



## **SEMI-ANNUAL FINANCIAL REPORT AT 30 JUNE 2019**

# Corporate Officers

## BOARD OF DIRECTORS

Chairman and Chief Executive Officer

Paolo Ainio

Non-executive Directors

Pierluigi Bernasconi

Pietro Boroli

Matteo Renzulli

Independent Directors

Chiara Burberi

Arabella Caporello

Piero Galli

Roberto Mazzei

Annunziata Melaccio

Paola Mungo

Moshe Sade Bar

## BOARD OF STATUTORY AUDITORS

Chairman

Giorgio Amato

Standing Auditors

Stefania Bettoni

Gabriella Chersicla

Alternate Auditors

Luca Zoani

Sonia Ferrero

## SUPERVISORY BOARD

Chairman

Jean-Paule Castagno

Members

Fabio Meda

Stefania Bettoni

## INDEPENDENT AUDITORS

EY S.p.A.

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# Directors' Report

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## DIRECTORS' REPORT

### COMMENT ON THE RESULTS

### ANALYSIS OF KEY OPERATING RESULTS

#### Revenues analysis

In the first half-year 2019, Group revenues amounted approximately to Euro 63.0 million, a marked decline on the first half of last year. This decrease in revenues in the first half-year 2019 were 15.8% lower than the same period in 2018, and was particularly strong in May and June of the second quarter. Specifically, the decline in the second quarter was 23.1% compared to the second quarter of 2018. It was mainly attributable to less website traffic caused by a standstill in workforce growth, also due to the effect on performance of two updates to the ranking algorithm for results released by the main search engine and the review of the advertising space purchasing processes, carried out in order to improve profitability and completed at the end of June, allowing an increase in the level of advertising investment from July onwards, maintaining a positive ROI and a decrease in conversion attributable to a weak market scenario. In addition to the above, note that in the first half of the year the "Tech & Appliance" reference market recorded slightly lower growth rates overall than in the corresponding period of 2018.

In this difficult internal and external context, ePRICE has, in any event, worked on increasing its percentage growth profit, as described later in this report, despite the overall revenue performance.

The GMV – which represents customers' spending on our e-Commerce sites and on the Marketplace - decreased at a higher rate than revenues, equivalent to 16.7% compared to the corresponding period in the previous year, amounting to Euro 88.9 million from Euro 106.6 million in the first half of 2018. This was partly due to the negative contribution from the Marketplace, which declined by approximately -10% compared to the corresponding period in the previous year, and partly offset by the stronger incidence of B2B revenues following the trade agreement signed in April 2019 with the Carrefour retail group. In this half of the year, the weight of the Marketplace, launched in 2Q15, reached approximately 21% of GMV, compared to 19% in 2018, 14.7% in 2017, and 10% in 2016.

<i>(in thousands of Euros)</i>	H1 2019	H1 2018	% Change
<b>Revenues</b>	<b>63,018</b>	<b>74,800</b>	<b>-15.8%</b>
<i>(in millions of Euro)</i>			
<b>GMV</b>	<b>88.9</b>	<b>106.6</b>	<b>-16.7%</b>

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

<i>(in thousands of Euros)</i>	H1 2019	H1 2018	% Change
Electronics, Domestic Appliances and other products	56,046	67,756	-17.3%
Services / Other revenues	6,972	7,044	-1.0%
<b>Revenues</b>	<b>63,018</b>	<b>74,800</b>	<b>-15.8%</b>

## GMV

<i>(in millions of Euros)</i>	H1 2019	H1 2018	% Change
Electronics, Domestic Appliances and other products	85.7	103.2	-17.1%
Services / Other revenues	3.2	3.4	-4.6%
<b>GMV</b>	<b>88.9</b>	<b>106.6</b>	<b>-16.7%</b>

Revenues from product sales, in particular electronics and domestic appliances, fell by 17.3% compared to the first half of 2018 due to the effects described above. Note that revenues in the core category of Large Domestic Appliances (a sub-group of the Domestic appliances category) recorded a decrease of only 7% in the first half of the year compared to the same period of last year, therefore significantly lower than the overall decline in revenues in the first half.

Revenues from the sale of Services and Other remained essentially stable compared to the same period of the previous year, this being due in particular to the development of “premium” services (delivery, installation and collection of used equipment), which increasingly represent a distinctive factor in ePRICE’s offerings; in addition, there was a positive contribution generated by Infocommerce and Advertising services.

At 30 June 2019, the Pick&Pay and Lockers network was optimised to 116 Pick&Pays and 313 automatic lockers. Pick&Pay delivery services are extended to all Marketplace merchants.

The Marketplace performance, which reached 2,100 merchants, was driven by an increase in the electronics segment. Note that Infocommerce and B2B services are not included in the GMV.

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

	H1 2019	H1 2018	% Change
<i>Orders (thousands)</i>	259	360	-28.2%
<i>AOV (euro) <sup>1</sup></i>	273	242	+15%
<i>Buyers (thousands)<sup>2</sup></i>	228	310	-26.4%

In the first half of 2019, 259 thousand orders were managed, -28.2% compared with 1H18, with an average value (AOV) of Euro 273, up by 15%, mainly driven by the mix towards high-ticket categories (Large Domestic Appliances). Lastly, the number of buyers was 228 thousand, down by approximately 26.4% compared with 1H18.

## Reclassified consolidated income statement

The table below illustrates the Reclassified Income Statement for the first half of 2019, compared with the corresponding period of the previous year, by destination according to the formats used by Group management control. In the following statement, the Revenues total is stated net of revenues for logistics, IT and administrative services performed in favour of entities sold and restated as a reduction in related costs. Due to the entry into force in 2019 of the IFRS 16 international accounting standard, applied by the group with the “modified retrospective” method, which does not require the recalculation of the comparative

<sup>1</sup> Average order value (excluding VAT).

<sup>2</sup> Buyers with at least 1 order in the period.

data, the following table (prepared for management purposes only) in any event shows both the comparison with 30 June 2018 and a proforma column demonstrating the impacts of the application of IFRS 16 in the first half of 2018 relating to the same agreements that were considered leases in the first half of 2019. The comparative data do not include the contribution of Installo, first consolidated in the second half of 2018, the values for which were in any event immaterial.

in thousands of Euros	Jun-19	% of total revenues	Jun-18 restated IFRS 16	% of total revenues	% Change	Jun-18
<b>Total revenues</b>	<b>63,018</b>	100.0%	<b>74,800</b>	100.0%	-15.8%	<b>74,800</b>
Cost of goods sold <sup>3</sup>	(51,627)	-81.9%	(62,518)	-83.6%	-17.4%	(62,518)
Gross profit <sup>4</sup>	<b>11,391</b>	<b>18.1%</b>	<b>12,283</b>	16.4%	-7.3%	<b>12,283</b>
Sales and marketing costs	(4,199)	-6.7%	(5,463)	-7.3%	-23.1%	(5,463)
Logistics costs	(7,562)	-12.0%	(7,549)	-10.1%	0.2%	(8,577)
IT costs	(1,546)	-2.5%	(1,315)	-1.8%	17.5%	(1,315)
General and administrative expenses	(2,568)	-4.1%	(2,299)	-3.1%	11.7%	(2,608)
<b>Adjusted EBITDA</b>	<b>(4,483)</b>	<b>-7.1%</b>	<b>(4,343)</b>	-5.8%	3.2%	<b>(5,680)</b>
Non-recurring costs and income and stock option plans	(489)	-0.8%	1,733	2.3%	-128.2%	1,733
<b>EBITDA</b>	<b>(4,972)</b>	<b>-7.9%</b>	<b>(2,610)</b>	-3.5%	90.5%	<b>(3,947)</b>
Depreciation, amortisation and impairment	(14,936)	-23.7%	(5,536)	-7.4%	169.8%	(4,404)
<b>EBIT</b>	<b>(19,908)</b>	<b>-31.6%</b>	<b>(8,146)</b>	-10.9%	144.4%	<b>(8,351)</b>
Net financial expenses	(240)	-0.4%	(184)	-0.2%	30.7%	(10)
Share of the result of associates	(97)	-0.2%	(680)	-0.9%	-85.7%	(680)
Write-down of financial assets	(161)	-0.3%				
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>(20,406)</b>	<b>-32.4%</b>	<b>(9,010)</b>	-12.0%	126.5%	<b>(9,041)</b>
Income Taxes	<b>(4,950)</b>	<b>-7.9%</b>				
Net profit (loss) from discontinued operations	1,597	2.5%	3,285		-51.4%	3,285
<b>NET PROFIT (LOSS)</b>	<b>(23,759)</b>	<b>-37.7%</b>	<b>(5,725)</b>	<b>-7.7%</b>	<b>315.0%</b>	<b>(5,756)</b>

<sup>3</sup> The **Cost of goods sold** mainly includes the purchase cost of goods and the cost of some services, including the cost of collection fees.

<sup>4</sup> **Gross Profit** is represented by net revenues minus cost of goods sold and is an indicator used by the Group's management control to monitor and evaluate its sales performance. Gross Profit is not identified as an accounting measure 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 Group sales performance. Since the composition of the Gross Profit 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 Group calculates Gross Profit as a percentage of revenue as the ratio of Gross Profit to Total Net Revenue.



## Gross Profit

Gross Profit was Euro 11,391 thousand, down by Euro 892 thousand, equal to 7.3% compared with the corresponding period of the previous year (Euro 12,283 thousand), presenting a significantly lower decline than that of revenues. In percentage terms, the ratio of Gross Profit to Revenues is equal to 18.1%, a significant improvement of 170 bps compared to the 16.4% recorded in the first half of 2018, confirming the new strategy announced last year aimed at the continuous recovery of profits, even to the detriment of revenue growth. In particular, the percentage profits increased considerably in the first half of the year due to the greater contribution from sales margins on products including premiums granted by suppliers, to the reduction in the impact of returned and damaged products and lastly to the contribution from services provided by Installo Srl.

The marked improvement in gross profit is especially obvious in the second quarter where, in percentage terms, the Gross Profit to Revenues ratio came to 19.8%, an additional and substantial improvement (310 bps) as compared to 16.7% recorded in the second half of 2018. This confirms the increasing effectiveness of improvement actions reported in the previous paragraph.

## Adjusted EBITDA

As highlighted above, due to the entry into force of the IFRS 16 international accounting standard, from 2019 leases were recognised in the balance sheets of the companies with the consequent determination of amortisation and related financial expenses.

In terms of financial data, due to the introduction of the IFRS 16 international accounting standard, the decrease in costs no longer recognised in the financial statements as leases amounted to Euro 1,363 thousand in the first half of 2019 (approximately Euro 1,337 thousand restated for the first half of 2018); at the same time, the first half of 2019 recorded higher amortisation of around Euro 1,160 thousand (for comparison purposes, the higher amortisation would have been around Euro 1,132 thousand in the first half of 2018) and, lastly, again in the first half of 2019 higher financial expenses of Euro 173 thousand were calculated (for comparison purposes, the figure would have been Euro 174 thousand in the first half of 2018).

The adjusted EBITDA amounted to Euro -4,483 thousand, essentially in line with the recalculated effect for the first half of 2018 (Euro 4,343 thousand, restated in accordance with the IFRS 16 standard).

Note that net of the consolidation of Installo (not included in the scope of consolidation in the first half of last year as it became a subsidiary from August 2018), the adjusted EBITDA was Euro -4,339 thousand.

The adjusted EBITDA performance in the first half of 2019 compared to the first half of 2018 was negatively affected by the decline in gross profit of Euro 892 thousand as described above, partially recovered by a decrease in operating costs of Euro 752 thousand, equal to 4.5% of total operating costs in the first half of last year.

As regards operating costs, there was a significant drop in sales and marketing costs by about -23.1% compared to the first half of 2018, mainly due to the significant decrease in spending for customer acquisition.

Logistics costs remained essentially stable compared to the first half of 2018. Due to the impact of the consolidation of Installo, the decrease was equal to 7.6%, net of higher costs, equal to Euro 588 thousand. This cost item is closely linked to the

performance of sale and revenue volumes in domestic appliance category which recorded a decline in the first six months that was significantly less than the overall decrease in revenues, as described previously. In addition, fixed inventory costs rose in the first half of 2019 due to the non-renewal of the agreement with Saldiprivati, the effect of which can be estimated at around Euro 400 thousand in higher costs for the period.

IT costs grew by around Euro 230 thousand compared to the first half of 2018, mainly due to the effect of certain reclassifications of costs relating to platforms previously considered to be among logistics costs.

General and administrative costs increased compared to the first half of 2018 by 41.4%, due to the impact of the consolidation of Installo Srl. Net of the higher costs deriving from the impact of the consolidation of Installo, amounting to Euro 449 thousand, the decrease in general and administrative costs was around Euro 180 thousand compared to the first half of the previous year, equal to -7.8%. In addition, note that in the first half of the year, this cost item recorded a contribution for research & development activities of approximately Euro 770 thousand, down by around Euro 90 thousand from the amount recorded for the same contribution in the first half of 2018. Also net of this effect, the reduction in general and administrative costs amounted to around 11.7%, confirming the continuing cost containment process that began last year.

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

<i>(in thousands of Euros)</i>	30-Jun-19	% of total revenues	30-Jun-18 restated IFRS 16	% of total revenues	% Change	30-Jun-18
Operating profit (loss)	(19,908)	-31.6%	(8,146)	-10.9%	144.4%	(8,351)
+ Depreciation, amortisation and impairment	14,936	-23.7%	5,536	-7.4%	169.8%	4,404
Non-recurring costs, revenues and stock option plans	(489)	-0.8%	1,733	2.3%	-128.2%	1,733
<b>Adjusted EBITDA</b>	<b>(4,483)</b>	<b>-7.1%</b>	<b>(4,343)</b>	<b>-5.8%</b>	<b>3.2%</b>	<b>(5,680)</b>
<b>EBITDA</b>	<b>(4,972)</b>	<b>-7.9%</b>	<b>(2,610)</b>	<b>-3.5%</b>	<b>90.5%</b>	<b>(3,947)</b>

EBITDA for the first half of 2019 was Euro -4,972 thousand, down compared to Euro -2,610 thousand in the first half of last year and including non-recurring costs for the stock option and stock grant plans of Euro 241 thousand and reorganisation expenditure of Euro 248 thousand. The first half of 2018 included non-recurring income for Euro 2,000 thousand relating to the agreement entered into with the SRP Group (Showroomprivè) as regards early termination for logistics activities carried out on Bnk4-Saldiprivati's behalf, as well as costs relating to the stock option plans for Euro 51 thousand and other non-recurring costs of Euro 216 thousand.

## EBIT

EBIT stood at Euro -19,908 thousand, compared to Euro -8,146 thousand in the first half of 2018. In addition to the reasons described above, the change was due to higher amortisation and especially to the non-recurring fixed asset impairment amounting to Euro 9.4 million. Specifically, tangible assets referring to the Trucazzano warehouse were written down by Euro

4 million to take into account their likely disposal following early termination of the lease in the second half of 2019. An impairment loss of Euro 5.4 million was recognised on goodwill following impairment testing, recalculated on the basis of the new business plans reviewed and approved by the Board of Directors on 30 September 2019. Further details are provided in note 2 of the Explanatory Notes.

## Earnings before tax from continuing operations

EBT from continuing operations was Euro -20,406 thousand, compared to Euro -9,010 thousand for the first six months of 2018.

## Income Taxes

This item reflected an expense for the period of Euro 4,950 thousand representing the partial reversal of deferred tax assets posted in previous years. The total deferred tax assets, net of write-downs recorded and recognised in the consolidated financial statements for Euro 3.7 million, represent the tax benefit that can only be recovered in the period of the new 2019-2023 plan, approved by the Board of Directors on 30 September 2019.

## Profit (loss) from discontinued operations

The result from assets held for sale and discontinued operations refers to the earn-out share accrued following the occurrence of certain contractual conditions from the sale of the Vertical Content division to the Mondadori Group for a total of Euro 1,597 thousand.

## SUMMARY OF DATA FOR THE SECOND QUARTER

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

in thousands of Euros	Q2 2019	% of total revenues	Q2 2018 restated IFRS 16	% of total revenues	% Change	Q2 2018
<b>Total revenues</b>	<b>27,522</b>	100.0%	<b>35,809</b>	100.0%	-23.1%	<b>35,809</b>
Cost of goods sold <sup>5</sup>	(22,076)	-80.2%	(29,835)	-83.3%	-26.0%	(29,835)
Gross profit <sup>6</sup>	<b>5,447</b>	<b>19.8%</b>	<b>5,974</b>	16.7%	-8.8%	<b>5,974</b>
Sales and marketing costs	(2,009)	-7.3%	(2,674)	-7.5%	-24.9%	(2,674)
Logistics costs	(3,745)	-13.6%	(3,254)	-9.1%	15.1%	(3,845)
IT costs	(945)	-3.4%	(925)	-2.6%	2.1%	(925)
General and administrative expenses	(1,595)	-5.8%	(640)	-1.8%	149.2%	(794)

<sup>5</sup> The **Cost of goods sold** mainly includes the purchase cost of goods and the cost of some services, including the cost of transport to customers, the cost of collection fees, agent's commissions and sales commissions and external publishing costs.

<sup>6</sup> **Gross Profit** is represented by net revenues minus cost of goods sold and is a management accounts indicator used by the Issuer to monitor and evaluate sales performance. Gross Profit is not identified as an accounting measure 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 Group sales performance. Since the composition of the Gross Profit 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 Group calculates Gross Profit as a percentage of revenue as the ratio of Gross Profit to Total Net Revenue.

<b>Adjusted EBITDA</b>	<b>(2,847)</b>	<b>-10.3%</b>	<b>(1,519)</b>	<b>-4.2%</b>	<b>87.4%</b>	<b>(2,265)</b>
Non-recurring costs and income and stock option plans	(369)	-1.3%	1,826	5.1%	-120.2%	1,826
<b>EBITDA</b>	<b>(3,216)</b>	<b>-11.7%</b>	<b>306</b>	<b>0.9%</b>	<b>-1150.5%</b>	<b>(439)</b>
Depreciation, amortisation and impairment	(12,403)	-45.1%	(3,072)	-8.6%	303.7%	(2,446)
<b>EBIT</b>	<b>(15,619)</b>	<b>-56.8%</b>	<b>(2,766)</b>	<b>-7.7%</b>	<b>464.7%</b>	<b>(2,886)</b>
Net financial expenses	(118)	-0.4%	(122)	-0.3%	-3.6%	(31)
Share of the result of associates	9	0.0%	(521)	-1.5%	-101.8%	(521)
Write-down of financial assets	(161)	-0.6%	0	0.0%		0
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>(15,889)</b>	<b>-57.7%</b>	<b>(3,409)</b>	<b>-9.5%</b>	<b>366.0%</b>	<b>(3,438)</b>
Income Taxes	<b>(4,950)</b>	<b>-18.0%</b>				
Net profit (loss) from discontinued operations	22		2,500		-99.1%	2,500
<b>NET PROFIT (LOSS)</b>	<b>(20,818)</b>	<b>-75.6%</b>	<b>(909)</b>	<b>-2.5%</b>	<b>N/A</b>	<b>(938)</b>

In the second quarter, the consolidated revenue comes to Euro 27,522 thousand, which is down by a further 23.1% compared to the second quarter of 2018 (Euro 35,809 thousand). As described previously, this decrease is due to the marked negative trend of traffic and user visits to the website.

The percentage gross profit, on the other hand, recorded a decisive improvement compared to the first quarter of the year to reach 19.8%, compared to 16.7%, showing an increase of 310 basis points. This, as described above, was due to the greater contribution by Marketplace, to the reduction in the impact of returned and damaged products and lastly to the contribution from services provided by Installo Srl.

In absolute terms, the decline in gross profit compared to the second quarter of 2018 was Euro 527 thousand, down by 8.8%, which was markedly lower than the recorded decline in revenues.

The adjusted EBITDA was Euro -2,847 thousand compared to Euro -1,519 thousand in the second quarter of 2018, recording a drop of Euro 1,328 thousand, of which Euro 527 thousand attributable to the decrease in gross profit, as described above, for Euro 860 thousand to the contribution of research and development recorded in the second quarter last year (for this year it was Euro 770 thousand in the first quarter) and lastly for around Euro 200 thousand due to higher fixed inventory costs caused by non-renewal of the agreement with Saldiprivati. Net of these effects, the change in adjusted EBITDA would be positive by around Euro 259 thousand.

EBITDA stood at Euro -3,216 thousand compared to Euro 306 thousand, down by Euro 3,522 thousand due to the effects described above and to the non-recurring income achieved by Showroomprivè of Euro 2,000 thousand recorded in the second quarter of last year.

EBIT was Euro -15,619 thousand after depreciation, amortisation and impairment of Euro 12,403 thousand, compared to Euro 3,072 thousand in the second quarter of 2018, as a result of the Euro 9.4 million impairment losses as reported above.

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

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

<i>(thousands of Euros)</i>	30.6.19	31.12.18
<b>USES</b>		
Net Working Capital	1,220	1,161
Fixed assets	36,528	35,310
Long-term assets	3,807	8,759
Personnel provisions	(2,311)	(2,198)
Long-term liabilities	(360)	(360)
Net Invested Capital	<b>38,885</b>	<b>42,672</b>
<b>SOURCES</b>		
Liquidity/Net Financial Debt	(13,025)	6,706
Shareholders' Equity	(25,860)	(49,378)
<b>TOTAL FUNDING SOURCES</b>	<b>(38,885)</b>	<b>(42,672)</b>

## Net Working Capital

The net working capital was essentially in line with the values at 31 December 2018. In the first half of 2019 there was a reduction in inventories, trade receivables and trade payables, due to the seasonality affecting the end of the year. Overall, in the first quarter, the trade working capital increased by Euro 348 thousand compared to 31 December 2018. The change in other current receivables and payables is mainly due to an increase in the advances from customers included among other payables resulting from the sale of after-sales services against commitments that will be realised in the coming months and future years.

The table below provides a breakdown of Net Working Capital:

<i>(in thousands of Euros)</i>	30 June 2019	31 December 2018
Inventories	15,034	16,091
Trade and other receivables	5,857	6,848
Trade and other payables	(20,119)	(22,515)
<b>Trade Working Capital</b>	<b>772</b>	<b>424</b>
Other current receivables and payables	448	737
<b>Net Working Capital</b>	<b>1,220</b>	<b>1,161</b>

## Fixed assets

Fixed assets increased by Euro 1,218 thousand. This increase mainly results from the first application of the IFRS 16 international accounting standard, which establishes, innovating with respect to the past, that leases are to be represented in the balance sheets of companies, thus increasing the visibility of their assets and liabilities. The group applied the standard with the “modified retrospective” method, which does not require the recalculation of comparative data and therefore recognised multi-year rights of use of Euro 14,396 thousand. During the period, investments were made in intangible assets of Euro 1,814 thousand for projects associated with the development of new platforms released in July 2019, net of amortisation for Euro 5,236 thousand and write-downs for Euro 9.4 million in tangible assets relating to warehouse plant and equipment and the goodwill already discussed in the previous paragraphs.

## Shareholders' Equity

Shareholders' equity decreased during the period from Euro 49,378 thousand to Euro 25,860 thousand mainly due to the comprehensive income, negative of Euro 23,760 thousand and considerably affected by extraordinary write-downs. An increase of Euro 242 thousand was also seen in the stock option reserve against costs associated with the incentive plans for employees and directors.

The total number of treasury shares held by the company was 694,562, with the change since 31 December 2018 due to the assignment of 316,810 shares to employees and contract workers under the stock grant plan.

The breakdown of the Net Financial Position is shown below, in accordance with the Consob Communication of 28 July 2006 and in compliance with the ESMA/2011/81 Recommendations; for a better representation, the column “31 December restated IFRS16” has been added, which highlights the impact on the opening balances of the application of the new IFRS 16 international accounting standard.

<i>(thousands of Euros)</i>	30 June 2019	31 December 2018	31 December 2018 restated IFRS 16
(A) Cash	(92)	(93)	(93)
(B) Other cash and cash equivalents	(3,678)	(8,841)	(8,841)
(C) Securities held for trading	-	-	-
<b>(D) Liquidity (A)+(B)+(C)</b>	<b>(3,770)</b>	<b>(8,934)</b>	<b>(8,934)</b>
(E) Current financial receivables	(1,167)	(2,055)	(2,055)
(F) Current financial payables	3,800	276	276

(G) Current portion of non-current debt	655	3,648	3,648
(H) Other current financial payables	2,459	28	2,599
<b>(I) Current financial debt (F)+(G)+(H)</b>	<b>6,914</b>	<b>3,952</b>	<b>6,523</b>
<b>(J) Liquidity/Net current financial debt (D)+(E)+(I)</b>	<b>1,978</b>	<b>(7,037)</b>	<b>(4,466)</b>
(K) Non-current bank payables	0	331	331
(L) Bonds issued	-	-	-
(M) Other non-current payables	11,047	0	12,285
<b>(N) Non-current financial debt (K)+(L)+(M)</b>	<b>11,047</b>	<b>331</b>	<b>12,616</b>
<b>(O) (Liquidity)/Net Financial Debt (J)+(N)</b>	<b>13,025</b>	<b>(6,706)</b>	<b>8,150</b>

At 30 June 2019, the Group had net financial debt of Euro 13,025 thousand, of which Euro 11,047 thousand relating to the non-current financial debt and Euro 2,459 thousand to current financial debt recognised in 2019 as the effect of application of the IFRS 16 international accounting standard. Excluding this effect caused by the introduction of the new IFRS standard, the Group would have a Net Cash Flow of Euro 481 thousand at 30 June 2019.

At 30 June 2019, the Group reported liquidity of Euro 3,770 thousand. The difference compared to 31 December 2018 is mainly due to cash flow absorbed by operations amounting to Euro 4,892 thousand. The investment activities described previously absorbed cash flow for Euro 1,835 thousand, offset by the collection of earn-out accrued following the occurrence of certain contractually-planned conditions from the sale of the Vertical Content division to the Mondadori Group. During the period, the Group obtained a new financial credit line of Euro 2.5 million from Banca Intesa, at 30 June mostly used for the repayment of other expiring credit lines.

## 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 commercial range offered by ePRICE, and to continuously innovate existing products and services, including with regard to the introduction of new technologies and new business development models. The Group takes an interdisciplinary approach, whose greatest strength lies in the close collaboration between development, production and marketing, in order to respond quickly and effectively to constant changes in preferences expressed by consumers.

During the period, the Group continued to invest in improving the quality of services offered to customers, in existing processes and in platform components to make them scalable and innovative.

Team development activities aimed at the mobile phone sector and geared to optimising customer experience continued; one of the first objectives was to substantially improve the mobile APP by creating distinctive elements that put it in a class of its own and make it markedly different to the desktop site. Specifically, a new cart for the mobile APP was released, the graphic

interface was upgraded and the usability of the product pages was improved, thus emphasising the value-added content of the services offered by ePrice, as well as the development of new algorithms to improve site traffic performance.

Development work continued on new features aimed at improving the integrated management system. In particular, the purchasing-cycle flow and supplier-invoice checking was automated, which will lead to optimised management and control of the procurement procedures.

The internal procedures for handling customer requests and the impact of the GDPR on handling their personal data were defined. Consequently, all relevant management systems were also adapted for the new requirements.

The development of a platform for the management of specialist local services related to the domestic appliances (MDA) segment and the construction/activation of the premium delivery and professional installation network both continued. Improvements were made to the courier-tracking system both for products sent by ePrice and products sent by the Marketplace. A monitoring system to check the saturation capacity of the team of installers was released

## 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.

## SIGNIFICANT EVENTS IN THE PERIOD

The meeting of 16 April appointed the Board of Directors for the 2019-2021 period.

In April, ePRICE and Carrefour Italy signed an agreement envisaging supply and support for the Large Domestic Appliance offer in the 50 Carrefour Italy Hypermarkets spread across 11 Italian regions.

## SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD

On 1 August, the Company announced a significant decline in sales, concentrated in May and June, with a deviation from the target revenues and profitability envisaged in the Update to the Strategic Guidelines approved in March 2019. This deviation, due to unforeseeable events that occurred in the second quarter, projected on the overall results for 2019 will not allow the target of a high single digit growth in GMV and revenues to be reached, nor the goal of EBITDA close to break-even.

In view of the necessary study and assessments in progress, the Board of Directors decided to postpone approval of the Semi-annual Financial Report at 30 June 2019 to 13 September 2019 (later further delayed until 30 September) and conferred mandate upon the CEO, Paolo Ainio, with support from external advisors, to arrange the preparation of an update to the business plan and coherent financial structure, also assessing all further strategic and corporate options, and making downward adjustments to the forecasts for the current year.

In August, the Company received a statement of interest from a fund willing to consider investing in the company. In view of this statement of interest, the Board of Directors Meeting of 7 August decided to allow the fund, subject to the signing of



confidentiality commitments, the option of performing due diligence for the purpose of formulating a proposal, which was then received in non-binding form on 28 August. After receiving an improved offer on 18 September, the Company granted exclusive rights which lapsed and were not renewed on 23 September 2019.

The remedial action to recover user traffic continued during July and August. The formal notice of termination of the lease for the logistics centre in Trucazzano will be submitted on 24 September. The launch of the International Marketplace Network, in partnership with the European marketplaces CDiscount, eMAG and Real.de was announced on 26 September.

# **Half-year Condensed Consolidated Financial Statements as at 30 June 2019**

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# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(in thousands of Euros)	Notes	30 June 2019	Of which related parties	31 December 2018	Of which related parties
<b>NON-CURRENT ASSETS</b>						
Plant and equipment	1		1,612		6,359	
Intangible assets	2		20,686		27,699	
User rights on third-party assets	3		13,236		0	
Investments in associates	4		958	958	1,055	1,055
Non-current financial assets	5		36	35	196	195
Other non-current assets	6		57		59	
Deferred tax assets	7		3,750		8,700	
<b>TOTAL NON-CURRENT ASSETS</b>			<b>40,335</b>		<b>44,068</b>	
<b>CURRENT ASSETS</b>						
Inventories	8		15,034		16,091	
Trade and other receivables	9		5,857	483	6,848	737
Other current assets	10		8,779		9,795	
Cash and cash equivalents	11		3,770	184	8,934	184
<b>TOTAL CURRENT ASSETS</b>			<b>33,440</b>		<b>41,668</b>	
<b>TOTAL ASSETS</b>			<b>73,775</b>		<b>85,736</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>SHAREHOLDERS' EQUITY</b>						
Share capital			826		826	
Reserves			48,629		62,831	
Profit (loss) for the period			(23,532)		(14,443)	
<b>Shareholders' equity attributable to parent company shareholders</b>			<b>25,923</b>		<b>49,214</b>	
Shareholders' equity attributable to minority shareholders			(63)		164	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>12</b>		<b>25,860</b>		<b>49,378</b>	
<b>NON-CURRENT LIABILITIES</b>						
Payables to banks and other lenders	13		11,047		331	
Personnel provisions	14		2,311		2,198	
Provisions for risks and charges	15		360		360	
<b>TOTAL NON-CURRENT LIABILITIES</b>			<b>13,718</b>		<b>2,889</b>	
<b>CURRENT LIABILITIES</b>						
Trade and other payables	16		20,118	125	22,515	168
Payables to banks and other lenders	13		6,914		3,952	
Other current liabilities	17		6,977		6,691	
Provisions for risks and charges	15		188		311	
<b>TOTAL CURRENT LIABILITIES</b>			<b>34,197</b>		<b>33,469</b>	
<b>TOTAL LIABILITIES</b>			<b>47,915</b>		<b>36,358</b>	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>			<b>73,775</b>		<b>85,736</b>	

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of Euros)	Notes	30-Jun-19	Of which related parties	30-Jun-18	Of which related parties
Revenues	18	63,343	125	76,480	499
Other income	20	882		3,336	
Costs for raw materials and goods for resale	22	(49,748)		(61,740)	
Costs for services	21	(14,544)	(226)	(17,862)	(2,910)
<i>Of which non-recurring</i>					
Personnel expenses	22	(4,675)		(3,975)	
<i>Of which non-recurring</i>					
Depreciation, amortisation and impairment	23	(14,936)		(4,404)	
Other expenses	24	(230)		(186)	
<b>Operating profit (loss)</b>		<b>(19,908)</b>		<b>(8,351)</b>	
Financial expenses	25	(261)		(63)	
Financial income	25	21		53	
Share of the result of associates	26	(97)		(679)	
Write-downs of financial assets	27	(161)		0	
<b>Profit (loss) before tax from continuing operations</b>		<b>(20,406)</b>		<b>(9,040)</b>	
Income Taxes	28	(4,950)		0	
<b>Profit (loss) from continuing operations</b>		<b>(25,536)</b>		<b>(9,040)</b>	
Profit (loss) from discontinued operations	29	1,597		3,285	
<b>Profit (loss) for the period</b>		<b>(23,759)</b>		<b>(5,755)</b>	
Net result pertaining to the Group		(23,532)		(5,755)	
Net result pertaining to third parties		(227)		-	
<b>Other components of comprehensive income</b>					
<i>That will not subsequently be reclassified in profit (loss) for the year</i>					
Employee benefits		(1)		(2)	
Tax effect		0		0	
<b>Total</b>		<b>(1)</b>		<b>(2)</b>	
<i>That will subsequently be reclassified in profit (loss) for the year</i>					
<b>Comprehensive profit/(loss) for the period</b>		<b>(23,760)</b>		<b>(5,757)</b>	
Earnings per share	30	-0.58		-0.14	
Diluted earnings per share	30	-0.58		-0.14	

## INTERIM CONSOLIDATED CASH FLOW STATEMENT

(in thousands of Euros)	30-Jun-19	Of which related parties	30-Jun-18	Of which related parties
<b>NET CASH FLOW FROM OPERATIONS</b>				
Net result from operations	(25,356)		(9,040)	
<i>Adjustments to reconcile profit for the period with cash flow generated by operations:</i>				
Depreciation, amortisation and impairment	14,636		4,024	
Provision for bad debts	300		380	
Allocation to employee benefit provision	255		238	
Inventory write-down	(250)		0	
Change in employee benefit provision	(143)		(217)	
Change in provisions for risks and charges	(124)		0	
Share of the result of associates	97		680	
Impairment losses on non-current assets	161		0	
Change in deferred tax assets	4,950		0	
Other non-monetary items	241		51	
<i>Changes in working capital</i>				
Change in inventories	1,307		4,214	
Change in trade receivables	638	254	701	25
Change in other current assets	127		1,172	
Change in trade payables	(2,858)	(43)	(15,736)	(467)
Change in other payables	1,127		(1,108)	
Cash flow from discontinued operations				
<b>NET CASH FLOW GENERATED (ABSORBED) BY OPERATIONS</b>	<b>(4,892)</b>		<b>(14,641)</b>	
<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Acquisition of tangible assets	(27)		(135)	
Disposal of tangible assets	4		135	
Change in other non-current assets	1		244	
Acquisition of intangible assets	(1,814)		(2,100)	
Disposal of intangible assets	0		1,170	
Cash flow from discontinued operations	1,597		785	
<b>NET CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITIES</b>	<b>(239)</b>		<b>(217)</b>	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Financial payables	(922)		3,944	
Share capital increase	0		0	
Current financial receivables	889		1,455	
Cash flow from discontinued operations				
<b>NET CASH FLOW ABSORBED BY FINANCING ACTIVITIES</b>	<b>(33)</b>		<b>5,399</b>	
(Decrease)/Increase in cash and cash equivalents	(5,164)		(9,459)	
Net exchange rate differences on cash and cash equivalents				
<b>CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD</b>	<b>8,934</b>		<b>21,094</b>	
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>3,770</b>		<b>11,635</b>	

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Legal reserve	Treasury shares	Stock option reserve	Other capital reserves	Retained earnings (losses)	FTA Reserve	Employee benefits	Total SE attributable to Group	SE attributable to third parties	Total
<b>Balance at 31 December 2018</b>	<b>826</b>	<b>125,194</b>	<b>164</b>	<b>(3,166)</b>	<b>1,052</b>	<b>538</b>	<b>(74,606)</b>	<b>(487)</b>	<b>(301)</b>	<b>49,214</b>	<b>164</b>	<b>49,378</b>
Profit (loss) for the period							(23,532)			(23,532)	(227)	(23,759)
<b>Other components of comprehensive income</b>										0		0
that will not subsequently be reclassified in profit (loss) for the year									(1)	(1)		(1)
that will subsequently be reclassified in profit (loss) for the year										0		0
<b>Comprehensive income</b>							(23,532)		(1)	(23,533)	(227)	(23,760)
Change in scope of consolidation										0		0
Share capital increase										0		0
Share-based payments		(582)		1,040	(216)					242		242
Allocation of the result										0		0
Reclassifications										0		0
<b>Balance at 30 June 2019</b>	<b>826</b>	<b>124,612</b>	<b>164</b>	<b>(2,126)</b>	<b>836</b>	<b>538</b>	<b>(98,138)</b>	<b>(487)</b>	<b>(302)</b>	<b>25,923</b>	<b>(63)</b>	<b>25,860</b>
		1246120		-21260	8351							
	Share capital	Share premium	Legal reserve	Treasury shares	Stock option reserve	Other capital reserves	Retained earnings (losses)	FTA Reserve	Employee benefits	Total		
<b>Balance at 31 December 2017*</b>	<b>826</b>	<b>125,194</b>	<b>164</b>	<b>(3,211)</b>	<b>796</b>	<b>538</b>	<b>(60,163)</b>	<b>(487)</b>	<b>(273)</b>	<b>63,384</b>		
Profit (loss) for the period							(5,755)			(5,755)		
<b>Other components of comprehensive income</b>										0		
that will not subsequently be reclassified in profit (loss) for the year									(2)	(2)		
that will subsequently be reclassified in profit (loss) for the year										0		
<b>Comprehensive income</b>							(5,755)		(2)	(5,757)		
Transactions on treasury shares										0		
Share capital increase										0		
Share-based payments					51					51		
Allocation of the result										0		
Reclassifications										0		
<b>Balance at 30 June 2018</b>	<b>826</b>	<b>125,194</b>	<b>164</b>	<b>(3,211)</b>	<b>847</b>	<b>538</b>	<b>(65,918)</b>	<b>(487)</b>	<b>(275)</b>	<b>57,678</b>		

## EXPLANATORY NOTES

### Accounting principles and basis of presentation used to prepare the consolidated financial statements at 30 June 2019.

The abridged semi-annual consolidated financial statements of the ePRICE Group at 30 June 2019 were approved by the Board of Directors on 30 September 2019.

The abridged consolidated semi-annual financial statements for the period ended 30 June 2019 were drawn up in compliance with IAS 34 accounting standards on interim financial reporting. IAS 34 allows for the preparation of the financial statements in a “condensed” form, meaning they can provide minimum reporting content and substantially less disclosure than provided for by the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union. The Abridged Interim Financial Statements at 30 June 2019 have been drawn up in a “condensed” form and therefore must be read alongside the Consolidated Financial Statements for the Group for the year ended 31 December 2018.

The abridged semi-annual consolidated financial statements have been drawn up with the expectation that the business is a going concern and in light of the consideration expressed in the paragraph below, “Going concern and business outlook”.

#### Criteria and scope of consolidation

The abridged semi-annual consolidated financial statements include the consolidated statement of financial position, consolidated comprehensive income statement, consolidated cash flow statement and the consolidated statement of changes in shareholders' equity, all for the half-year. The Group has chosen to prepare the statement of comprehensive income, which includes profit (loss) for the period 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 semi-annual results of the subsidiaries, used to draft these abridged semi-annual consolidated financial statements, were prepared by the respective administrative departments and reclassified where necessary to standardise them with those of the Parent Company.

The scope of consolidation at 30 June 2019 remains unchanged from 31 December 2018 and is shown below:

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

Name	Activity	Registered office	Ownership percentage
ePRICE S.p.A.	Holding Company	Italy	Holding Company
ePRICE Operations S.r.l.	e-Commerce	Italy	100%
Installo S.r.l.	Logistics services	Italy	61%

## Going concern and business outlook

As mentioned in the introduction, the performance in the first half of the year - particularly in May and June - was significantly below expectations in terms of traffic and revenues. In July, and as information gradually came to light, this situation led the directors to critically consider the elements that caused this unexpected decline in revenues and promptly take all action necessary to combat the phenomena so as to protect the Group's financial resource management and going concern assumptions.

July recorded a better performance than May and June. In particular, revenues from sales of merchandise alone recorded a significant decrease in May and June, respectively by -25% and -33%, whilst in July this decline reduced by around 5%, and in the core category of Large Domestic Appliances in particular there was an 11% growth compared to July of the previous year. August recorded a decline in revenues in merchandise alone of 13% compared to the previous year. As regards the revenue performance in the core category of Large Domestic Appliances, a growth of 2% was recorded in the reporting period.

Furthermore, given the performance in the first half of the year, management considered it appropriate to launch a review, in the second half, of the 2019-2024 plan strategies to take into account the changed forward-looking conditions, also with a view to reassessing the short-term and medium-term cash forecasts, new business targets for the duration of the plan and the sustainability of owned assets recognised in the financial statements, by updating the impairment test already carried out for closure of the 2018 financial statements.

On 1 August, the Board of Directors disclosed to the market the difficulty in achieving the previously announced plan results and all the available preliminary figures for the first half of 2019. Again on 1 August, in order to examine and assess the strategic and corporate options in support of the new plan, the Board of Directors granted mandate to the CEO to appoint external advisors during August to assist the Company in the study and assessment of possible scenarios.

In August, the Company received a statement of interest from a fund willing to consider an investment as part of a recapitalisation of the company. In view of this statement of interest, the Board of Directors Meeting of 7 August decided to allow the fund, subject to the signing of confidentiality commitments, the option of performing due diligence for the purpose of formulating a proposal, which was then received in non-binding form on 28 August. After receiving an improved offer on 18 September, the Company granted exclusive rights which lapsed and were not renewed on 23 September 2019.

At 27 September, the Group had available funds of around Euro 3.2 million, against payments expected by 30 September of approximately Euro 2.0 million, a positive NFP of around Euro 0.6 million and bank credit facilities for roughly Euro 3.8 million, without recording significant changes in these figures in July, August and September.

The management of working capital with a view to optimising available funds led, in the months after 30 June, to a reduction in inventories of around Euro 3 million.

On 30 September 2019, the Board of Directors approved the update to the 2019-2024 Business Plan, which envisages a total cash requirement to support implementation of the plan of around Euro 10 million by the end of 2020, of which Euro 2 million by the end of October 2019.

Given the above, at the Board of Directors Meeting of 30 September, the directors considered it appropriate to propose a share capital increase to the Shareholders' Meeting.



The share capital increase proposed by the Board of Directors is one of the actions necessary to support the Update to the Business Plan. Specifically, the Board of Directors decided to submit the proposal to the Extraordinary Shareholders' Meeting to increase the share capital, against payment and in one or more tranches, by a maximum Euro 20 million, through the issue of ordinary shares without a nominal value and with the same characteristics as those outstanding, to be offered on option to eligible parties, granting all due power to the Board of Directors to establish the terms and conditions of the transaction within the limits described above (including the issue price and any share premium) which, in accordance with market practice, will be determined closer to the offer date.

The proposed capital increase will serve largely to support the cash needs envisaged in the Plan, the development of new lines of business and the overall growth in revenues, with the following objective:

- Maintain the levels of investment necessary for the competitiveness of the core business, in terms of stock, marketing and commercial policies;
- Support the investments necessary for action to develop new lines of business, particularly B2B and participation in the European initiative, International Marketplace Network.
- Strengthen the financial and capital structure of the Company.

As part of the proposed capital increase transaction, a number of shareholders (including Paolo Ainio and Vis Value Partecipazioni) made separate binding commitments to the company to exercise their option rights for a total of Euro 4,380,577, and to subscribe any shares remaining unoptioned at the close of the offer on the Stock Exchange for a maximum total value of Euro 5,619,423, i.e. for a grand total of Euro 10 million.

The aforementioned commitments were subject to the following covenants:

- suspended if, at any time, there are no valid irrevocable commitments to subscribe to the share capital increase for at least Euro 10 million and terminated if, for any reason, this amount falls below Euro 10 million (to date this covenant is satisfied);
- termination if the extraordinary shareholders' meeting of ePrice fails to approve the share capital increase by 15 November 2019;
- if the aforementioned Shareholders' Meeting approves the share capital increase by the stated deadline, termination if the option period for the share capital increase, subject to publication of the prospectus and any offering circular following authorisation from Consob, has a start date after 31 March 2020;
- termination if the commitments (considered individually or as a whole) results or could result, for any reason, in an obligation to launch a mandatory takeover bid pursuant to Art. 106 of the Consolidated Finance Law;
- termination if the company's shares are delisted or trading is suspended for a period of 3 consecutive months.

Also note that the subscription commitments for any shares unoptioned are also subject to the covenant that the issue price of new shares originating from the capital increase does not exceed Euro 0.10 per share.

To meet the Company's forecast cash needs pending finalisation of the aforementioned share capital increase, a number of the shareholders in question have also committed to an injection for a future capital increase, resolving to increase the share capital by a total of Euro 3,150,000.

It is forecast that the share capital increase under option can be achieved by the end of the first quarter of 2020, subject to approval of the share capital increase by the Shareholders' Meeting and the release of necessary authorisation from the competent Authorities.

The Directors carefully examined the reasons for the results achieved in the first half of the year, particularly in the second quarter. Remedial action was taken and the initial effects are demonstrated by the moderate recovery of performance in the months following 30 June, the financial position at the end of September and the existing relations with suppliers and banks.

Based on the analysis conducted by the directors, despite the presence of significant uncertainties that could give rise to considerable doubt as regards the Company's ability to continue operating as a going concern in relation to (i) finalisation of the Group recapitalisation transaction, necessary to continue operating activities, (ii) the occurrence of one or more of the suspension/termination conditions described above regarding the effectiveness of commitments undertaken by a number of shareholders, and (iii) the Group's capacity to achieve the goals contained in the Updated Plan for the period 2019-2024, characterised by uncertainties typical of all forward-looking action based on future events for which the effects of planned actions could become evident by different means and timing compared to current forecasts, the abridged semi-annual consolidated financial statements at 30 June 2019 were prepared on the basis of going concern assumptions.

## Seasonality

The e-commerce segment, in which the Group operates, is subject to seasonal fluctuations typically associated with retail selling. Most notably, sales are generally higher in the second six months of every year.

## Accounting principles

The accounting principles used to draw up the abridged semi-annual consolidated financial statements are consistent with those used to draft the consolidated financial statements at 31 December 2018, except for when new principles, amendments or interpretations effective from 1 January 2019 were adopted. The Group has not applied ahead of time any new principles, interpretations or amendments issued but not yet in force.

The nature and effects of these changes are described below. The nature and impact of each new principle/amendment have been listed below:

### **IFRS 16 Leases**

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases: Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires the lessee to recognise most leases in accordance with a single accounting model in the financial statements.

The accounting treatment indicated in IFRS 16 for lessees remains essentially unchanged to that of IAS 17. Lessees will continue to classify leases by distinguishing them between operating and finance leases, using the same IAS 17 classification principle. Consequently, IFRS 16 will have no impact on leases where the Group is a lessee.

The transitional rules introduced by IFRS 16 apply prospectively, from 1 January 2019, adopting a number of practical expedients for which leases with a duration of less than one year and those of low value are excluded from the measurement.

Application of the new standard to the leases identified led to:

- in the statement of financial position: the recognition of a right-of-use asset for Euro 14,601 thousand, pursuant to IFRS 16, amortised on the lower duration between the economic and technical life of the lease and a financial payable equal to the present value of minimum future lease obligations to be paid by the lessee from 1 January 2019, subsequently reduced as the lease instalments are paid;
- in the income statement: an improvement in EBITDA through elimination of the operating lease instalment, and the recording of amortisation on the right of use and of financial expenses on the debt recognised.

The Group's new basis of presentation on the first-time adoption of IFRS 16 is as follows:

Right-of-use assets:

The Group recognises right of use assets at the start date of the lease (i.e. the date on which the underlying asset becomes available for use). Right-of-use assets are measured at cost, net of accrued amortisation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the total lease liabilities recognised, direct initial costs incurred and lease payments made at the start date or prior to that date, net of all incentives received. Unless the Group is reasonably certain that it will obtain ownership of the leased asset at the end of the lease, the right-of-use assets are amortised on a straight-line basis for a period that is shortest between the estimated useful life and the duration of the lease. Right-of-use assets are subject to impairment tests.

Lease liabilities

At the start date of the lease, the Group recognises lease liabilities by measuring them at the present value of lease payments due but not yet paid at that date. The payments due are the fixed payments (including in-substance fixed payments), net of any lease incentives to be received, variable lease payments dependent on an index or rate, and amounts expected to be paid as guarantees on the residual value. The lease payments also include the strike price of a call option if it is reasonably certain that this option will be exercised by the Group and the lease termination penalties payable, if the duration of the lease takes into account the Group's exercise of the lease termination option.

Variable lease payments that do not depend on an index or rate are recognised as costs in the period in which the event or condition generating the payment occurs.

To calculate the present value of payments due, the Group uses the marginal borrowing rate at the start date if the implicit interest rate cannot easily be determined. After the start date, the amount of the lease liability increases to taking into account interest on the lease liability and decreases to take into consideration the payments made. Furthermore, the carrying amount of lease payables is recalculated in the event of changes in the lease or review of the contractual terms to modify the in-

substance fixed payments. It is also recalculated in the event of changes relating to the measurement for purchase of the underlying asset.

#### Short-term leases and low-value leases

The Group applies the exemption from recognition of short-term leases on machinery and equipment (i.e. leases with a duration of 12 months or less from the start date and with no purchase option). The Group has also applied the exemption for leases relating to low-value assets in reference to leases on office equipment, the value of which is considered low (i.e. below Euro 5,000). The instalments on short-term leases and low-value leases are recognised as costs on a straight-line basis throughout the lease duration.

#### **IFRIC 23 - Uncertainty over Income Tax Treatments**

The interpretation defines the accounting treatment of income taxes when the tax treatment involves uncertainties that affect the application of IAS 12 and does not apply to taxes or duties not covered by the scope of IAS 12, nor specifically includes requirements relating to interest or penalties attributable to uncertain tax treatments. This interpretation had no impact on the consolidated financial statements of the Group.

#### **Amendments to IFRS 9: Prepayment Features with Negative Compensation**

In accordance with IFRS 9, a debt instrument can be measured at amortised cost or designated at fair value through other comprehensive income, provided that the contractualised cash flows are “solely payments of principal and interest on the reference amount” (the SPPI criterion) and the instrument is classified under the appropriate business model. The amendments to IFRS 9 clarify that a financial asset meets the SPPI criterion regardless of the event or circumstance giving rise to early termination of the contract and regardless of whether the contract is terminated by the payee or the beneficiary of reasonable compensation. These amendments had no impact on the consolidated financial statements of the Group.

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

The amendments to IAS 19 sanction the accounting treatment in cases where, during the reporting period, an amendment, curtailment or settlement of the plan occurs. The amendments specify that when there is a plan amendment, curtailment or settlement during the year, an entity is required to determine the servicing cost for the remainder of the period after the plan amendment, curtailment or settlement, using the reference actuarial assumptions to remeasure the net liability (asset) for defined benefits in a manner that reflects the benefits offered by the plan and the plan assets after that event. Entities are also required to calculate the net interest for the period remaining after the plan amendment, curtailment or settlement: the net liability (asset) for defined benefits that reflect the benefits offered by the plan and plan assets after that event; and the discount rate used to re-benchmark the net liability (asset) for defined benefits.

These amendments have had no impact on the consolidated financial statements of the Group as, in the reference period, there have been no plan amendments, curtailments or settlements.

## **Amendments to IAS 28: Long-term interests in associates and joint ventures**

The amendments specify that an entity should apply IFRS 9 to long-term interests in associates or joint ventures for which the equity method is not applied but which, in substance, form part of the net interest in the associate or joint venture. These amendments had no impact on the consolidated financial statements.

## **Annual Improvements to IFRSs 2015-2017 Cycle**

### **IFRS 3 Business Combinations**

The amendments clarify that, when an entity acquires control of a business which is a joint operation, it applies the requirements for a business combination implemented in multiple steps, including remeasurement of the fair value of the interest previously held in the assets and liabilities of the joint operation. In doing so, the acquiring entity remeasures the interest previously held in the joint operation.

The entity applies these amendments to business combinations for which the acquisition date coincides with or is after the first financial year starting from 1 January 2019. These amendments had no impact on the consolidated financial statements of the Group as no business combination was arranged in which joint control was acquired.

### **IFRS 11 Joint Arrangements**

An entity that has an interest in a joint operation, without joint control, could achieve joint control of the joint operation if its activities constitute a business as defined in IFRS 3.

The amendments clarify that interests held previously in that joint operation are not remeasured. Entities apply these amendments to operations in which it holds joint control from financial years starting on or after 1 January 2019, with early adoption permitted.

These amendments had no impact on the consolidated financial statements of the Group as no business combination was arranged in which joint control was acquired.

### **IAS 12 Income taxes**

The amendments clarify that the effects of income taxes on dividends are associated with past transactions or events that generated distributable profits rather than to the distribution to shareholders. Consequently, an entity recognises the effects of dividend-related income taxes in the income statement for the year, under other comprehensive income or under shareholders' equity, consistent with the method by which the entity previously recognised such transactions or past events.

Entities apply these amendments for years starting on or after 1 January 2019 and early adoption is permitted. On the first-time adoption of these amendments, entities apply the effects of income taxes on dividends recognised from the start of the first year of adoption. The Group has recorded no impact of these amendments on its consolidated financial statements.

## IAS 23 Borrowing Costs

The amendments clarify that an entity should treat as unspecified loans any loan undertaken which from the outset was for asset development, when all necessary action to prepare that asset for use or for sale is complete.

An entity applies these amendments to financial expenses incurred with effect from the start of the year in which it applies the amendments for the first time. Entities apply these amendments for years starting on or after 1 January 2019 and early adoption is permitted. As its current practice is in line with these amendments, the Group has recorded no impact of these amendments on its consolidated financial statements.

## Information by operating segment

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

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

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

### 1. Plant and equipment

The "plant & equipment" item totals Euro 1,612 thousand at 30 June 2019 (Euro 6,359 thousand at 31 December 2019); the change in the period is mainly due to the write-down on warehouse equipment totalling Euro 4 million in order to take into account the likely disposal following early termination of the lease in the second half of 2019, as well as to depreciation for the period of Euro 770 thousand.

### 2. Intangible assets

Intangible assets stood at Euro 20,686 thousand (Euro 27,699 thousand at 31 December 2018) 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 Euro 7,418 thousand, a decrease of Euro 5.4 million at 30 June compared to 31 December 2018 as a result of impairment tests.

At 30 June 2019, 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 CGU, discounted at a rate that reflects the specific risks of the CGU at the valuation date.

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

The key assumptions used by 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 recoverable

value is based on the estimated value in use obtained as the present value of future cash flows inferred from the new business plans reviewed and approved by the Board of Directors on 30 September 2019. The impairment test was approved by the Board of Directors on 30 September 2019.

The discount rate used to calculate the value in use of the CGU coincides with the weighted average cost of capital (WACC). This was calculated as the weighted average cost of equity and the cost of debt. In particular, the WACC was calculated on the basis of the following benchmarks:

- risk free rate of 2.83%, corresponding to the average 10-year government bond yield;
- equity risk premium of 5.50%;
- beta coefficient of 1.48, calculated on the basis of the panel of listed companies operating in the same sector as the Company;
- additional return of 3.00%, for the purpose of reintroducing to the risk assessment the execution of objectives intrinsic to the forecasts. Given the gap analysis between the final figures and those budgeted, it was considered appropriate to increase the additional return by 100 basis points compared to 31 December 2018.
- gross cost of debt of 3.95%, estimated as equal to the 10-year EurIRS rate, plus a specific spread emerging from the credit spread analysis on a panel of comparable companies;
- target financial structure (debt/equity ratio) of 5%, estimated on the average debt ratio of a panel of comparable companies.

Based on these benchmarks, the following discount rate (WACC) was obtained:

Cash Generating Unit	At 30 June 2019	At 31 December 2018
e-Commerce	13.46%	12.40%

In view of the updates to the market benchmarks (risk free, beta, debt ratio), the main difference compared to the WACC used for the impairment test approved on 8 March 2019 is attributable to the increase in the additional return described previously.

At the end of the explicit projection period, a Terminal Value was estimated on the basis of a normalised cash flow projected in perpetuity and considering a constant annual growth rate (g) in cash flows of 1.40%, in line with inflation forecasts.

The results of the impairment test showed that, at 30 June 2019, the recoverable value was lower than the carrying amount by Euro 5.4 million. The company therefore arranged write-downs as appropriate.

A sensitivity analysis of the results was also performed based on the following changes in key parameters:

- a 20 basis point change in the growth rate (sensitivity 1);
- a 100 basis point change in the discount rate (sensitivity 2);
- a 10% downward change in EBITDA in each year of the plan (sensitivity 3);

- the combined effect of the changes referred to above (sensitivity 4)

the results of which are shown in the following table:

Sensitivity	Base version	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4
WACC	13.46%	13.46%	<b>14.46%</b>	13.46%	<b>14.46%</b>
Terminal growth rate	1.4%	<b>1.2%</b>	1.4%	1.4%	<b>1.2%</b>
EBITDA	100.0%	100.0%	100.0%	<b>90.0%</b>	<b>90.0%</b>
<b>Surplus (Deficit)</b>	<b>0</b>	<b>(504)</b>	<b>(3,019)</b>	<b>(4,947)</b>	<b>(7,819)</b>

The table shows that in the event of changes in the benchmarks indicated, for each sensitivity analysis, further potential goodwill impairment could emerge.

Lastly, note that the goodwill recognised in the semi-annual financial report would be completely zeroed out, assuming only a change in the WACC, if it were to reach 16.18%.

#### Intangible assets with a finite useful life

Intangible assets with a finite useful life stood at Euro 13,268 thousand at 30 June 2019 (Euro 14,881 thousand at 31 December 2018) and refer to all costs incurred, also in previous years, for construction of the technology platforms on which Group operations are based. Expenses for research undertaken to obtain new knowledge and make discoveries are recognised in the income statement at the time that they are incurred.

### 3. User rights on third-party assets

This item totals Euro 13,236 thousand and was recognised on the first-time adoption of the IFRS 16 international accounting standard which, innovating with respect to the past, establishes that leases are to be represented in the statements of financial position of companies, thus increasing the visibility of their assets and liabilities. The group applied the standard with the “modified retrospective” method, which does not require the recalculation of comparative data and therefore recognised multi-year rights of use of Euro 14,395 thousand at 1 January 2019, which due to amortisation for the period of Euro 1,159 thousand totalled Euro 13,236 thousand at 30 June 2019.

### 4. Investments in associates

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

(in thousands of Euros)	At 31 December 2018	Share of profit (loss)	Increases due to purchases	At 30 June 2019
Investments in associates	1,055	(97)	-	958
<b>Total investments in associates</b>	<b>1,055</b>	<b>(97)</b>	<b>-</b>	<b>958</b>

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



The adjustment to the result already takes into account the partial impairment loss on goodwill implicit in the investment in Ecommerce Outsourcing, which was sold in July with a value of Euro 200 thousand.

## 5. Non-current financial assets

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

Non-current financial assets	At 30 June 2019	At 31 December 2018	Change
Investments in other companies	1	1	-
Loans	35	195	(160)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>36</b>	<b>196</b>	<b>(160)</b>

Financial receivables of Euro 35 thousand refer to the disbursement of interest-free loans, repayable on request, to the investee Il Post S.r.l. The change compared to the previous year is attributable to the write-down of Euro 160 thousand in the loan disbursed in the past to Click & Quick Distributions, following its admission to insolvency proceedings.

## 6. Other non-current assets

Other non-current assets totalled Euro 57 thousand (Euro 59 thousand at 31 December 2018), and mainly included security deposits for leases, utilities and purchasing consortia.

## 7. Deferred tax assets

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

<i>(in thousands of Euros)</i>	At 30 June 2019	At 31 December 2018
Deferred tax assets	3,750	8,700

The deferred tax assets recorded were those considered to be recoverable during the specific period of the new business plans reviewed and approved by the Board of Directors on 30 September 2019.

The Group has significant tax losses that can be carried forward to future years, tax benefits and other temporary differences for a further Euro 100 million, against which no deferred tax assets have been allocated.

## 8. Inventories

The breakdown of inventories is as follows:

<i>Inventories</i>	At 30 June 2019	At 31 December 2018
Goods inventories	15,199	16,406
Goods recovery rights upon returns	135	235
Provision for obsolete inventory	(300)	(550)
<b>Total Inventories</b>	<b>15,034</b>	<b>16,091</b>

Goods inventories comprise assets acquired for subsequent resale on the e-commerce platforms. The provision for obsolete inventory decreased compared to the previous year following the disposal of slow-moving products arranged in the first half of the year to reduce stock.

## 9. Trade and other receivables

Trade and other receivables totalled Euro 7,827 thousand, compared with Euro 8,908 thousand at the end of the previous year, as indicated below:

<i>(in thousands of Euros)</i>	At 30 June 2019	At 31 December 2018
Trade receivables	3,866	3,981
Invoices to be issued	2,087	2,791
Marketplace receivables	953	825
Provision for bad debts	(1,049)	(749)
<b>Total trade and other receivables</b>	<b>5,857</b>	<b>6,848</b>

Receivables are recognised net of the relative provision for bad debts. There are no receivables due beyond five years. Allocations to the provision for bad debts are made for specific credit positions that present specific risks in order to reflect their presumed realisable value. The change during the year is shown below:

<i>(in thousands of Euros)</i>	At 30 June 2019	At 31 December 2018
Opening provision	749	772
Increases	300	500
Uses/Releases	-	(537)
Change in scope of consolidation	-	14
<b>Provision for bad debts</b>	<b>1,049</b>	<b>749</b>

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

<i>Amounts in thousands of Euros</i>	<i>At 30 June 2019</i>	<i>At 31 December 2018</i>
To become due	<b>2,388</b>	<b>2,039</b>
Due for <30 days	447	726
Due for 30-90 days	44	86
Due for 90-180 days	97	80
Due for >180 days	890	1,050
<b>Total due</b>	<b>1,477</b>	<b>1,942</b>
<b>Total</b>	<b>3,866</b>	<b>3,981</b>

The receivables due include positions backed by repayment plans for around Euro 480 thousand.

## 10. Other current assets

The breakdown of other current assets is as follows:

<i>(in thousands of Euros)</i>	<i>At 30 June 2019</i>	<i>At 31 December 2018</i>
Tax receivables	3,403	3,593
Deferred collection receivables	1,167	2,055
Other receivables	1,453	1,542
Advances to suppliers	1,330	1,220
Accruals and deferrals	1,427	1,385
<b>Total other current assets</b>	<b>8,780</b>	<b>9,795</b>

Tax receivables are mainly made up of VAT receivables for Euro 2,302 thousand and tax credits for research & development coming to Euro 577 thousand.

Deferred collection receivables include the proceeds from sales made just before the end of the period 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 decrease compared to the 31 December 2018 is primarily due to seasonal fluctuations and a lower percentage of payments on delivery. These receivables had been collected at the date of preparation of this report.

There are no accruals and deferrals extending for more than five years.

## 11. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

<i>(in thousands of Euros)</i>	At 30 June 2019	At 31 December 2018
Bank and postal accounts	3,678	8,841
Cash	92	93
<b>Total cash and cash equivalents</b>	<b>3,770</b>	<b>8,934</b>

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

The cash and cash equivalents at 30 June 2019 were free from any constraints or restrictions on use.

## 12. Shareholders' equity

Shareholders' equity decreased during the period from Euro 49,378 thousand to Euro 25,860 thousand mainly due to the comprehensive income, negative for Euro 23,760 thousand. An increase of Euro 242 thousand was also seen in the stock option reserve against costs associated with the incentive plans for employees and directors.

The total number of treasury shares held by the company was 694,562, with the change since 31 December 2018 due to the assignment of 316,810 shares to employees and contract workers under the stock grant plan.

The forecasts and estimates prepared for the second half of 2019 do not suggest problems associated with the short-term reduction in share capital of the parent company to below the legal limit.

### 12.1 Stock option plans

The extraordinary shareholders' meeting held on 22 December 2014 resolved, subject to the start of trading of the Company's shares on the MTA, on the adoption of a stock option plan for executive directors, contract workers and Group company employees (the "2015 Plan"). The 2015 Plan involves the allocation of up to 2,750,000 options, each of which entitles the holder to subscribe to one newly issued ordinary share. With regard to the 2015 Plan, on 14 May 2015 the Board of Directors of the Company approved the Plan Regulations for 2015 and assigned a maximum of 1,100,000 options conferring the right to subscribe to one newly issued ordinary share for the amount of Euro 6. After verification of the objectives inferable from the approval of the consolidated financial statements 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 Euro 5.

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

subsidiaries, setting the strike price at Euro 3.68, and assigned 75,263 shares as the first tranche of the 2016-2018 Stock Grant Plan to certain employees of the Company and the subsidiaries.

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

	30 June 2019	2018 WAPY	2018 WAPY
Outstanding at 1 January	1,144,875	4.67	1,144,875
Assigned	0	0	0
No. cancelled/not vested	0	0	0
Exercised	0	0	0
Lapsed	0	0	0
Outstanding	1,144,875	4.67	1,144,875
Exercisable	1,087,118	4.73	1,087,118

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

The breakdown of non-current payables due to banks and other lenders at 30 June 2019 is as follows:

<i>(in thousands of Euros)</i>	At 30 June 2019	At 31 December 2018
Bank payables	-	331
Payables to other lenders	11,047	-
<b>Total non-current payables due to banks and other lenders</b>	<b>11,047</b>	<b>331</b>

Payables to other lenders arose solely due to the first-time adoption of IFRS 16 and represent the debt due beyond one year against the right of use of assets underlying the respective lease. In particular, Euro 8,974 thousand of the long-term debt relates to the Trucazzano warehouse and Euro 1,488 thousand to the Milan offices.

The breakdown of current payables due to banks and other lenders at 30 June 2019 is as follows:

<i>(in thousands of Euros)</i>	At 30 June 2019	At 31 December 2018
Bank payables	4,455	3,924
Payables to other lenders	2,459	28
<b>Total current payables due to banks and other lenders</b>	<b>6,914</b>	<b>3,952</b>

The bank payables are represented by credit lines and account overdrafts, as well as the residual debt on the following loan:

(in thousands  
of Euros)

At 30 June 2019

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
Credito Valtellinese	Unsecured	3-month Euribor + spread	1,000	2018	2020	655	655	-	-

Details of the credit lines and account facilities are provided below, indicating amounts available and uses at 30 June:

Bank	Available	Uses
Banca Sella	1,000	873
Banco BPM	50	29
Credito Valtellinese	35	0
UBI	268	218
Intesa Sanpaolo	2,850	2,589
<b>Total</b>	<b>4,203</b>	<b>3,709</b>

Payables to other lenders arose solely due to the first-time adoption of IFRS 16 and represent the debt due within one year against the right of use of assets underlying the respective lease.

During the first half of the year, the Group did not take out any loans in currencies other than Euros.

### Liquidity/net financial debt

The breakdown of net financial debt as at 30 June 2019 is reported below, in accordance with the Consob Communication of 28 July 2006 and in compliance with the ESMA/2011/81 Recommendations:

(thousands of Euros)	30 June 2019	31 December 2018
(A) Cash	(92)	(93)
(B) Other cash and cash equivalents	(3,678)	(8,841)
(C) Securities held for trading	-	-
<b>(D) Liquidity (A)+(B)+(C)</b>	<b>(3,770)</b>	<b>(8,934)</b>
(E) Current financial receivables	(1,167)	(2,055)
(F) Current financial payables	3,800	276
(G) Current portion of non-current debt	655	3,648
(H) Other current financial payables	2,459	28

<b>(I) Current financial debt (F)+(G)+(H)</b>	<b>6,914</b>	<b>3,952</b>
<b>(J) Liquidity/Net current financial debt (D)+(E)+(I)</b>	<b>1,978</b>	<b>(7,037)</b>
(K) Non-current bank payables	0	331
(L) Bonds issued	-	-
(M) Other non-current payables	11,047	0
<b>(N) Non-current financial debt (K)+(L)+(M)</b>	<b>11,047</b>	<b>331</b>
<b>(O) (Liquidity)/Net Financial Debt (J)+(N)</b>	<b>13,025</b>	<b>(6,706)</b>

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At 30 June 2019, the Group had net financial debt of Euro 13,025 thousand, of which Euro 11,047 thousand relating to the non-current financial debt and Euro 2,459 thousand to current financial debt recognised in 2019 as the effect of application of the IFRS 16 international accounting standard. Excluding this effect caused by the introduction of the new IFRS standard, the Group would have a Net Cash Flow of Euro 481 thousand at 30 June 2019.

## 14. Personnel provisions

This item totals Euro 2,311 thousand (Euro 2,198 thousand at 31 December 2018) and 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 key assumptions used to determine the present value of employee benefits on retirement according to IAS 19 remain unchanged as compared to those used at 31 December 2018.

## 15. Provisions for risks and charges

This item totalled Euro 360 thousand, which was unchanged from the previous year, and included the allocation relating to contractual guarantee provisions for risks.

The current provision for risks and charges totals Euro 188 thousand (Euro 311 thousand at 31 December 2018), of which Euro 150 thousand represents the estimated value of expected returns. The item also includes Euro 38 thousand against the risk of the need for after-sales support services already sold but not yet formally activated.

## 16. Trade and other payables

Trade payables stood at Euro 20,118 thousand (Euro 22,515 thousand at 31 December 2018) 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 reduction in trade payables was influenced by the seasonality that led to significant purchases in the final part of the year, partly settled in early 2019.

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

<i>Amounts in thousands of Euros</i>	<i>At 30 June 2019</i>	<i>At 31 December 2018</i>
To become due	<b>16,088</b>	<b>20,318</b>
Due for <30 days	2,173	535
Due for 30-90 days	981	1,159
Due for 90-180 days	358	3
Due for >180 days	518	501
<b>Total due</b>	<b>4,030</b>	<b>2,197</b>
<b>Total trade and other payables</b>	<b>20,118</b>	<b>22,515</b>

The increase in trade payables in this range is primarily due to scheduling and most were settled in July.

## 17. Other current liabilities

Other current liabilities amounted to Euro 7,493 thousand, broken down as follows:

<i>(in thousands of Euros)</i>	<i>At 30 June 2019</i>	<i>At 31 December 2018</i>
Due to employees/directors	896	914
Due to social security bodies	683	633
Advances from customers	4,117	3,645
Tax payables	564	622
Accruals and deferrals	443	46
Other payables	274	831
<b>Total other current liabilities</b>	<b>6,977</b>	<b>6,691</b>

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

Advances from customers mainly include amounts received from customers against after-sales support commitments which will be implemented in the coming months and future years.



## Notes to the key items of the consolidated income statement

Note that, for the first time, the financial data includes effects of the consolidation of Installo, in that initial consolidation was in the second half of 2018. Where significant, these are indicated in a note to each item of the income statement.

### 18. Revenues

The breakdown of revenue is as follows:

<i>(in thousands of Euros)</i>	For the period ended 30 June	
	2019	2018
E-commerce revenues	63,018	74,800
Other	325	1,680
<b>Revenues</b>	<b>63,343</b>	<b>76,480</b>

The item "other" mainly refers to the chargeback of logistics costs to BNK4 Saldiprivati S.r.l. and decreased as a result of the 2018 settlement agreement which envisaged a gradual exit from the contract for logistics activities performed by that company.

In terms of the breakdown of revenues by region, the revenues were mainly generated in Italy. The following table shows the breakdown of revenues by geographic area:

<i>(in thousands of Euros)</i>	For the period ended 30 June	
	2019	2018
Italy	55,514	70,133
EU	6,801	4,712
Non-EU	1,028	1,635
<b>Revenues</b>	<b>63,343</b>	<b>76,480</b>

### 19. Other income

Other income amounts to Euro 882 thousand (Euro 3,336 thousand in the first six months of 2018 when it included Euro 2 million stemming from the early termination agreement for logistics activities carried out on behalf of Bnk4-Saldiprivati) and mainly refers to the contribution for research and development activities.

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

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

	For the period ended 30 June	
<i>(in thousands of Euros)</i>	2019	2018
Raw materials and goods for resale	(48,691)	(57,236)
Change in inventories	(1,057)	(4,504)
<b>Total costs for raw materials and goods for resale</b>	<b>(49,748)</b>	<b>(61,740)</b>

## 21. Costs for services

The breakdown of costs for services is as follows:

<b>Costs for services</b>	2019	2018
Sales and marketing costs	3,884	5,163
Transport and logistics	6,355	7,469
Consulting and contract workers	548	505
IT services and technical consulting	1,115	1,037
Rentals and leases	71	1,544
Deposit fees and bank expenses	886	871
Travel expenses	109	71
Utilities	413	298
Directors' remuneration	294	325
Other	870	560
<b>Total costs for services</b>	<b>14,545</b>	<b>17,862</b>

Costs for services totalled Euro 14,545 thousand compared with Euro 17,862 thousand for the corresponding period of the previous year.

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

Rentals and leases decreased dramatically as an effect of the first-time adoption of IFRS 16. The residual value is represented by short-term rentals, property leases with a residual duration of less than 12 months and low-value rentals for less than Euro 5,000 per year;

Net of this effect caused by the introduction of the new IFRS standard, at 30 June 2019 the Group would have recorded the following additional costs for leased assets:

Contract	2019
Milan offices in Via San Marco	310
Trucazzano warehouse	881
Other offices (Installo S.r.l.)	25
Equipment and vehicles	147
<b>Total</b>	<b>1,363</b>

Costs for transport and logistics relate to transport expenses incurred to send products to customers and costs incurred to transport products from suppliers to Group warehouses and from the latter to Pick&Pay collection points. Handling, packaging and preparation costs are also included; the drop compared to the previous year is linked to the decrease in turnover.

## 22. Personnel expenses

The breakdown of personnel expenses is as follows:

	2019	2018
Salaries and wages	3,820	3,331
Social security charges	1,149	965
Severance pay	255	238
Capitalised costs	(791)	(610)
Stock option	242	51
<b>Personnel expenses</b>	<b>4,675</b>	<b>3,975</b>

Personnel expenses have increased compared to the corresponding period of the previous year, mainly due to inclusion in the scope of consolidation of Installo S.r.l. from August 2018.

Personnel expenses are shown net of internal costs capitalised in 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 at 30 June 2019 and 31 December 2018:

	30 June 2019		31 December 2018	
	Average	Actual	Average	Actual
Senior managers	5	4	7	6
Middle managers	21	22	20	21
Clerical workers	153	152	142	149
Manual workers	5	5	7	12
<b>Total</b>		<b>183</b>		<b>188</b>

## 23. Depreciation, amortisation and impairment

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

Depreciation, amortisation and impairment	At 30 June 2019	At 30 June 2018
Amortisation of intangible assets	3,307	3,082
Depreciation of tangible assets	770	827
Amortisation of user rights on third-party assets	1,159	-
Write-down of receivables and fixed assets	300	495
Write-down of tangible assets	4,000	-
Impairment of goodwill	5,400	-
<b>Total depreciation, amortisation and impairment</b>	<b>14,936</b>	<b>4,404</b>

The depreciation, amortisation and impairment increased significantly compared to the first half of 2018, above all due to the effect of the first-time adoption of IFRS 16, which saw the recognition of multi-year rights of use for Euro 14,396 thousand at 1 January 2019 resulting in amortisation for the period of Euro 1,159 thousand. Write-downs of fixed assets were also arranged during the period. Specifically, the tangible assets were written down to take into account assets held at the Trucazzano warehouse and their likely disposal following early termination of the lease in the second half of 2019. An impairment loss of Euro 5.4 million was recognised on goodwill following impairment testing, details of which can be found in Note 2.

## 24. Other expenses

Other expenses stood at Euro 230 thousand (Euro 186 thousand in the corresponding period in 2018) and consist mainly of indirect taxes, subscriptions, membership fees and losses incurred for various reasons.

## 25. Financial income and expenses

Financial expenses, net of income, totalled Euro 240 thousand (Euro 10 thousand in the previous year). Of the net increase, Euro 173 thousand refer to the adoption of IFRS 16 and the remainder is attributable to higher bank debt compared to the corresponding period of the previous year.

## 26. Share of the result of associates

This entry amounts to a net expense of Euro 97 thousand (expense of Euro 679 thousand at 30 June 2018) and includes the Group share of profit generated during the year by the associates.

## 27. Write-down of financial assets

This item amounts to Euro 161 thousand and refers to the write-down of the shareholder loan disbursed to the associate Click & Quick Distributions, now admitted to insolvency proceedings.

## 28. Income Taxes

This item reflected an expense for the period of Euro 4,950 thousand representing the partial reversal of deferred tax assets posted in previous years so that total deferred tax assets recorded in the consolidated financial statements would represent the tax benefit that can be recovered during the 2019-2023 period of the new business plans reviewed and approved by the Board of Directors on 30 September 2019.

## 29. Profit (loss) from discontinued operations

The result from assets held for sale and discontinued operations refers to the earn-out share accrued following the occurrence of certain contractual conditions from the sale of the Vertical Content division to the Mondadori Group for a total of Euro 1,597 thousand.

## 30. Earnings per share

Basic earnings per share are 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 period.

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 period, in addition to potential shares that would be generated by the exercise of stock options existing at the reporting date and in the money.

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

<i>In thousands of Euros</i>	<i>At 30 June 2019</i>	<i>At 30 June 2018</i>
Profit (loss) attributable to the parent company's ordinary shareholders (in thousands of Euros)	(23,532)	(5,775)
Average number of shares outstanding	40,461,883	40,291,648
Dilution effect	-	-
Average number of outstanding shares for the purposes of calculating diluted earnings	40,461,883	40,291,648
<i>Earnings per share (Euros)</i>	<i>-0.58</i>	<i>-0.14</i>
<i>Diluted earnings per share (Euros)</i>	<i>-0.58</i>	<i>-0.14</i>

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

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

## Segment reporting

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

## Other information

### Related party transactions

The following table shows details of related-party transactions:

<i>In thousands of Euros</i>		at 30 June 2019					
	Trade receivables	Investments	Non-current financial assets	Liquid assets	Trade payables	Revenues	Costs for services
Banca Profilo S.p.A.	0	0	0	184	0	0	0
Il Post S.r.l.	0	136	35	0	0	0	0
Ecommerce Outsourcing S.r.l.	3	200	0	0	0	46	0
Termostore S.r.l.	480	622	0	0		17	
Click & Quick Distributions	0	0	0	0	125	62	226
<b>Total</b>	<b>483</b>	<b>958</b>	<b>35</b>	<b>184</b>	<b>125</b>	<b>125</b>	<b>226</b>
<b>Total balance sheet item</b>	<b>5,857</b>	<b>958</b>	<b>36</b>	<b>3,770</b>	<b>20,118</b>	<b>63,343</b>	<b>14,544</b>
<b>Weight %</b>	<b>8.25%</b>	<b>100.00%</b>	<b>97.22%</b>	<b>4.88%</b>	<b>0.62%</b>	<b>0.20%</b>	<b>1.55%</b>

Banca Profilo is a related party of ePRICE since Sator Fund controls Banca Profilo indirectly, and holds an indirect equity investment in the share capital of the company, over which it exercises significant influence. In addition, Banca Profilo is a related party of Arepo BZ S.à r.l., a company indirectly controlled by Sator Fund, through which Sator Fund holds the above-mentioned stake in the Issuer. The other companies are related parties because there is a shareholding relationship connecting them with ePRICE Group companies.

The following is a breakdown of the related party transactions at 31 December 2018 as regards asset items and at 30 June 2018 as regards costs and revenues:

<i>In thousands of Euros</i>		Trade receivables	Investments	Non-current financial assets	Liquid assets	Trade payables
Banca Profilo S.p.A.	-	-	-	-	184	-
Il Post S.r.l.	-	123	35	-	-	-
Ecommerce Outsourcing S.r.l.	22	265	-	-	-	-
Termostore S.r.l.	550	667	-	-	-	-
Click & Quick Distributions	165	-	160	-	-	168
<b>Total</b>	<b>737</b>	<b>1,055</b>	<b>195</b>	<b>184</b>	<b>168</b>	
<b>Total balance sheet item</b>	<b>6,848</b>	<b>1,055</b>	<b>196</b>	<b>8,934</b>	<b>22,515</b>	
<b>Weight %</b>	<b>10.76%</b>	<b>100.00%</b>	<b>99.49%</b>	<b>2.06%</b>	<b>0.75%</b>	

In thousands of Euros

at 30 June 2018

	Costs for services	Revenues
Banca Profilo S.p.A.	-	-
Il Post S.r.l.	-	-
Ecommerce Outsourcing S.r.l.	-	246
Installo S.r.l.	2,572	11
Termostore S.r.l.	-	153
Click Quick Distribution S.r.l.	241	89
Aprice Sgl	97	-
<b>Total</b>	<b>2,910</b>	<b>499</b>
<b>Total balance sheet item</b>	<b>17,862</b>	<b>76,480</b>
<b>Weight %</b>	<b>16.29%</b>	<b>0.65%</b>

### Commitments and guarantees given by the Group

There were no commitments or guarantees given by Group companies in favour of third parties other than those issued as part of the sale of the Vertical Content and BNK4 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 in this 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 is Euro 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.

### 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 to meet its cash needs (liquidity risk), and interest rate and exchange rate fluctuations (market risk).

Financial risk management is an integral part of day-to-day 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.

The Group's liquidity management also takes into consideration the characteristic seasonality of the Retail sector, as well as possible anomalous trends that could lead to a cash flow imbalance in different months of the year. In addition, most of the Group's suppliers establish the maximum credit level based on credit facilities granted to their customers by insurance companies. These credit facilities are generally granted on the basis of numerous factors that include the financial position and credit rating of each customer. Were these factors to deteriorate, the levels of credit available to the Group could diminish or prove lower than expected. In such a scenario, some of the suppliers could decide to limit or terminate their credit arrangements with the Group, which could jeopardise the Group's procurement of products and, ultimately, its ability to satisfy customer demand, with possible significant negative effects on the economic and financial position of the Group.

The mitigation of this risk is pursued through action to ensure a balanced capital structure, diversification of suppliers and credit facilities, and maintaining unused the committed credit facilities.

Note that the Group has available credit facilities for Euro 4.2 million which are used to meet the related financial requirements, to be repaid in the periods of stronger cash generation (typically the final quarter of each year) and bank guarantees for approximately Euro 7.8 million.

- ***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.

- ***Interest rate 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.

### **Business risk management policy**

The Group is exposed to the following main business risks.



- **Risks associated with competitors:**

The Group is exposed to the risk of losing its competitive position on the market and/or being unable to correctly assess future developments in consumer preferences with respect to market performance.

- **Risks associated with the development and growth of e-commerce:**

The Group is exposed to the risk of failure to innovate and enhance its e-commerce platform to offer customers a platform in line with that of competitors. The Group has made several investments in the online sales channel in order to offer its customers a technologically advanced e-commerce platform which guarantees suitable ease of use and is intuitive for users. In this context, note that the e-commerce sector is characterised by rapid development of the technology and business models (e.g. the creation of websites accessible via mobile).

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

The disclosure on the carrying amount and fair value of financial instruments at 30 June 2019 is provided below:

<i>(in thousands of Euros)</i>	Receivables and loans	Fair value	Fair value hierarchy
<b>Other financial assets</b>			
Other financial assets	35	35	Level 3
Other assets	57	57	Level 3
<b>Trade receivables</b>			
Trade receivables	5,910	5,910	Level 3
<b>Cash and cash equivalents</b>			
Bank and postal accounts	3,770	3,770	Level 1

<i>(in thousands of Euros)</i>	Liabilities at amortised cost	Fair value	Fair value hierarchy
<b>Non-current financial payables and liabilities</b>			
Payables to banks and other lenders	11,047	11,047	Level 3
<b>Current liabilities</b>			
Payables to banks and other lenders	6,914	6,914	Level 3
Due to suppliers	19,657	19,657	Level 3

The carrying amount of financial instruments for the year ended 31 December 2018 is shown below:

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

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

#### Contingent liabilities

No other contingent liabilities were identified except for those mentioned in these explanatory notes.

#### Atypical or unusual transactions

In compliance with the provisions of the Consob Communication of 28 July 2006, there were no atypical and/or unusual transactions in the half-year, as defined in said Communication.

*Chairman*  
Paolo Ainio

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

1. We the undersigned, Paolo Ainio as Chairman and Emanuele Romussi as Manager responsible for preparing the financial reports of ePRICE S.p.A., hereby certify, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, the suitability of the description of the company and the actual application of administrative and accounting procedures for the preparation of the abridged consolidated semi-annual financial statements during the period 1 January - 30 June 2019.

2. We further certify that:

2.1. The abridged semi-annual 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;
- were prepared on the basis of going concern assumptions as defined by the Board of Directors;
- 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.
- the interim management report includes a reliable analysis of the important events that occurred in the first six months of the year and of their effects on the abridged consolidated financial statements, together with a description of the main risks and uncertainties. The interim management report also includes a reliable analysis of the information on material transactions with related parties.

Milan, 30 September 2019

*Chairman*

Paolo Ainio

*The Manager Responsible for Preparing the Financial Reports*

Emanuele Romussi



## **ePRICE S.p.A.**

Review report on the Condensed Consolidated Half-year  
Financial Statements as of June 30, 2019



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

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

## Review report on the Condensed Consolidated Half-year Financial Statements

To the Shareholders of  
ePRICE S.p.A.

### Introduction

We have reviewed the condensed consolidated half-year financial statements, comprising the interim condensed consolidated statement of financial position at June 30, 2019, the interim consolidated statement of comprehensive income, the interim consolidated cash flow statement, the interim consolidated statement of changes in shareholders' equity and the related explanatory notes of ePRICE S.p.A. and its subsidiaries (the "ePRICE Group") as of 30 June, 2019. The Directors of ePRICE S.p.A. are responsible for the preparation of the condensed consolidated half-year financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated half-year financial statements based on our review.

### Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of condensed consolidated half-year financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated half-year financial statements.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated half-year financial statements of ePRICE Group as of June 30, 2019 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

### Material uncertainty related to going concern basis of accounting

We draw your attention to the paragraph "Going concern and business outlook" of the explanatory notes to the Condensed Half-Year Consolidated Financial Statements with reference to the existence of material uncertainties that may cast significant doubts on the entity's ability to continue as a going concern, related in particular to the economic situation in the first half of the year, which shows a decrease in revenues and a consolidated loss of €23.8 million, the financial situation, characterized by a cash absorption, and the capital situation, characterized by the erosion of consolidated shareholders' equity, amounting to €25.9 million at 30 June 2019 compared to 49.4 million at 31 December 2018.

EY S.p.A.  
Sede Legale: Via Po, 32 - 00198 Roma  
Capitale Sociale Euro 2.525.000,00 i.v.  
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Having acknowledged this situation, the directors intervened and on September 30, 2019 the Board of Directors approved the update of the 2019 - 2024 business plan ("Updated Plan"), which shows an overall cash requirement to support the implementation of the plan itself of around Euro 10 million by the end of 2020, of which Euro 2 million by the end of October 2019. On the same date, also in light of the financial requirements that emerge from the aforementioned Updated Plan, they called the extraordinary shareholders' meeting for November 12, 2019 to resolve on a capital increase in option to shareholders for a maximum of Euro 20 million, and on the same date they obtained a commitment from a number of the major shareholders to subscribe the aforementioned capital increase for a total amount not lower than Euro 10 million, of which up to a maximum of Euro 3.1 million euros in the form of a payment for future capital increases based on requests of the directors.

The effectiveness of these commitments is subject to compliance with termination conditions such as i) approval of the capital increase by the Shareholders' Meeting after November 15, 2019, ii) the beginning of the option period related to the increase of capital after 31 March 2020, iii) the obligation to promote a mandatory tender offer pursuant to art. 106 of the TUF and finally iv) the revocation of the listing or suspension and for a period exceeding 3 consecutive months of the Company's shares. Furthermore, the subscription commitments of any unopted are conditional on the fact that the issue price of the new shares resulting from the capital increase does not exceed Euro 0.10 per share.

The directors, despite the presence of material uncertainties that may cast significant doubts on the entity's ability to continue as a going concern in relation to (i) finalization of the Group recapitalization transaction, necessary to continue operating activities, (ii) the occurrence of one or more of the suspension/termination conditions described above regarding the effectiveness of commitments undertaken by a number of shareholders, and (ii) the Group's capacity to achieve the goals contained in the Updated Plan for the period 2019-2024, characterized by uncertainties typical of all forward-looking action based on future events for which the effects of planned actions could occur by different means and timing compared to current forecasts, the abridged semi-annual consolidated financial statements at 30 June 2019 were prepared on the basis of going concern assumptions.

Milan, September 30, 2019

EY S.p.A.

Signed by: Paolo Zocchi, Partner

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