interactive Thinking repaid receivables of €210 thousand, which were fully allocated to reduction of other receivables, as commented in note 8 below. Please note that there are no receivables due in more than five years.

The provision for bad debts was appropriated in full during the year in order to take account of the added risk that certain receivables are unrecoverable.

Receivables from subsidiaries reflect the effect of the charge-back for services performed by ePRICE S.p.A. for subsidiaries, and mainly include the leasing of equipped spaces and support from corporate departments.

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

Amounts (in € 000s)	As at 31 December 2016	As at 31 December 2015
To become due	73	4
Due for <30 days	630	748
Due for 30-90 days	0	0
Due for 90-180 days	0	0
Due for >180 days	127	127
Total	830	879

8 Other current assets

The breakdown of other current assets is as follows:

Current assets	As at 31 December 2016	As at 31 December 2015	Change
Tax credits	1,590	952	638
Other receivables	126	304	(178)
Accruals and deferrals	2,336	193	2,143
Financial receivables	-	1,592	(1,592)
Total other current assets	4,052	3,041	1,011

Tax credits consist mainly of the VAT credit of about €1,452 thousand. The increase is related to investments in the new Group ERP and the costs incurred during the year for the fitting-out of the new offices and for the acquisition of advertising space on Mediaset networks to be utilised in the three-year period 2016-2018, mainly for advertising campaigns of the subsidiary ePRICE S.r.l.

Other receivables mostly include receivables from Interactive Thinking group companies; the change compared to the previous year is primarily due to collections received during the year.

Prepayments and accrued income include €2,150 thousand relating to advertising costs for promotional campaigns on Mediaset networks not utilised during 2016.

Financial receivables were zero. In the previous year, these included interest-bearing loans made on market terms and conditions to the indirect subsidiary Banzai Media.

9 Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

Cash and cash equivalents	As at 31 December 2016	As at 31 December 2015
Bank and postal deposits	43,259	31,208
Cash	1	1
Total cash and cash equivalents	43,260	31,209

The increase in cash and cash equivalents in the period was mainly due to cash coming in from the sale of the equity investment in Banzai Media Holding, net of the flows absorbed by operations and investment activities, as can be seen from the cash flow statement tables.

10 Shareholders' equity

Shareholders' equity increased from €108,088 thousand to €112,335 thousand in the period, due mainly to comprehensive income, which came in at €5,587 thousand. Shareholders' equity also decreased by €1,794 thousand due to the purchase of

550,175 treasury shares during the period and to the increase of €454 thousand in the stock option reserve due to the cost of the employee incentive plans.

The total number of treasury shares held by the company amounted to 853,425.

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 Plan, on 14 May 2015 the Board of Directors of the Company approved the Plan Regulations 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 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 employees of the Company and the subsidiaries.

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

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

	2016	2016 AWPY	2015	2015 AWPY
Outstanding at 1 January	1,590,400	5.18	-	
Allocated during the year	363,900	3.68	2,400,000	5.46
Cancelled / did not vest during the year	783,925	5.09	809,600	6.00
Allocated during the year	-		-	
Expired during the year	-		-	
Outstanding as at 31 December	1,170,375	4.57	1,590,400	5.18
Exercisable as at 31 December	-		-	

11 Payables to banks and other lenders

The breakdown of current payables due to banks and other lenders as at 31 December 2016 is as follows:

Current portion	As at 31 December 2016	As at 31 December 2015
Current portion of loans	-	1,250
Current payables to other lenders	67	-
Payables to banks and other lenders	67	1,250

The current portion of loans includes a loan with UBI Banca.

Non-current portion	As at 31 December 2016	As at 31 December 2015
Due to banks	-	6,619
Non-current payables to other lenders	96	-
Payables to banks and other lenders	96	6,619

Payables to other lenders consist of debts owed to leasing companies for the purchase of equipment for the new offices at via San Marco.

During the course of the year, the Company made early repayment of the two loans with UBI Banca; following these repayments, the Company does not have any bank loans outstanding. The tables below provide details of the loans outstanding as at 31 December 2015:

(In thousands of Euros)

As at 31 December 2015

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 Commercio e Industria	Soft	3-month Euribor + spread	6,000	2015	2017	5,993	0	5,993	-
UBI Banca Commercio e Industria	Unsecured	3-month Euribor + spread	2,500	2015	2017	1,876	1,250	626	-
Total bank loans			8,500			7,869	1,250	6,619	-

Liquidity/net financial debt

The breakdown of net financial debt as at 31 December 2016 is reported below, in accordance with the Consob Communication of 28 July 2006 and in compliance with the ESMA/2011/81 Recommendations:

(In thousands of Euros)

As at 31 December 2016

As at 31 December 2015

(A) Cash	(1)	(1)
(B) Other cash and cash equivalents	(43,259)	(31,208)
(C) Stocks held for trading	-	-
(D) Liquidity (A)+(B)+(C)	(43,260)	(31,209)
(E) Current financial receivables	-	(1,592)
(F) Current financial payables		
(G) Current portion of non-current debt	-	1,250
(H) Other current financial payables	67	-
(I) Current financial debt (F)+(G)+(H)	67	1,250
(J) Net current financial liquidity/debt (D)+(E)+(I)	(43,193)	(31,551)
(K) Non-current bank payables	-	6,620
(L) Bonds issued	-	-
(H) Other non-current payables	96	-
(N) Non-current financial debt (K)+(L)+(M)	96	6,620
(O) Net Financial (Liquidity)/Debt (J)+(N)	(43,097)	(24,931)

12 Provisions for personnel

This item includes recognition of severance pay ("TFR") for employees of the Company.

The table below shows changes in employee benefits in the financial years ended 31 December 2016 and 31 December 2015:

<i>(In thousands of Euros)</i>	At 1 January 2015	Service cost	Interest cost	Advances and settlements	Actuarial gains/losses	As at 31 December 2016
Severance pay	214	59	4	(9)	(1)	267
Total provisions for employee benefits	214	59	4	(9)	(1)	267

<i>(In thousands of Euros)</i>	At 1 January 2015	Service cost	Interest cost	Advances and settlements	Actuarial gains/losses	As at 31 December 2015
Severance pay	188	56	3	(12)	(21)	214
Total provisions for employee benefits	188	56	3	(12)	(21)	214

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:

	As at 31 December 2016	As at 31 December 2015
Economic and financial assumptions		
Discount rate	1.31%	2.03%
Inflation rate	1.5%	1.5%
Rate of pay increase	2.8%	2.8%
Demographic assumptions		
Probability of dismissals and redundancies	10%	10%
Probability of early severance pay	1%	1%

13 Provisions for risks and charges

This item amounted to €360 thousand (0 as at 31 December 2015) and includes the provision 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>	As at 31 December 2016	As at 31 December 2015
Due to suppliers	1,331	1,385
Total trade payables and other payables	1,331	1,385

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>	As at 31 December 2016	As at 31 December 2015
To become due	1,025	1,215
Due for <30 days	257	74
Due for 30-90 days	48	93
Due for 90-180 days	-	-
Due for >180 days	1	3
Total	1,331	1,385

15 Other non-current and current liabilities

Other non-current liabilities stood at €37 thousand, representing directors' severance pay.

The following table shows the breakdown of other current liabilities:

<i>Other current liabilities</i>	As at 31 December 2016	As at 31 December 2015
Due to employees and directors	156	136
Due to social security bodies	143	111
Tax payables	177	131
Other payables	460	72
Total	936	450

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 €460 thousand, an increase of €388 thousand compared with the previous year due mainly to payables recognised in order to linearise 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

Revenues for the year amounted to €2,826 thousand, compared with the €1,833 thousand realised in 2015.

These consisted almost exclusively of revenues from charge-backs to Group companies or former Group companies during the course of the year, on market terms and conditions and governed by suitable contracts with variable maturities. The increase compared with the previous year is mainly due to the charge-back to the subsidiary ePRICE S.r.l. of advertising costs amounting to €850 thousand and to Banzai Commerce of certain costs incurred in the context of the sale of the equity investment in BNK4 SaldiPrivati S.r.l.

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

17 Other income

Other income amounted to €7 thousand, in line with the previous year.

18 Costs for raw materials and goods for resale

These amounted to €45 thousand, compared with €190 thousand recorded in 2015; 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	2016	2015	Change
Sales and marketing costs	954	126	828
Transport and logistics	35	7	28
Consulting and contract workers	1,276	900	376
IT services and technical consulting	607	539	68
Rentals and leases	1,034	1,017	17
Bank charges	11	10	1
Travel expenses	144	140	4
Utilities	136	161	(25)
Directors' remuneration	1,033	626	407
Others	634	407	227
Total costs for services	5,864	3,933	1,931

Costs for services totalled €5,864 thousand compared with €3,933 thousand for the previous year.

The increase for the year is mainly attributable to higher sales and marketing costs, of which €850 thousand were re invoiced to the subsidiary ePRICE S.r.l. for advertising carried out during the year on Mediaset television networks and for consulting services utilised during the sale of BNK4 SaldiPrivati, and €386 thousand were re invoiced to the subsidiary Banzai Commerce, as well as to higher directors' remuneration.

Costs for services include €312 thousand of non-recurring expenses, mainly relating to the change of the registered and administrative office.

20 Personnel expenses

The breakdown of employee costs is as follows:

In thousands of Euro

Personnel expenses	2016	2015
Salaries and wages	1,493	1,401
Social security charges	463	327
Severance pay	109	91
Internal capitalisations	(104)	(63)
Other personnel expenses	-	1
Stock option	394	99
Total	2,355	1,856

Personnel expenses rose from 2015 due to an increase in the workforce, especially the entry of two senior managers in the final part of the previous year, and of several middle managers during the year; internal capitalisations relate mainly to the activities of certain employees in the implementation of the new Group ERP.

The cost for stock options represents the charge posted in the relevant 2016 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 THE actual number of employees by category for the financial years ended 31 December 2016 and 2015:

	31 December 2016		31 December 2015	
	Average	Actual	Average	Actual
Senior managers	3	3	3	3
Middle managers	10	10	8	9
Clerical workers	7	7	8	8
Manual workers	2	2	2	2
Total		22		22

21 Depreciation, amortisation and impairment

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

Depreciation, amortisation and impairment	2016	2015
Amortisation of intangible assets	175	158
Amortisation of tangible assets	196	118
Bad debt provision	43	-
Total amortisation and impairments	414	276

The increase in amortisation of tangible fixed assets is mainly attributable to depreciation of the improvements to the new offices.

The bad debt provision relates to the appropriation of €32 thousand to the provision for bad trade debts, and of €11 thousand to the impairment of receivables.

22 Other costs

Other costs amounted to €236 thousand (€146 thousand in the previous year).

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

23 Financial expenses

The breakdown of the financial expenses item is as follows:

	For the financial year ended 31 December	
(In thousands of Euros)	2016	2015
Bank interest expense	80	133
Financial component of employee benefits	4	3
Total financial expenses	84	136

Bank interest expense includes the finance charges paid during the year; the decline from the previous year mainly stems from the fact that the outstanding loans were repaid in July 2016.

24 Financial income

The breakdown of financial income for the financial years ended 31 December 2016 and 2015 is as follows:

<i>(In thousands of Euros)</i>	<i>For the financial year ended 31 December</i>	
	2016	2015
Bank interest income	24	34
Other financial income	19	87
Total financial income	43	121

The decrease in bank interest income compared with the previous year is attributable mainly to the closure of interest-bearing deposit accounts and to the continuing decline in interest rates.

Other income includes dividends received from Webperformance, sold during the previous year, and interest income on loans disbursed to the subsidiary Banzai Media prior to its sale to the Mondadori Group.

25 Income taxes

This item shows a zero balance, compared with the allocation of €1,071 thousand to prepaid taxes in the previous year, because the company the amount recognised is considered to be representative of the taxes that may be recovered during the period of the 2017-2021 plan.

The reconciliation between the nominal tax rate provided for by Italian law and the effective tax rate resulting from the financial statements for the year is as follows:

<i>(In thousands of Euros)</i>	<i>For the financial year ended 31 December</i>					
	2016			2015		
	<i>Taxable amount</i>	<i>Tax</i>		<i>Taxable amount</i>	<i>Tax</i>	
IRES (corporate income tax)						
Pre-tax profit (loss)	(6,122)	1,469	24.00%	(4,582)	1,100	24.00%
Other increases	2,271	(545)	24.00%	409	(98)	24.00%
Other decreases	(1,341)	322	24.00%	(1,414)	339	24.00%
Adjustment of deferred tax assets		(1,246)			(270)	
Total taxes		-			(1,071)	

26 Profit (loss) from discontinued operations

Profit (loss) deriving from discontinued operations relates to the capital gain realised by the company from the sale of the equity investment in Banzai Media Holding to Arnoldo Mondadori Editore S.p.A., net of the expenses relating to the transaction.

<i>(In thousands of Euros)</i>	31 December 2016	31 December 2015
Gross capital gain	12,641	-
Transaction costs	(923)	-
Profit (loss) from discontinued operations	11,718	-

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 2016.

<i>In thousands of Euro</i>	<i>as at 31 December 2016</i>							
	Trade receivables	Investments in associates	Non-current financial assets	Cash	Trade payables	Other payables	Revenue	Financial income
Banca Profilo S.p.A.				2,722				23
ePRICE S.r.l.	48				20	128	1,013	
Banzai Commerce S.r.l.	584	30,902	24,118		82	1	812	
Il Post S.r.l.		1,412	35					
Giornalettismo S.r.l.		3						
Total	632	32,317	24,153	2,722	102	129	1,825	23
Total balance sheet item	797	32,317	25,158	43,260	1,331	936	2,825	43
Weight %	79.3%	100.0%	96.0%	6.3%	7.7%	13.8%	64.6%	53.5%

Banca Profilo has been a related party of ePRICE since Sator Fund started to control Banca Profilo indirectly, and holds an indirect equity investment in the 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 2015.

(In thousands of Euros)

Subsidiary	Trade receivables	Trade payables	Cash	Other assets	Other financial assets
Banzai Commerce S.r.l.	326	67			23,818
Banzai Media S.r.l.	209	56		1,592	1,800
ePRICE S.r.l. con Socio Unico (sole proprietorship)	92	11			
BNK4-SaldiPrivati S.r.l.	125				
Banzai Media Holding S.r.l.					5,316
Subsidiaries total	752	134	-	1,592	30,934
Other related parties					
Banca Profilo S.p.A.			22,705		
Other related parties total	0	0	22,705	0	0
Related parties total	752	134	22,705	1,592	30,934
Total balance sheet item	879	1,385	31,208	3,041	31,939
Weight %	85.5%	9.6%	72.7%	52.3%	96.8%

Subsidiary	Revenue	Costs for raw materials and goods for resale	Financial income
Banzai Commerce S.r.l.	593	-	-
Banzai Media S.r.l.	629	-	13
ePRICE S.r.l. con Socio Unico (sole proprietorship)	211	4	-
BNK4-SaldiPrivati S.r.l.	400	-	-
Subsidiaries total	1,833	4	13
Other related parties			
Banca Profilo S.p.A.		-	31
Other related parties total	0	-	31
Related parties total	1,833	4	44
Total balance sheet item	1,833	191	121
Weight %	100%	2.1%	36.3%

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 2016, 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 2015 is shown below:

(In thousands of Euros)	As at 31 December 2016					Fair value	Fair value hierarchy
	Financial instruments at fair value held for trading	Held-to-maturity assets	Receivables and loans	AFS financial instruments			
Other financial assets							
Equity investments	-	-	-	32,317	32,317		Level 3
Financial receivables	-		24,153	-	24,153		Level 3
Trade receivables							
Trade receivables	-	-	798	-	798		Level 3
Cash and cash equivalents							
Bank and postal deposits	-	-	43,260	-	43,260		Level 1

(In thousands of Euros)	As at 31 December 2016				Fair value	Fair value hierarchy
	Financial instruments at fair value held for trading	Liabilities at amortised cost				
Current liabilities						
Payables to banks and other lenders		-	67	67		Level 1
Due to suppliers		-	1,331	1,331		Level 3
Non-current liabilities						
Payables to banks and other lenders		-	96	96		Level 1

The carrying amount of financial instruments in the financial year ended 31 December 2015 is shown below:

As at 31 December 2015						
<i>(In thousands of Euros)</i>	Financial instruments at fair value held for trading	Held-to-maturity assets	Receivables and loans	AFS financial instruments	Fair value	Fair value hierarchy
Other financial assets						
Equity investments	-	-	-	42,622	42,622	Level 3
Financial receivables	-		30,934	-	30,934	Level 3
Trade receivables						
Trade receivables	-	-	879	-	879	Level 3
Cash and cash equivalents						
Bank and postal deposits	-	-	31,208	-	31,208	Level 1

As at 31 December 2015					
<i>(In thousands of Euros)</i>	Financial instruments at fair value held for trading	Liabilities at amortised cost	Fair value	Fair value hierarchy	
Current liabilities					
Due to banks		-	1,250	1,250	Level 1
Due to suppliers		-	1,385	1,385	Level 3
Non-current liabilities					
Due to banks		-	6,620	6,620	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 2016, there were no atypical and/or unusual transactions as defined in that Communication.

Independent auditor compensation

The table below, prepared in accordance with art. 149-duodecies of the Consob Issuer Regulations, shows the fees for 2016 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 2016	EY S.p.A.	ePRICE S.p.A.	48
Other services	EY S.p.A.	ePRICE S.p.A.	116
Other services	Ernst & Young Financial Business Advisor S.p.A	ePRICE S.p.A.	19
Total ePRICE S.p.A.			225

Chairman
Paolo Ainio

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 effective application of administrative and accounting procedures for the preparation of the consolidated financial statements during 2016.
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, 15 March 2017

Chairman

Paolo Ainio

The Manager Responsible for Preparing the Financial Reports

Emanuele Romussi

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39, DATED 27 JANUARY 2010 (Translation from the original Italian text)

To the Shareholders of
ePRICE S.p.A. (formerly Banzai S.p.A.)

Report on the financial statements

We have audited the separate financial statements of ePRICE S.p.A. (formerly Banzai S.p.A.), which comprise the prospectus statement of financial position as at December 31, 2016, 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 a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of ePRICE S.p.A. are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 2.950.000,00 i.v.
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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of ePRICE S.p.A. as at December 31, 2016, 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 article 9 of Legislative Decree n. 38, dated 28 February 2005.

Report on other legal and regulatory requirements

Opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure with the financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Director's Report and of specific information of the Report on Corporate Governance and the Ownership Structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the financial statements. The Directors of ePRICE S.p.A. are responsible for the preparation of the Director's Report and of the Report on Corporate Governance and the Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Director's Report and the specific information of the Report on Corporate Governance and the Ownership Structure are consistent with the financial statements of ePRICE S.p.A. as at December 31, 2016.

Milan, March 27, 2017

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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