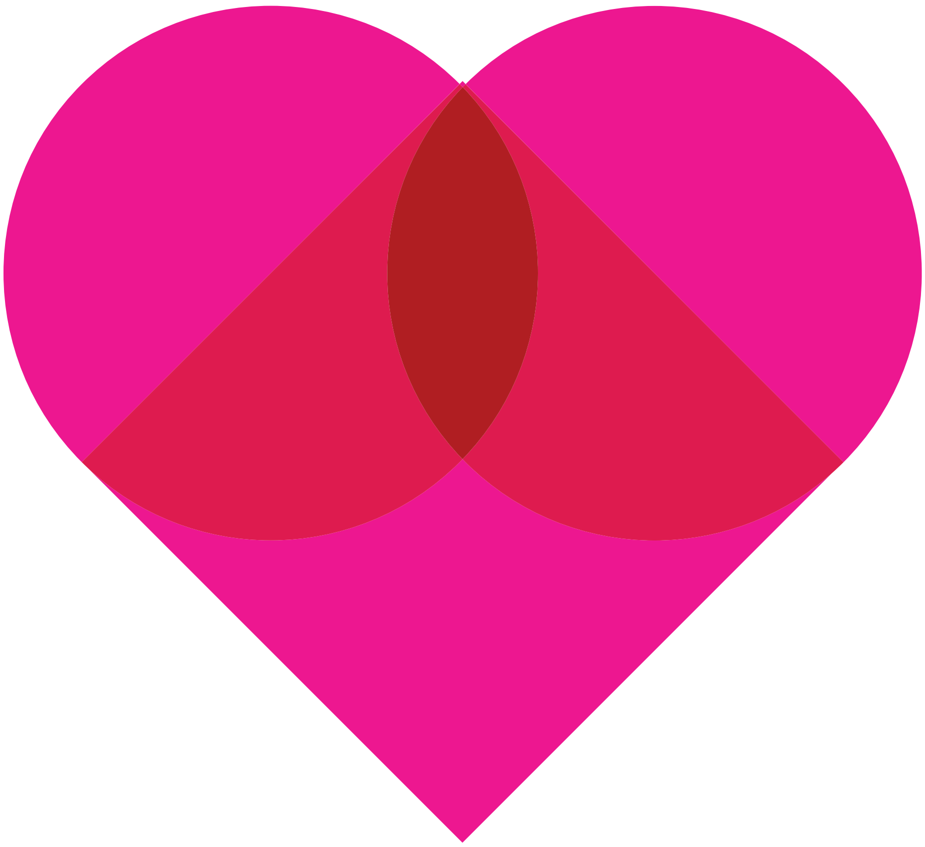
2016 Annual Financial Report

Passion

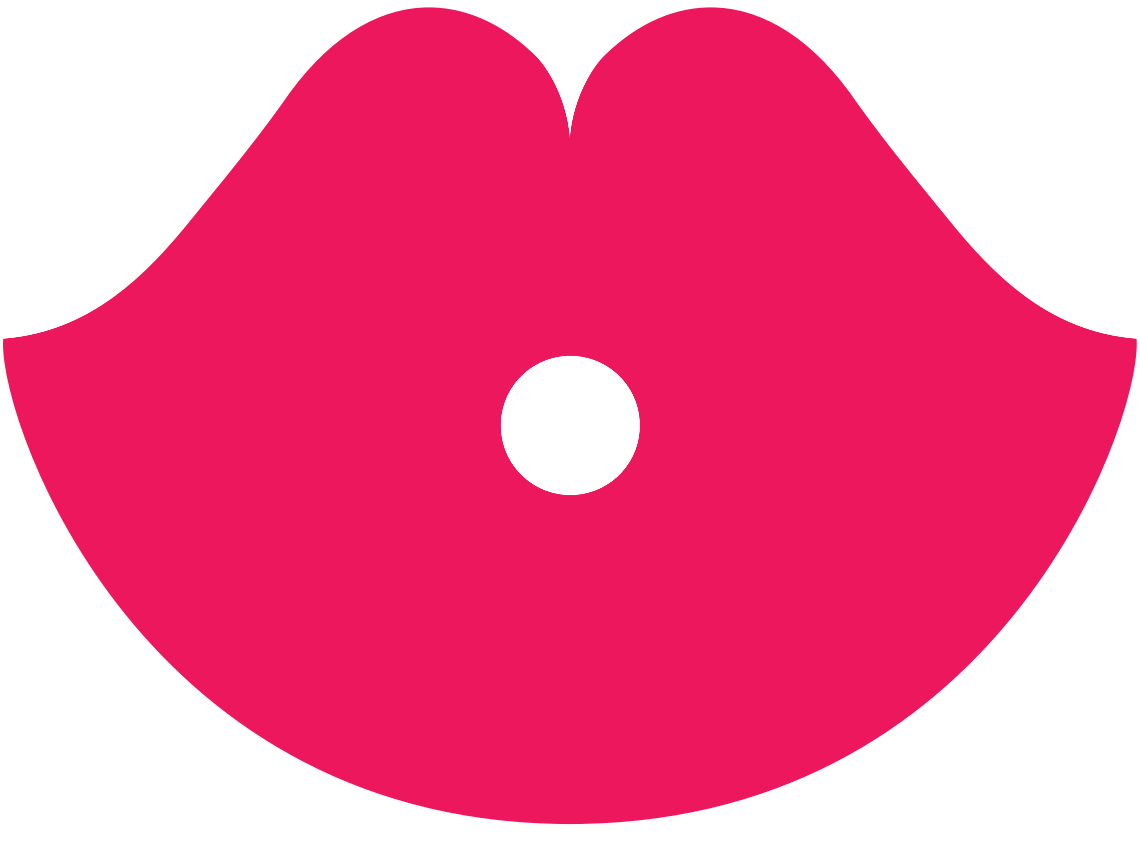


SUMMARY

Italiaonline provides web marketing and digital advertising services, including advertising campaign management and lead generation through social networks and search engines. It is also the leading operator in the Italian market for printed and online telephone directories. The company serves small and medium-sized enterprises, which are the backbone of the Italian economy, as well as large companies.

The new Italiaonline

Dynamism



HIGHLIGHTS AND GENERAL INFORMATION

Corporate Boards (Updated information - 15 March 2017)

Board of Directors (1)

Chair: Tarek Aboualam (2)

Deputy-Chairman: David Alan Eckert (3)

Chief Executive Officer : Antonio Converti (3)

Maria Elena Cappello (i) - Antonia Cosenz (i) (4) - Cristina Finocchi Mahne (i) - Onsi Naguib Sawiris - Corrado Sciolla (i) - Sophie Sursosck

Appointments & Remuneration Committee (5)

Chairwoman: Antonia Cosenz (4)

Cristina Finocchi Mahne - Corrado Sciolla

Audit & Risk Committee (5)

Chairwoman: Cristina Finocchi Mahne

Maria Elena Cappello - Antonia Cosenz (4)

Board of Statutory Auditors (6)

Chair: Maurizio Michele Eugenio Gili

Statutory Auditor: Ada Alessandra Garzino Demo - Guido Nori

Alternate Auditor: Roberta Battistin - Giancarlo Russo Corvace

Common Representative of Saving Shareholders (7)

Stella d'Atri

CFO (8)

Gabriella Fabotti

Independent Auditors (9)

KPMG S.p.A.

(1) The Board of Directors was appointed by the Shareholders' Meeting of 8 October 2015.
(2) Khaled Bishara Gala resigned from his role at the company on 14 February 2017. On the same date the Board of Directors co-opted Tarek Aboualam also appointing him Chairman of the Board of Directors.
(3) Appointed by Board Resolution of 8 October 2015.
(4) In its ordinary session of 8 March 2016, the Shareholders' Meeting appointed Antonia Cosenz – previously co-opted by the Board of Directors of 10 November 2015, following the resignation of Ms. Mollis on 6 November 2015 from her position on the company's Board of Directors – as a Member of the Board.
(5) The Committees were appointed by the Board of Directors on 8 October 2015 and were confirmed by the Board of Directors on 8 March 2016, following the appointment of Antonia Cosenz as mentioned above.
(6) The Board of Statutory Auditors was appointed by the Shareholders' Meeting of 23 April 2015. Alternate Auditor Max Parodi passed away on 5 September 2015. The Ordinary Shareholders' Meeting of March 8, 2016 appointed Giancarlo Russo Corvace as an Alternate Auditor.
(7) Appointed by the Special Meeting of Saving Shareholders of 18 May 2016 for the financial years 2016-2017-2018.Appointed by the Shareholders' Meeting of 12 May 2016.
(8) Appointed on 12 January 2017.
(9) Appointed by the Shareholders' Meeting of 12 May 2016.
(i) Directors satisfying the independence criteria set forth in Articles 147-ter(4) and 148(3) of Legislative Decree 58/1998 and by the Code of Corporate Governance of Listed Companies.

Financial Highlights of the Group

The results of the Italiaonline Group for 2016 and 2015, on a like-for-like basis, have been prepared in accordance with the International Financial Reporting by the International Accounting Standards Board and endorsed by the European Union (IFRS).

The figures for 2016 are shown in comparison to those for the year 2015 on a *like-for-like basis*, as fully described in the Report on Operations - "Presentation of comparative accounting data" - of the 2016 Annual Financial Report.

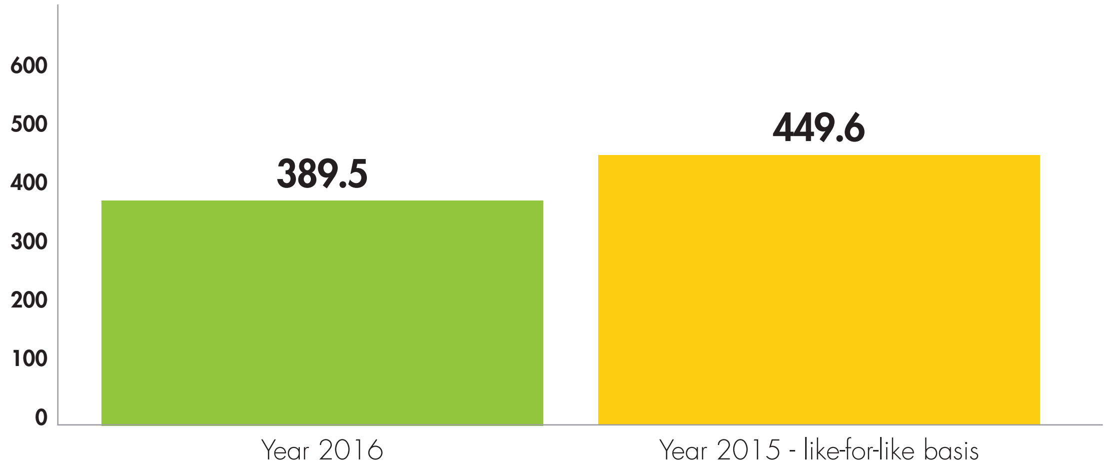
2016 Group results show a marked improvement in key financial indicators, although in a context of decreasing revenue. Especially:

- REVENUE amounted to € 389.5 million, down 13.4% compared to 2015 on a *like-for-like basis* (€ 449.6 million). This decrease is partly due to the different scope of consolidation compared to 2015 due to *(i)* the sale of 100% of Europages which took place on August 4, 2016 and the 12.54 business unit with effect from 1 July 2016 and *(ii)* the loss of a portion of revenue resulting from the repositioning of the Moqu business from the month of September and by the loss of two important contracts for advertising investments signed in the past by Italiaonline with Telco operators in conjunction with merger & acquisitions transactions (M&A). Furthermore, the decrease is due to the contraction of some traditional businesses, such as advertising in telephone directories and Telephone *directory assistance* services. Also the trend of *digital* revenue does not fully incorporate the positive trend of commercial orders on new digital products (in particular "IOL Audience", "IOL Connect", and "IOL Website" whose launch was completed in October 2016) which will largely be recognised in the income statement in 2017, due to the policies that require accounting of its revenue on a monthly basis.
- EBITDA amounted to € 63.9 million, up 44.9% compared to 2015 on a like-for- like basis (€ 44.1 million), with a 16,4% operating margin which also increased (9.8 % in 2015 on a like for like basis) thanks to incisive actions to reduce costs possible also by the effects of synergies achieved as part of the merger of Italiaonline in Seat Pagine Gialle. It is noted that EBITDA before the € 3.2 million impairment losses on current assets (trade receivables) of the subsidiary Consodata S.p.A. would have amounted to € 67.1 million (EBITDA margin 17.2%); this write-down was necessary as a result of the desire to dispose of this investment, and given the non-materiality of amounts in relation to those of Italiaonline Group, was classified under the "non-current net assets held for sale".
- In this respect it should be noted that over 50% of the cost savings achieved in 2016 (data relating to the "Italiaonline" segment) derived from efficiency measures not generated by the reduction in revenue.
- PROFIT equal to € 22.7 million, an improvement of € 39.1 million compared to € 16.4 million loss in 2015 on a like-for- like basis.
- UNLEVERED FREE CASH FLOW generated during 2016 amounted to € 54.5 million, growing by € 35.1 million (+182.0%), compared to 2015 on a like-for- like basis (€19.3 million).
- NET FINANCIAL POSITION as of December 31, 2016 of € 122.1 million, an improvement of € 47.5 million compared with December 31, 2015 (€ 74.6 million).

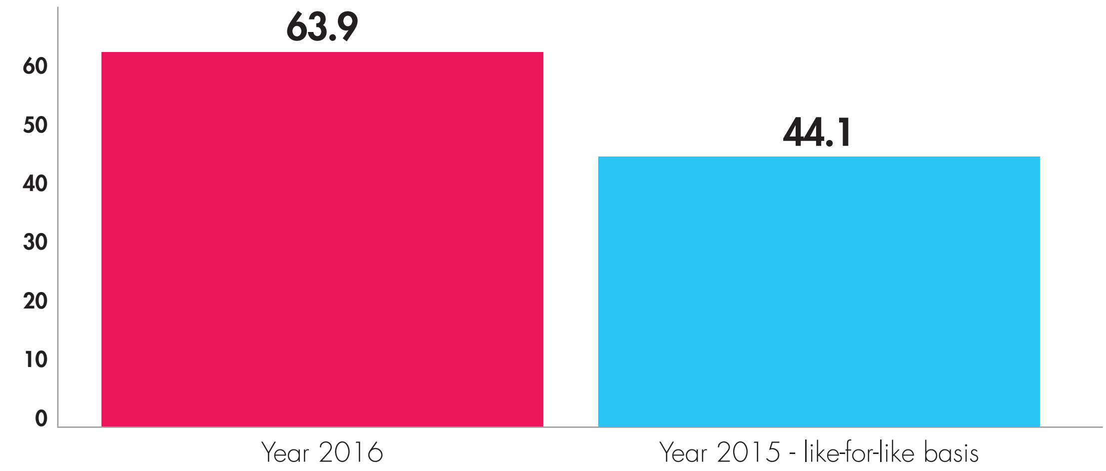
(euro/million)	YEAR 2016	YEAR 2015 *like-for-like basis (***)*
Financial Highlights		
Revenue from sales and services	389.5	449.6
MOL (*)	85.7	67.9
EBITDA (*)	63.9	44.1
EBIT (*)	0.7	(27.0)
Profit (loss) attributable to the owness of the parent	22.7	(12.6)
OFCF (*)	55.6	21.1
Unlevered FCF (*)	54.5	19.3
Capital expenditure	23.2	38.8
Net invested capital (*)	245.2	263.1
of which godwill and marketing related intangible assets	277.7	283.7
of which net operating working capital	(35.0)	(31.6)
Equity attributable to the owness of the Parent	367.3	288.2
Net financial position (*)	(122.1)	(74.6)
Profitability ratios		
MOL/Revenues	22.0%	15.1%
EBITDA/Revenue	16.4%	9.8%
EBIT/Revenue	0.2%	(6.0%)
OFCF/Revenue	14.3%	4.7%
Workforce		
Workforce at the end of the period (units) (**)	1,916	2,230
Average workforce for the period for continuing operations	1,794	2,032
Revenue/Average workforce	217	221

(*) See "Non IFRS performance indicators" below for details on how the items are calculated.
(**) 2016 data don't include Consodata workforce at the end of the period, according to IFRS 5 these were reclassified as non-current assets held for sale and don't include Europages group data sold on August 4, 2016. 2015 data refers to December 31 (includes staff in CIGS "zero-hour workers")
(***) The like-for-like basis data related to 12 months 2015 include Italiaonline Group and Seat Pagine Gialle S.p.A. Group data - For more information see the paragraph "Presentation of comparative Accouting Data".

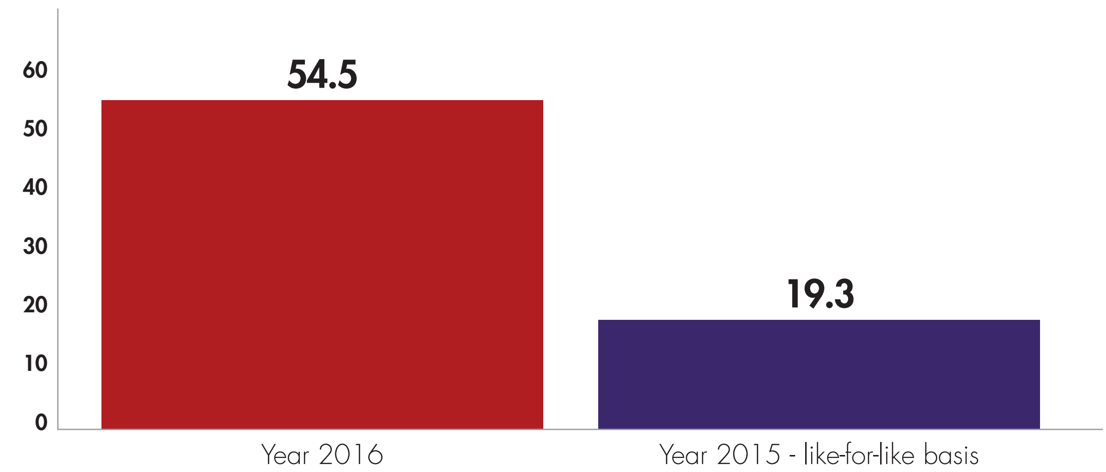
Revenues (euro/million)



EBITDA (euro/million)



Operating Free cash flow (euro/million)



Non-IFRS Performance Indicators

This section reports on several non-IFRS performance indicators used in Italiaonline's consolidated financial statements and in Italiaonline S.p.A.'s separate financial statements as of December 31, 2016 to provide tools for analysing the financial performance of the Group, in addition to those based on the financial statements.
These indicators are not identified as accounting measures within the IFRS framework, and must therefore not be considered an alternative standard by which to assess the results of the Group, its financial position and cash flows. As these measures are not governed by the IFRS, the calculation methods used by the Group may not be consistent with those implemented by others. Therefore, these indicators may not be *comparable*. The indicators are as follows:

- **MOL** refers to EBITDA before other operating income and expense, net allowances for impairment losses, and provisions for risks and charges.
- **EBITDA**, *(operating profit before amortization depreciation, other net non-recurring and restructuring costs)* is represented by **EBIT** *(operating profit)* before net non-recurring and restructuring costs and operating and non-operating amortization, depreciation and impairment losses.
- **Operating Working Capital and Non-Operating Working Capital** are calculated respectively as current operating assets (relating to operating revenue) net of current operating liabilities (relating to operating costs), and as current non-operating assets net of current non-operating liabilities. Both items exclude current financial assets and liabilities.
- **Net Invested Capital** is calculated as the sum of operating working capital, non-operating working capital, *goodwill*, other *marketing-relate* intangible assets and other operating and non-operating non-current assets and liabilities.
- **Net Financial Positon** is an indicator of the ability to meet financial obligations, comprising current and non-current loans and borrowings net of Cash and cash equivalents and Current Loan Assets.
- **OFCF** *(Operating Free Cash Flow) is determined by EBITDA*, adjusted to take into account the effect of capital expenditure and the change in operating working capital and non-current operating liabilities on the net financial position.
- **Unlevered FCF** *(Unlevered Free Cash Flow)* corresponds to OFCF adjusted by the effect of taxes paid.

Information for Shareholders

Composition of Share Capital and Major Share Indicators

The ordinary shares (ISIN code: IT0005187940) and savings shares (ISIN code: IT0005070641) of Italiaonline S.p.A. are listed on the MTA (Italian Online Stock Market) organised and managed by Borsa Italiana S.p.A.
The ordinary shares of Italiaonline S.p.A. are included in the indices of the FTSE All-Share Capped, FTSE Italia All-Share, FTSE Italia Small Cap, FTSE Italia Servizi al consumo, and FTSE Italia Media.
The data on the composition of the share capital of Italiaonline S.p.A. and the major share indicators recorded at December 31, 2016 are reported below. These data have not been compared with the figures from December 31, 2015, as they are not comparable.

SHARE CAPITAL AND EQUITY INDICATORS		AT 12.31.2016
Share capital	euro	20,000,409.64
Number of ordinary shares	n.	114,761,225
Number of savings shares	n.	6,803
Market capitalization *(based on market price as at December 30)*		
Ordinary shares	euro/mln	271
Saving shares	euro/mln	2
Total	euro/mln	273
Equity per share		3.201
Profit per share		0.197
Diluted profit per share		0.192

Source: Nasdaq IR Insight

Italiaonline on the Stock Exchange

Between June 20, 2016, the first day of trading, and December 31, 2016, the reference price of the ordinary shares of Italiaonline S.p.A. decreased from € 2.524 to € 2.364, representing a decrease in market capitalization from € 290 million to € 271 million.
The trend of the ordinary shares of Italiaonline S.p.A., like that of the main shares on the Milan Stock Exchange and overseas stock exchanges, suffered heavily due to the outcome of the June 22-23, 2016 *referendum* approving Great Britain's exit from the European Union (*"Brexit"*).
On July 25, 2016, ItaliaOnLine ordinary shares reached their maximum amount (€ 2.7) following the Company's removal from the Consob *"Blacklist"*.
In the first half of August 2016, the performance of the ordinary shares of Italiaonline S.p.A. benefited from the positive *news flow* resulting from the approval of the results for H1 2016 (reaching a price of € 2.64 on August 10, 2016), then dropping back in September. This trend was also affected by the state of uncertainty that characterised the Italian stock market, penalised by the performance of banking and financial sector shares in general.
In November 2016, the good financial results announced to the market at the time of the approval of the results of the first nine months of 2016 were not sufficient to sustain the trend of the ordinary shares of ItaliaOnLine SpA, which, like other securities on the Italian stock exchange, reacted to the outcome of the Italian Constitutional *referendum* of early December which saw the clear victory of the "NO" with 59.1% of the vote, compared to 40.9% of "YES".

SHARE PRICE	DATE	EURO
Reference price	12/30/2016	2.364
Reference price	06/20/2016	2.524
Average price		2.204
Maximum price	07/25/2016	2.700
Minimum price	07/07/2016	1.754

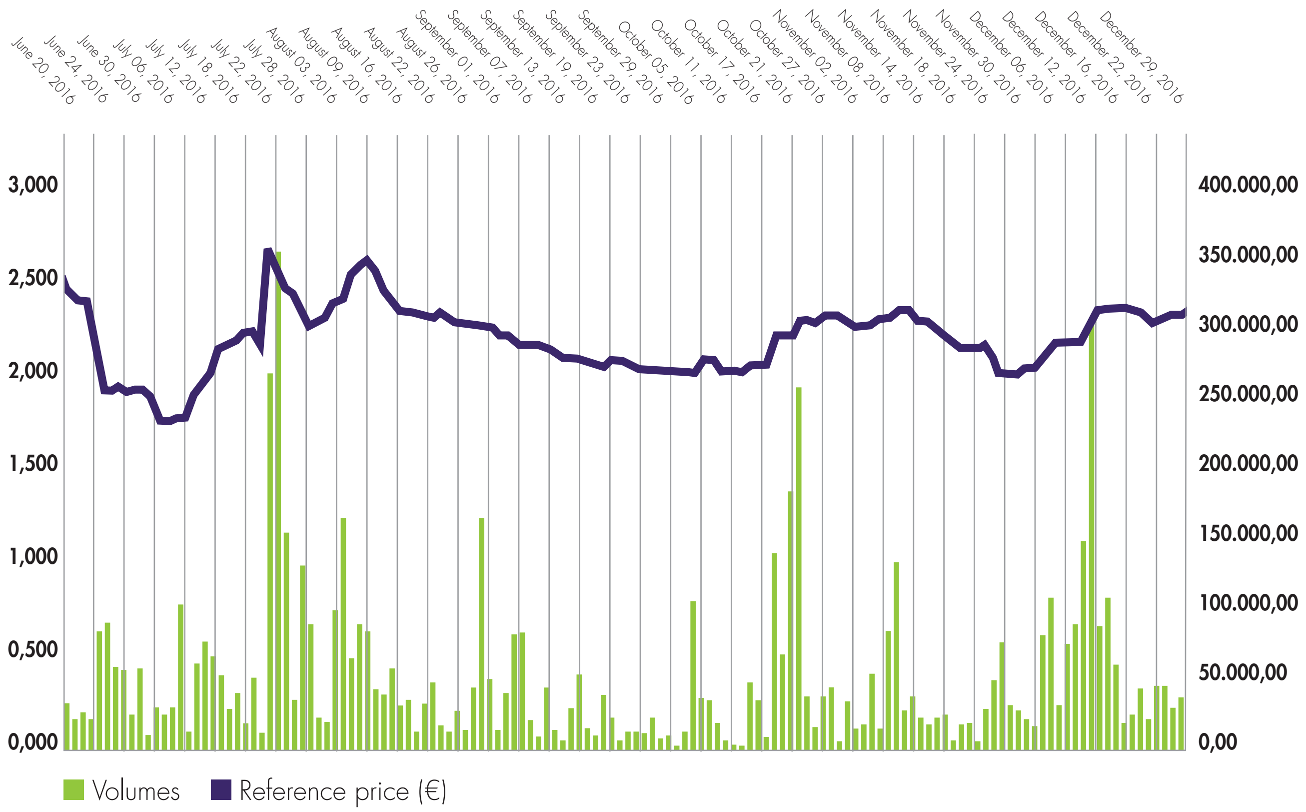
Fonte: Nasdaq IR Insight

In the same period, approximately 7.3 million ordinary shares of Italiaonline S.p.A. were traded, with an average daily exchange of approximately 53,000 ordinary shares (corresponding to 0.05% of total ordinary shares).
Even with the lower level of floating shares – amounting to just 11.09% of share capital – the average daily trading of Italiaonline S.p.A. ordinary shares was approximately € 120,000.

STOCK LIQUIDITY (TRADING VOLUME)	FROM 06.20.2016 TO 12.31.2016
n. ordinary shares traded (millions)	7.308
% of the share capital intermediated	6.4%
Total value (€ mln)	16.583
n. ordinary shares average daily traded (mln)	0.053
% share capital intermediated daily average	0.05%
Average daily turnover (€ mln)	0.120
Daily price (€)	*2.204*

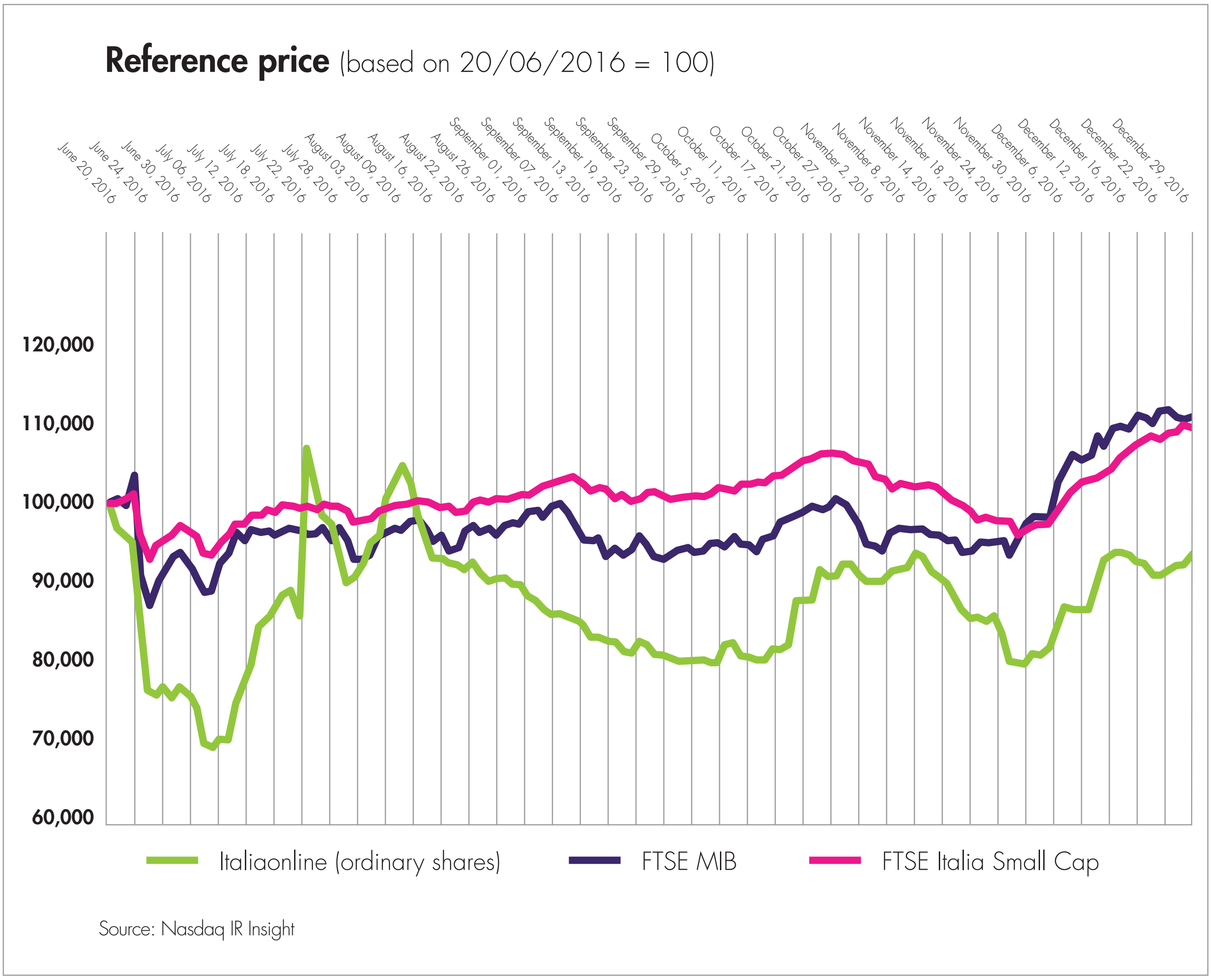
Source: Nasdaq IR Insight

Performance of Italiaonline Shares



Source: Nasdaq IR Insight

Performance of Italiaonline Shares with respect to the main indices



Shareholders

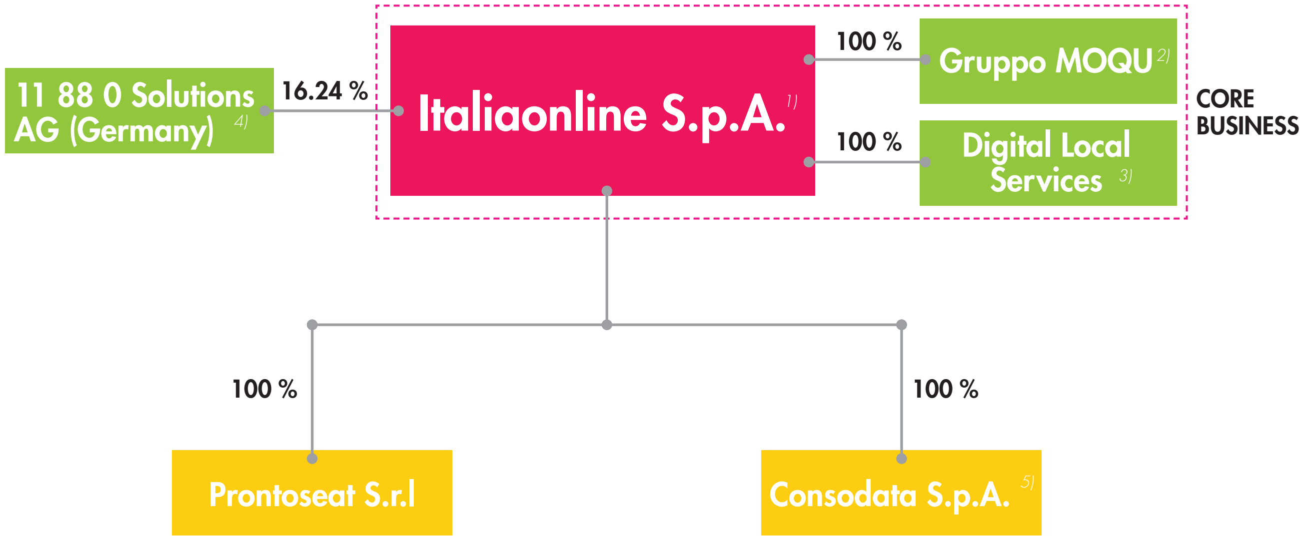
Holders of Italiaonline S.p.A. ordinary shares with more than 5% of the Company's share capital, based on information available as of December 31, 2016, are shown below

DECLARANT	SHAREHOLDERS	NO. OF SHARES	% OF CAPITAL
Marchmont Trust	Libero Acquisition S.à.r.l.	67,500,000.00	58.82
GoldenTree Asset Management	LP Fondi GoldenTree (1)	18,608,144.00	16.21
Lasry Marc	GL Europe Luxembourg S.à.r.l.	15,930,433.00	13.88
	Mercato	12,722,648.00	11.09
	Totale	114,761,225.00	100.00

(1) GoldenTree Asset Management Lux S.à r.l., GoldenTree SG Partners L.P., GT NM L.P. e San Bernardino County Employees Retirement Association

Group Organisational Structure

(Updated information - 15 March 2017)



1) Italiaonline also holds a 20% stake in Gold Five Ltd. (in liquidation from October 18, 2016), 100% of Couponing Italia S.r.l. "in liquidation" and 100% of Telegate Holding GmbH in liquidation from June 29, 2016.
2) The Moqu Group includes Moqu Adv S.r.l. and its 100% subsidiary Moqu Ireland Ltd (in liquidation).
3) 74 (of which 6 in liquidation) single member limited liability companies directly owned by Italiaonline S.p.A.
4) Formerly Telegate AG
5) As a result of management's decision to dispose of the stake held in Consodata S.p.A., in line with IFRS 5, financial data have been reclassified to non-current assets held for sale.

Market situation and strategic positioning

IOL

Italiaoline is today the largest Italian Digital Group, market *leader* in *digital advertising* for large *accounts* and *marketing* services for Local small and medium-sized enterprises, which represent the real economic backbone of our country.
Italiaoline 's goal is to help companies in their permanent digital transformation in support of competitiveness and thus to support Italy in its digital growth.
Italiaoline owns several important brands.

- Virgilio is the first Internet portal started in Italy, founded in 1996 as a search engine and *web directory*. Over the years it has changed to a generalist portal.
- Libero, created in 1994 under the name Italy On Line ("IOL") as a support site in the Internet browsing and e-mail configuration, is now the national portal with the highest number of active *email* boxes in Italy.
- superEva, completely renovated by Italiaoline, is the first site in Italy with topics chosen on the basis of 100%*SEO* and social network *trends*.
- Pagine Gialle, Pagine Bianche and Tuttocittà, are the digital and paper-based tools for excellence to find everything you need on the move (a good or service, company contacts, individuals and institutions), and to move around, see maps, create routes and travel routes.
- 89.24.24 and 12.40 are the telephone operator services dedicated to people interested in receiving information on leisure, culture, travel, sports, emergencies, relaxation and wellness or to find telephone numbers.

Italiaoline thus competes in the *advertising* market, which in Italy, in 2016, on the basis of official figures provided by Nielsen, amounted to a value of about 8.2 billion euros, resulting in growth of 3.6% yoy and 3.3 % in December alone. These data concern the whole area of advertising investments historically monitored by Nielsen, which does, however, include *search* and *social media* results.
An analysis of the market for the different media shows that, in 2016, the Internet is the sector that registered investments with the highest growth rate (+8%). The growth of Internet, however, is mainly due to *search* and *social media*, without which the *web* would have seen a 2.3% drop in the cumulative period and 1.2% in December.
In this context Italiaoline is Italy's leading digital *player* that stands out for its ability to offer a complete portfolio of services designed for *businesses*, as the market player which are closest to this business model are only advertising agencies, media / small centers *web agencies* local which can claim proximity to the customer and offer a wide range of tailored services, but they cannot leverage the scale and quality optimisation of industrial processes of Italiaoline.
In this respect it should be emphasised that, according to Audiweb data (which do not take account of Google and Facebook) in December 2016 ItaliaOnLine was the most popular in the last twelve months and confirmed to be the first *internet company* in Italy with 4.3 million unique users per day on average. Even data on the *mobile audience* saw Italiaonline in first place in front of other *top players* with 2.1 million average daily unique users. Finally, Audiweb data confirmed ItaliaOnLine as first *player* in the Italian Internet landscape for number of pages viewed (68 million) and browsing time on an average day (10:31 minutes).
At the end of December 2016, Italiaonline's main *mobile* applications (Libero Mail App®, Libero App®, Virgilio App®, Virgilio Mail App®, PagineGialle Mobile App®, PagineBiancheMobile App® and TuttocittàMobile App®) together reached the level of 15 million *downloads*.
Operating profit for 2016 was achieved in a scenario of moderate economic growth, and a slowly recovering advertising market:

- According to preliminary estimates by Istat in February 2017 in the fourth quarter of 2016 the gross domestic product (GDP) of Italy grew by 0.2% over the previous quarter and by 1.1% against the fourth quarter of 2015. Altogether, in 2016, Italian GDP, calculated on raw quarterly data, grew by 0.9% compared to 2015. This forecast is slightly higher than the target set by the Government, contained in the Economic and Financial Programming Document (Def) last October which features 2016 GDP growth of 0.8% on an annual basis. With reference to the longer-term prospects of the Italian economy, in February, the European Commission has set the new GDP growth forecast to 0.9% in 2017 and 1.1% in 2018, broadly in line with forecasts of last November, but the lowest compared to those of other EU countries. In this respect, the European Commission stressed that *"political uncertainty and the slow recovery of the banking sector represent a risk to the economic growth of our country"*.
- According to Nielsen, the advertising market in Italy, not including the web (mainly search and social media) which is not currently monitored, grew 1.7% (amounting to € 6.4 billion) compared to 2015. With regard to individual media, the Internet showed a decrease of 2.3% in the cumulative period and 1.2% in December alone. As for other media, in 2016 cinema grew by 6.9%, TV by 5.4%, go TV (out-of-home TV) by 3.4% and radio by 2.3%; newspapers and magazines down respectively 6.7% and 4.0%; also outdoor declined by 4.3%, direct mail 4.2% and transit by 2.6%. According to Nielsen *"December data are in line with expectations and a third quarter of consecutive growth gives signs of consolidation and stability for the future"*.

Tradition

REPORT ON OPERATIONS

Introduction

On June 20, 2016, the reverse merger of Italiaonline S.p.A. into Seat Pagine Gialle S.p.A. (which simultaneously changed its name to Italiaonline S.p.A.) took legal effect. This was the last operation planned under the Acquisition of the Seat Group by Libero Acquisition, which began with the signing on May 21, 2015 of an investment agreement between Italiaonline, Libero Acquisition as the controlling shareholder of Italiaonline, Avenue and GoldenTree Funds, as the major shareholders of Seat Pagine Gialle S.p.A. (Seat). The aim of the Acquisition was the merger of Italiaonline and Seat, with the objective of creating a leading player in the Italian digital advertising market.

The main steps of the Acquisition operation (for a detailed description, see the press releases available on the website www.italiaonline.it) were as follows:

- on September 9, 2015, the Seat shares owned by Avenue and GoldenTree Funds were contributed to Italiaonline. As a result of the contribution, Libero, Avenue and GoldenTree Funds respectively hold approximately 66.15%, 15.61% and 18.24% of Italiaonline, which in turn holds approximately 54.34% of the ordinary Seat shares;
- on November 6, 2015, the Tender Offer (made after the contribution) closed, following which Italiaonline held approximately 80.23% of the ordinary share capital of Seat;
- on January 20, 2016, the Boards of Directors of the Companies Participating in the Merger approved the terms of the reverse merger of Italiaonline into Seat Pagine Gialle, and called the extraordinary meetings of shareholders to pass resolutions;
- on March 8, 2016, the extraordinary sessions of the Shareholders' Meetings of the Companies Participating in the Merger approved the merger;
- on June 20, 2016, the merger became effective. As part of the merger, Seat issued 50,479,717 ordinary shares with no par value, to be used in exchange for the old Italiaonline S.p.A. shares, with no concomitant increase in its share capital. As a result of the Merger, all ordinary shares representing the entire share capital of the old Italiaonline S.p.A. were canceled. Therefore, as at the effective date of the Merger, the new Italiaonline share capital is divided into 114,752,181 ordinary shares and 6,803 savings shares.

Performance of the Group

The results of the Italiaonline Group for 2016 and for the previous year have been prepared in accordance with the international financial reporting standards issued by the International Accounting Standards Board and endorsed by the European Union (IFRS).
The 2016 annual financial report was prepared on a going-concern basis , since there is a reasonable expectation that Italiaonline S.p.A. will continue to operate in the foreseeable future for a period of more than twelve months.

The "Outlook" section contains *forward-looking* statements regarding the Group's intentions, beliefs and current expectations in relation to its financial results and other aspects of its business and strategies. Readers of this annual financial report should not place excessive confidence in the reliability of these forward-looking statements, since the final results may differ from those contained in these forecasts for a number of reasons, some of which are beyond the Group's control.

Presentation of Comparative Accounting Data

In order to provide information that is both consistent with the basis of presentation of financial statements governed by the IFRS and also allows a consistent comparison for an adequate analysis of the group's performance, this annual financial report was prepared according to the following approach.

- This section of the Report on Operations, the comparative data were compiled based on a consolidated income statement and *consolidated statement of cash flows, drawn up on a like for like basis*, combining the results for 2015 of the Seat Group with those the Italiaonline group (before the merger). The financial and economic figures at December 31, 2015 have been restated to reflect the accounting effects of purchase price allocation process from August 31, 2015. The data for the Seat Group have been adjusted to reflect the non-recurring effect that originated from the change of the criterion used to estimate revenue of the PagineBianche® offer, adopted as of January 1, 2015 which led to a decrease of € 9,868 thousand in revenue and € 9,444 thousand in EBITDA. Consequently, the operating costs relating to such revenue of € 424 thousand and the theoretical tax effect of € 2,186 thousand were excluded. It should also be noted that the above adjustments have no impact on the terms of billing and collection to and from customers. The changes in question therefore have no effect on operating cash flows. The statement of financial position balances at December 31, 2015 have been restated to reflect, starting from August 31, 2015, the accounting effects resulting *from the Purchase Price Allocation process* completed in the Interim Financial Report at June 30, 2016.
- In the section "Consolidated Financial Statements" the comparative figures refer to the financial performance of the Italiaonline Group, which in 2015 included the profit or loss for the full year of Italiaonline S.p.A (pre-merger) and Moqu Group and Seat's profit or loss for the last four months of 2015, when the acquisition took place.
  The statement of financial position balances at December 31, 2015 have been restated to reflect, as of August 31, 2015, the accounting effects resulting from the Purchase Price Allocation process completed in the Interim Financial Report at June 30, 2016.

- In the section of Italiaonline S.p.A. Financial Statements, comparative figures for the year 2015 are those related to the Separate Financial Statements of Seat Pagine Gialle S.p.A. as at December 31, 2015.

As already mentioned in the Report on operations at September 30, 2016, it is confirmed that, in consequence of the implementation of integration activities between Italiaonline S.p.A. and Seat Pagine Gialle S.p.A., the income statement for the year ended

December 31, 2016 includes deferred income amounting to approximately 0.07% of revenue for the reporting year (0.7% of revenues for the nine months ended September 30, 2016).
These corrections were made after the identification of non-material errors resulting from weaknesses in administrative management processes and the resulting necessary process optimisations aimed at recognising revenue relating to the sale of *digital advertising* services of the merged company Italiaonline.

As a result of the above, the Company:
- has established an operational procedure governing the process "as is";
- initiated a process automation project aimed at structurally intervening on the above mentioned weaknesses, also in view of the future adoption of IFRS 15;
- defined and implemented additional controls to further ensure data correctness pending the completion of the project.

RECLASSIFIED CONSOLIDATED DATA

Reclassified consolidated income statement

(euro/thousand)	YEAR 2016	YEAR 2015 like-for-like basis	CHANGE ABSOLUTE	CHANGE %
Revenue from sales and services	389,476	449,554	(60,078)	(13.4)
Costs of materials and external services (*)	(204,400)	(271,934)	67,534	24.8
Personnel expense (*)	(99,332)	(109,748)	10,416	9.5
MOL	85,744	67,872	17,872	26.3
% on revenue	*22.0%*	*15.1%*		
Net valuation adjustments and accruals to provisions for risks and charges	(20,316)	(21,630)	1,314	6.1
Other net operating income (expenses)	(1,481)	(2,117)	636	30.0
EBITDA	**63,947**	**44,125**	**19,822**	**44.9**
% on revenue	*16.4%*	*9.8%*		
Operating amortization, depreciation and impairment losses	(48,094)	(49,529)	1,435	2.9
Non-operating amortization, depreciation and impairment losses	(6,010)	(4,635)	(1,375)	(29.7)
Net non-recurring and restructuring expense	(9,104)	(16,933)	7,829	46.2
EBIT	**739**	**(26,972)**	**(25,211)**	**n.s.**
% on revenue	*0.2%*	*(6.0%)*		
Net financial income (expense)	69	(2,599)	2,668	n.s.
Impairment losses recognised on financial assets and losses from subsidiaries disposal	(1,499)	(6,618)	5,119	77.3
Net income from composition with creditors	-	5,887	(5,887)	(100.0)
Profit (loss) before taxes	**(691)**	**(30,302)**	**29,611**	**97.7**
Income taxes	23,341	13,660	9,681	70.9
Profit (loss) from continuing operations	**22,650**	**(16,642)**	**39,292**	**n.s.**
Profit (loss) from non-current assets held for sale and discontinued operations	-	222	(222)	(100.0)
Profit (loss) for the year	**22,650**	**(16,420)**	**39,070**	**n.s.**
- of which attributable to the owners of the parent	*22,650*	(12,641)	35,291	*n.s.*
- of which attributable to non-controlling interest	-	(3,779)	3,779	100.0

(*) Less costs debited to non-controlling interests and shown in the IFRS financial statements under "Other revenue and income".

Consolidated statement of comprehensive income

(euro/thousand)	**YEAR 2016**	**YEAR 2015** ***like-for-like basis***
Profit (loss) for the year	**22,650**	**(16,420)**
Other comprehensive income (expense) that will not be reclassified subsequently to profit or loss:		
Actuarial gains (losses) net of tax	(868)	1,597
Total other comprehensive income (expense) that will not be reclassified subsequently to profit or loss	(868)	1,597
Other comprehensive income (expense) that will be reclassified subsequently to profit or loss:		
Profit (loss) from fair-value measurement of securities and investments AFS	-	(40)
Gain (loss) from translation of foreign operations	-	(103)
Profit (loss) from the fair value measurement of warrants	-	4,715
Total other comprehensive income (expense) that will be reclassified subsequently to profit (loss) for the period	-	4,572
Total other comprehensive income (expense), net of tax	**(868)**	**6,169**
Total comprehensive income (expense) for the year	**21,782**	**(10,251)**
- of which attributable to the owners of the parent	21,782	(7,573)
- of which attributable to non-controlling interests	-	(2,678)

Reclassified consolidated statement of financial position

(euro/thousand)		At 12.31.2016	At 12.31.2015 *like-for-like basis(**)*	CHANGE
Goodwill and marketing-related intangible assets		277,703	283,713	(6,010)
Other non-current assets (*)		77,568	91,774	(14,206)
Operating non-current liabilities		(39,368)	(38,783)	(585)
Non-operating non-current liablities		(20,454)	(44,717)	24,263
Operating working capital		(34,952)	(31,631)	(3,321)
- Operating current assets		200,217	246,782	(46,565)
- Operating current liabilities		(235,169)	(278,413)	43,244
Non-operating working capital		(13,152)	434	(13,586)
- Non-operating current assets		11,171	26,773	(15,602)
- Non-operating current liabilities		(24,323)	(26,339)	2,016
Net non-current assets held for sale and discontinued operations		(2,125)	2,320	(4,445)
Net invested capital		**245,220**	**263,110**	**(17,890)**
Equity attributable to the owners of the parent		367,337	288,214	79,123
Equity attributable to non-controlling interests		-	49,453	(49,453)
Total equity	**(A)**	**367,337**	**337,667**	**29,670**
Current financial assets, cash and cash equivalent		(122,176)	(124,351)	2,175
Current financial liabilities		59	41,996	(41,937)
Non-current financial liabilities		-	7,798	(7,798)
Net financial position	**(B)**	**(122,117)**	**(74,557)**	**(47,560)**
Total	**(A+B)**	**245,220**	**263,110**	**(17,890)**

(*) This item includes available for sale financial assets available for sale, as well as non-current financial assets.

(**) Like for like basis data at December 31, 2015 include the non-recurring financial effect of the change in accounting estimate on the revenue PagineBianche®, adopted as of January 1, 2015 into equity, operating working capital and non-operating current liabilities.

Reconciliation between equity of Italiaonline S.p.A. and consolidated equity at December 31, 2016

(euro/thousand)	GROUP				Non-controlling interest	TOTAL
	Share Capital	Reserves	Profit (loss) for the year	Total	Total	
Italiaonline S.p.A. as at December 31, 2016	**20,000**	**317,548**	**28,211**	**365,759**	**-**	**365,759**
Profit (loss) for the year, share capital and reserves of consolidated companies	-	8,732	(4,474)	4,258	-	4,258
Carryng amount of consolidated companies	-	(7,938)	4,659	(3,279)	-	(3,279)
Consolidation adjustments						
Dividends	-	5,075	(5,075)	-	-	-
Held For Sale classified as Consodata	-	-	(172)	(172)	-	(172)
Reversal impairment losses on loan assets and trade receivables from Glamoo S.r.l.	-	1,552	(2)	1,550	-	1,550
Deconsolidation of Europages and reversal of impairment losses on loan assets from Europages	-		(649)	(649)	-	(649)
Other movements	-	(282)	152	(130)	-	(130)
Share capital, reserves and consolidated profit (losses) as at December 31, 2016	**20,000**	**324,687**	**22,650**	**367,337**	**-**	**367,337**

RECLASSIFIED CONSOLIDATED INCOME STATEMENT FOR 2016

Revenue from sales and services amounted to € 389,476 thousand in 2016, down 13.4% compared to 2015 on a like-for-like basis (€ 449,554 thousand). An analysis of revenue related to *core business* (95.8% of consolidated revenue) represented by the segment "ITALIAONLINE" (which includes the results of Italiaonline SpA, Moqu and Digital Local Services) shows that this decrease is mainly due to the decline in revenue from traditional *business activities* a very common trend for other foreign companies operating in the directory sector, against the pressure of *digital* revenue reflecting only in part the effects of revamping and optimisation of the product portfolio aimed at accelerating the process of digitisation of Italian SMEs. More specifically, 2016 was characterised by:

- a decline in *print* revenue amounting to € 11,331 thousand;
- the reduction of other revenue totaled € 14,502 thousands, particularly that relating to directory assistance services (A decrease of € 9 million), due to a contraction in call volumes of Pronto PAGINEGIALLE®, 12.40 Pronto PAGINEBIANCHE® and 12.54® services. This decrease is also due to the effects of a new marketing strategy that led to the rationalisation of the product portfolio with the divestment of non-profitable and / or low margin accounts;
- a contraction in *digital* revenue, totaling € 26,541 thousand. In this respect, however, it should be noted that the trend in *digital* revenue does not incorporate fully the positive trend of commercial orders acquired on the new digital products (particularly "IOL Connect", "IOL Audience" and "IOL Website" whose launch was completed in October 2016) which will be largely recognised in the income statement in 2017, in accordance with policies that require accounting for revenues on a monthly basis. Furthermore the contraction derived also by the loss of a portion of revenue arising from the repositioning of the Moqu business from September 2016 and by the loss of two important contracts for advertising investments signed in the past by Italiaonline with Telco operators in conjunction with merger & acquisitions (M & A);

Revenue from sales and services are broken down as follows:

- Revenue of the "ITALIAONLINE" segment (which includes the results of Italiaonline SpA, Moqu and Digital Local Services) amounted to € 372,984 thousand during 2016, down 13.5%, compared to 2015 on a *like-for-like basis*. For more details the performance of individual product lines, see the comment on the "ITALIAONLINE" segment;
- Prontoseat revenue, made almost entirely on intra-group transactions, amounted to € 5,108 thousand in 2016, down by € 250 thousand compared to the previous year. The lower revenue is primarily attributable to the reduction in outbound revenue, resulting from reduced tariffs granted by Italiaonline and the termination of some services such as the *"businessSmartSite* Essentially stable revenues related to the management of inbound 89.24.24 service; in 2016 the management of 89.24.24 service was carried out for the entire year while in 2015 only from July.
- Europages revenue (related only to the first seven months of the year, as the Company was sold on 4 August 2016) and Consodata, totaling € 19,204 thousand in 2016 (€ 22,368 thousand in 2015).

The **costs for materials and external services**, net of the portion of costs of charged to third parties, included in the IFRS financial statements in "other income", amounted to € 204,400 thousand in 2016, a decrease of € 67,534 thousand (24.8%) compared to 2015 on a *like-for-like basis* (€ 271,934 thousand).

The strategies formulated in the cost reduction programme have involved all types of operating costs, including the following cuts in particular:

- the consumption of paper by € 3,619 thousand, amounting to € 11,800 thousand;
- commissions and other agent costs by € 23,997 thousand amounting to € 48,533 thousand;
- production costs, amounting to € 13,955 thousand, a decrease of € 7,576 thousand;
- consulting and professional services, amounting to € 14,452 thousand, a decrease of € 5,369 thousand;
- advertising expenses by € 6,116 thousand, amounting to € 1,344 thousand.

The **personnel expense**, reduced by related cost recoveries, included in the IFRS financial statements in "other income", amounting to € 99,332 thousand in 2016, decreased by € 10,416 thousand compared to 2015 on a *like-for-like basis* (€ 109,748 thousand). This reduction is mainly attributable to reorganisation measures implemented within the Group.

The Group workforce – including directors, project workers and intern – consisted of 1,916 units as at 31 December, 2016 (2,230 units as at December 31, 2015). The Group workforce, net of personnel under government-sponsored layoff schemes was 1,611 people as at 31 December, 2016, and 2,095 people as at 31 December, 2015. The average full time equivalent (FTE) in 2016 was 1,794 people (2,032 people in 2015 on a *like-for-like basis*).

The **MOL**, Amounting to € 85,744 thousand in 2016, showed an increase of € 17,872 thousand compared to 2015 on a *like-for-like basis* (€ 67,872 thousand), due to the aforementioned reduction in operating costs actions.

The **Net allowance for impairment losses and provisions for risks and charges** amounted to € 20,316 thousand in 2016 (€ 21,630 thousand in 2015 on a *like-for-like basis*). Of the net allowance for impairment losses, € 13,622 thousand related to the allowance for impairment, down by € 4,228 thousand compared with the previous year, thanks to high focus on quality of sales and management of trade receivables. The item also includes net provisions for risks and operating expenses of € 5,422 thousand (€ 1,931 thousand in 2015 on a *like-for-like basis*).

The **other net operating expense** in 2016 came to € 1,481 thousand (for € 2,117 thousand in 2015 on a *like-for-like basis*).

The **Operating income before amortization, depreciation, net non-recurring charges and restructuring costs (EBITDA)**, of € 63,946 thousand in 2016 grew by 44.9% compared to 2015 on a *like-for-like basis* (€ 44,125 thousand), with an operating margin that also increased to 16.4% (9.8% in 2015 on a *like-for-like basis*).

Operating amortisation, depreciation and impairment losses amounted to € 48,094 thousand in 2016, down by € 1,435 thousand compared to 2015 on a *like-for-like basis* (€ 49,529 thousand) and refer to intangible assets with a finite useful life for € 42,189 thousand (€ 42,886 thousand in 2015 on a *like-for-like basis*) and to property, plant and equipment for € 5,905 thousand (€ 6,643 thousand in the previous year on a *like-for-like basis*). The 2016 figures include € 4,141 thousand impairment loss on the property, plant and equipment of Consodata and other intangible assets to reflect the lower value of the disposal assets with a view to disposal.

The **non-operating amortization, depreciation and impairment** losses of € 6,010 thousand (€ 4,635 thousand in 2015 on a *like-for-like basis*) include the amortization of Database and Customer Relationship recorded in Italiaonline SpA and Consodata SpA, that are recorded following the process *Purchase Price Allocation* in accordance with IFRS 3.

Net non-recurring charges and restructuring costs amounted to € 9,104 thousand (€ 16,933 thousand in 2015 on a *like-for-like basis*) and relates mainly to the costs linked to *rebranding* the new company for € 1,679 thousand and strategic consultancy services for € 4,475 thousand, of which € 3,284 thousand related to the merger. In the year 2015, on a like-for-like basis this item included non-recurring income of € 30,007 thousand, including € 30,000 thousand attributable to the amount paid by the former directors of Seat Pagine Gialle S.p.A. with respect to the transaction resulting from the liability action outcome, net restructuring charges for € 32,788 thousand almost entirely attributable to the amount allocated to the provision for corporate restructuring - current and non-current portion - resulting from the new personnel reorganisation plan launched by Seat Pagine Gialle S.p.A. in February 2015, and other non-recurring costs totalling € 14,152 thousand, of which €9,565 thousand for consultancy on merger plan.

The **Operating profit (EBIT)** in 2016 came to € 739 thousand (operating loss of € 26,972 thousand in 2015 on a *like-for-like basis*). The improvement in EBIT is due to the business trends registered at MOL and EBITDA level and to the decrease in depreciation,,amortization and in net charges due to the effects of non-recurring transactions and corporate reorganization/restructuring processes underway.

Net financial income, amounted to € 69 thousand in 2016 (net financial expenses of € 2,599 thousand in 2015 on a *like-for-like basis*).

In particular, *Financial expense* amounted to

€ 2,486 thousand (€ 4,459 thousand in 2015) and mainly include:

– € 562 thousand in interest and commission on the debt of approximately €41 million, recognized and measured at amortized cost, taken on with Banca IMI S.p.A. pursuant to the loan agreement for the purpose of partial payment of the consideration for Seat ordinary shares tendered in the public tender offer launched by Italiaonline;
– € 229 thousand related to interest on liabilities to Mediocredito Italiano S.p.A. for finance leases;
– € 1,601 thousand related to discounting interest.

The item in previous year included the fair value measurement of warrants amounting to € 3,391 thousand.

Financial income in 2016 amounted to € 2,555 thousand (€1,860 thousand in 2015 on a like-for-like basis) and includes €623 thousand for interest income resulting from short-term liquidity in the banking system at market rates and €1,342 thousand for the dividend paid by the investee Emittente Titoli as per shareholders' resolution of 20 April 2016.

The **impairment losses on financial assets and loss on disposal of investments** amount to € 1,499 thousand and mainly include the effects of the lower fair value of the 16.24% investment held by Italiaonline SpA in Telegate AG for € 1,458 thousand.

Net income from composition with creditors in 2015 on a like-for-like basis refers to the net effect resulting from the termination of 5 of the 7 outstanding lease contracts, for an amount of €5,887 thousand, which had resulted in the elimination of the relevant debt and the amount recognise under non-current assets relating to the finance lease.

The **income tax** for 2016 is as follows:

(euro/thousand)	YEAR 2016	YEAR 2015 *like-for-like basis*	CHANGE	
			ABSOLUTE	%
Current income taxes	(1,393)	613	(2,006)	n.s.
Provision (reversal) of deferred tax assets	21,617	967	20,650	n.s.
(Provision) reversal of deferred tax liabilities	2,512	11,514	(9,002)	(78.2)
Income taxes referred to the previous year	605	566	39	6.9
Total income taxes for the year	**23,341**	**13,660**	**9,681**	**70.9**

Current income taxes for the year amounted to € 1,393 thousand primarily related to Irap.

The provision for deferred tax assets of € 21,617 thousand (€ 967 thousand in 2015), mainly due to Italiaonline S.p.A., refers in particular to the change provision for risks and to the recoverability evaluations of the tax losses carried forward indefinitely and non-deductible interest expense under art. 96 of the Consolidated Income Tax Law in the time horizon of the business plan available.

Net Profit from non-current assets held for sale and discontinued operations in the year 2015 came to € 222 thousand attributable to the sale of the entire stake held by Seat Pagine Gialle SpA in Katalog Yayın ve Tanıtım Hizmetleri A.Ş. to Doğan Sirketler Grubu Holding A.Ş.

The **profit (loss) attributable to minority interests** in 2015 included a loss of € 3,779 thousand attributable to minority of the Seat Pagine Gialle group as a consequence of the acquisition.

The **profit (loss) attributable to the owners of the parent** in 2016 included a profit of € 22,650 (loss of € 12,641 thousand in 2015 on a like-for-like basis).

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016

Finally, on July 1, the sale of the 12.54 service business unit to Contacta S.p.A., a company belonging to the Covisian Group, came into effect in accordance with the decision of the Italian Antitrust Authority (AGCM), concerning the sale of the 12.54 number as part of the acquisition process of the Seat Group by Italiaonline.
On August 4, 2016, ItaliaOnLine S.p.A.'s entire investment in Europages S.A. was sold to PP Medical Solutions II GmbH, a company controlled by the private equity firm Paragon Partners. In accordance with the IFRS 5 provisions, before being sold the assets and liabilities relating to Europages were measured at the lower of their carrying amount and fair value, which resulted in an impairment loss of approximately € 685 thousand.

The assets and liabilities related to Consodata SpA, following the will to dispose of this investment, and given the non-materiality of amounts in relation to those of the Italiaonline Group, were classified as "Net non-current assets held for sale" and so the related financial figures at December 31, 2016 are shown separately in the statement of financial position. In line with the provisions of IFRS 5 the assets and liabilities related to Consodata SpA were measured at the lower of their carrying amount and fair value which resulted in an impairment loss of approximately € 7,629 thousand, including € 3,196 thousand relating to current assets (trade receivables).

Net invested capital

The **Net invested capital**, of € 245,220 thousand at December 31, 2016, decreased by € 17,890 thousand compared to December 31, 2015 on a *like for like basis*.
Net invested capital can be broken down as follows:

– **goodwill and "marketing related " intangible assets** amounted to € 277,703 thousand at December 31, 2016 (€ 283,713 thousand at December 31, 2015) and include:
  - trademarks with an indefinite useful life amounting to € 169,406 thousand as follows: Virgilio brand measured at € 53,000 thousand, Libero brand measured at € 70,262 thousand, Pagine Gialle brand measured at € 30,859 thousand and Pagine Bianche brand measured at € 15,285 thousand;
  - intangible asset called Customer relationships amounting to € 21,737 thousand (€ 25,381 thousand at December 31, 2015);
  - intangible asset called database equal to € 5,246 thousand (€ 7,612 thousand at December 31, 2015);
  - goodwill amounting to € 81,314 thousand, of which € 9,317 thousand for the acquisition of Matrix and € 71,997 thousand generated in the Seat Group acquisition by Italiaonline determined in the Purchase Price Allocation (PPA) as the difference between the acquired assets fair value and the acquisition price.

– **other non-current assets**, They amounted to € 77,568 thousand at December 31, 2016, € 91,774 thousand at December 31, 2015. These assets include:
  - *non-current operating intangible assets and property, plan and equipment*, of € 48,276 at December 31, 2016, a decrease of € 30,471 thousand compared to December 31, 2015 (€ 78,747 thousand). Capital expenditure amounting to € 23,155 thousand (€ 38,786 thousand in 2015 on a *like-for-like basis*), concerned the following areas:

– in Italiaonline segment equal to € 20,514 thousand in 2016 (€ 35,412 thousand in 2015 on a *like-for-like basis*), related to:
i) improvements to Web and mobile delivery systems, particularly for real-time updating of the contents and their publication, for the improvement of search algorithms and for

the identification of new graphic-functional solutions for web portals of the Company; *ii)* improvements to Web products primarily related to the optimisation of the graphic concept for mobile use and developments for new sites for the evolutionary range of offers Custom Key Accounts; *iii)* improvements in the commercial and publishing fields for upgrading and strengthening of systems to new product offerings; *(iv)* Purchase of software and licenses;
– Consodata S.p.A. equal to € 2,565 thousand in 2016 (€ 3,232 thousand in 2015 on a *like-for-like basis*) for investments in the development of software platforms, database expansion and the purchase of databases.
 • *other investments*, amounting to € 2,111 thousand as of December 31, 2016 (€ 3,646 thousand as at December 31, 2015), representing the *fair value* of 16.24% of the remaining investment held by Italiaonline S.p.A. in Telegate AG, which, pursuant to IAS 39, is a financial asset available for sale.
 • *other non-current assets* amounting to € 27,029 thousand at December 31, 2016 (€ 9,190 thousand at December 31, 2015) which include the *i)* € 18,543 thousand relating to the reclassification to non-current assets of the IRES tax requested for reimbursement by the Parent through the presentation of the 2014 CNM (National Consolidated World) form; *ii)* € 4,518 thousand relates to the tax asset for reimbursement of the additional IRES paid up to 2012 as a result of the failure to deduct IRAP on costs for employees and similar personnel recorded in 2013 according to official interpretations available; *iii)* € 2,875 thousand for loans to employees, provided at market rates.
 • *deferred tax assets*, net amounted to € 152 thousand at December 31, 2016 (€ 191 thousand at December 31, 2015).
– **operating non-current liabilities** of € 39,368 thousand at December 31, 2016 (€ 38,783 thousand at December 31, 2015). The item specifically includes:
 • the *provision for agent's termination indemnities* of €19,283 thousand at December 31, 2016 (€18,771 thousand at December 31, 2015). Pursuant to current legislation, this provision represents the accrued liability at the end of the year to sales agents for the indemnities due to them in the event of termination of the agency contract. Taking into consideration future cash flows, the provision was discounted using an average market rate for liabilities of similar duration, estimating its expected future use over time based on the average term of agency contracts;
 • *employees' leaving entitlement*, of € 17,832 thousand at December 31, 2016 (€ 17,000 thousand at December 31, 2015).
– **non-operating non-current liabilities** of € 20,454 thousand at December 31, 2016 (€ 44,717 thousand at December 31, 2015). This item refers mainly to *Deferred tax liabilities*, net for € 9,267 thousand and € 11,187 thousand to the provision for corporate restructuring non-current portion set up as a result of the new plan of reorganisation of the staff. At December 31, 2015 it also included € 12,877 thousand for the *provision for corporate restructuring (non-current portion)* established in Seat Pagine Gialle S.p.A. as a result of the new personnel reorganisation plan launched in February 2015, reclassified under current liabilities.
– **operating working capital**, came to a negative € 34,952 thousand at December 31, 2016 (negative of € 31,631 thousand at December 31, 2015).
 The following describes the major changes that occurred over the year with particular reference to:
 • to *trade receivables*, Amounting to € 161,786 thousand at December 31, 2016, which decreased by € 35,284 thousand compared to December 31, 2015 (€ 197,070 thousand);
 • *payables for services to be provided and other current liabilities*, amounting to € 103,804 thousand at December 31, 2016, which decreased by €17,329 thousand compared to December 31, 2015 (€ 121,133 thousand). This change primarily reflects the timing of purchasing and invoicing related to advertising services;
 • to *trade payables*, amounting to € 111,027 thousand at December 31, 2016, decreased € 26,686 thousand compared to December 31, 2015 (€ 137,713 thousand);
– **non-operating working capital** came to a negative of € 13,152 thousand at December

31, 2016 (positive € 434 thousand at December 31, 2015). This specifically includes:
- *provisions for risks and non-current operating charges* amounting to € 15,122 thousand (€ 19,275 thousand at December 31, 2015) relating to the restructuring provision. The decrease of € 4,153 thousand reflects the combined effect of the accrual to the provision for corporate restructuring current portion and the revised estimate of the reorganisation plan;
- *current tax assets* equal to € 6,845 thousand at December 31, 2016 (€ 25,001 thousand at December 31, 2015); the change is mainly due to the reclassification to non-current assets of the € 18,543 thousand of IRES assets arising from national tax consolidation scheme of ItaliaOnLine group, that were requested for reimbursement by Parent by submitting the CNM form (Consolidated World National) 2014.

Equity

Consolidated **net equity** amounted to € 367,337 thousand at December 31, 2016 (€ 337,667 thousand at December 31, 2015). It is totally attributable to the parent at December 31, 2016 (€ 288,214 thousand at December 31, 2015). The increase of € 79,123 thousand in the parent's share is mainly due to:
- € 49,580 thousand for the acquisition of non controlling interests in the course of the Seat merger; for accounting purposes, the merger qualifies as a purchase of additional stakes in a company over which it already has control. In these consolidated financial statements, these transactions are shown as "transactions between shareholders" pursuant to IFRS 10, paragraph 23. Therefore, any difference between the purchase cost and the related share of consolidated net equity is directly accounted for net equity. In this situation, the purchase in question is paid for through the issue of new share, and therefore, for accounting purposes, simply results in a reclassification of the acquired portion of equity attributable to non-controlling interests to equity attributable to the Group;
- for € 22,650 thousand profit for the year.

Net financial indebtedness

As of December 31, 2016 the **net financial indebtedness** was € 122,117 thousand (€ 74,557 thousand at December 31, 2015).
As of December 31, 2016 the net financial indebtedness was structured as follows:

(euro/thousand)		At 12.31.2016	At 12.31.2015	CHANGE
A	Cash and cash equivalents	121,566	123,566	(2,000)
B	Other cash and cash equivalents	-	-	-
C	Trading securities	-	-	-
D=(A+B+C)	**Liquidity**	**121,566**	**123,566**	**(2,000)**
E.1	**Current financial receivables due from third parties**	**610**	**785**	**(175)**
E.2	**Current financial receivables due from related parties**	**-**	**-**	**-**
F	Current bank debt	-	-	-
G	Current portion of non-current debt	-	1,118	(1,118)
H.1	Other current financial debt to third parties	59	40,878	(40,819)
H.2	Other current financial debt due to related parties	-	-	-
I=(F+G+H)	**Current financial debt**	**59**	**41,996**	**(41,937)**
J=(I-E-D)	**Net current financial indebtedness**	**(122,117)**	**(82,355)**	**(39,762)**
K	Non-current bank debt	-	-	
L	Bond issues	-	-	-
M.1	Other non-current loans due to third parties	-	7,798	(7,798)
M.2	Other non-current loans due to related parties	-		
N=(K+L+M)	**Non-current financial debt**	**-**	**7,798**	**(7,798)**
O=(J+N)	**Net financial indebtedness (ESMA)**	**(122,117)**	**(74,557)**	**(47,560)**

The change in net financial indebtedness respect to December 31, 2015 was mainly due to the repayment on June 20, 2016 of the liability arising from the loan agreement, entered into for the purpose of partial payment of the purchase price for the mandatory public offer for the ordinary shares of Seat, amounting to € 41,195 thousand, including interest.
In addition on 23 February 2017 Italiaonline S.p.A. signed the deeds for the sale of the two remaining finance leases, related to the buildings of the branch of Turin, in place with Mediocredito Italiano S.p.A. to Engineering Ingegneria Informatica S.p.A. Therefore, the remaining financial liability at December 31, 2016, amounting to € 9,287 thousand and recorded in the financial statements for € 7,984 thousand was reclassified under liabilities directly associated with non-current assets held for sale and discontinued operations.

A description of the items which constitute the net financial position is provided below:

- **Non-current financial debt** was zeroed to December 31, 2016 following the reclassification of the € 6,824 thousand (€ 7,798 thousand at December 31, 2015) referring to the residual liability of two finance lease contracts for the purchase of the property complex in Turin to "Non-current assets held for sale and discontinued operations".
- **current financial debt** amounted to € 59 thousand at December 31, 2016 (€ 41,996 thousand at December 31, 2015) due to the reclassification to non-current net assets held for sale and discontinued operations of € 1,161 thousand relating to the current portion of the two residual finance leases. As of December 31, 2015, this item included €40,878 thousand related to the

debt undertaken in the loan agreement with Banca Imi S.p.A. described above, repaid on June 20, 2016 in advance of the contractual deadline of 5 August 2016.
- **current financial receivables and cash and cash equivalents** amounted to € 122,177 thousand at December 31, 2016 (€ 124,351 thousand at December 31, 2015) and include € 121,566 thousand of cash and cash equivalents (€ 123,566 thousand at December 31, 2015).

Risk associated with financial debt

Given the financial resources as at December 31, 2016 there are no risks connected with financial debt, also taking into account that on February 23, 2017 Italiaonline S.p.A. signed deeds for the sale of the two remaining finance lease contracts in place with Mediocredito Italiano S.p.A. to Engineering Ingegneria Informatica S.p.A..

Credit risk

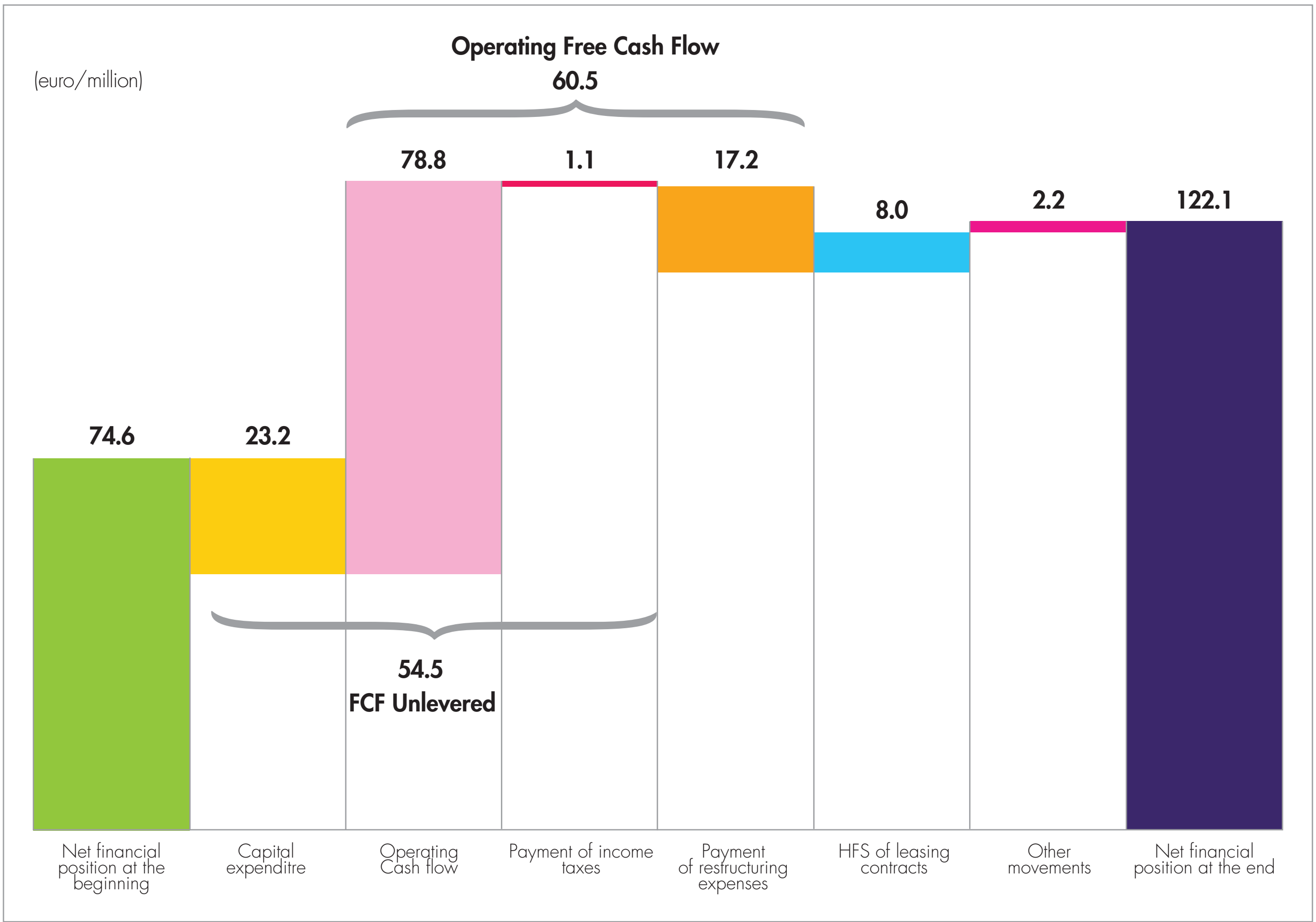
Italiaonline group's business is characterised by the presence of a large number of customers in the SME segment (small medium enterprises) who have suffered from the crisis period and for which the recovery was not started or consolidated in all business segments of our target market. This market environment which includes the complexities generated by the large number of transactions, led the company to implement a structured credit management, which uses a behavioral scoring process for each contract proposal and a timely and progressive credit collection process with the use of internal teams and external partners, first with a series of telephone calls, followed with a quality collection network distributed throughout Italy that knows our customers and our products, and finally with legal action against customers who still have not paid the amount due after one year.
The monitoring of the collection thought advances and guarantees collected in the process of creating a contract and through the incentive to forms of payment such as *SEPA Direct Debit* (SDD), now 78% of sales to SMEs (+2% per annum), which allows our company to manage better the dynamics of receipts at due dates.
The Company has also updated the softwares used for the evaluation of scoring and the management of the credit collection process, investing in upgrading previous legacy systems and implementing software integrated between the two main activities.
The amount of trade receivables of Italiaonline Group at December 31, 2016 amounted to approximately € 162 million (approximately € 197 million at December 31, 2015), almost entirely due to the Parent Italiaonline S.p.A., which in late 2016 had approximately 230,000 customers spread all over the Italy consisting mainly of small and medium-sized enterprises.
The amount of overdue trade receivables of the Group at December 31, 2016 amounted to approximately € 68 million (Euro 111 million at December 31, 2015) with an average coverage percentage of the allowance for impairment amounting to about 62%, in line with prior year and deemed adequate. The monitoring at an early stage and the credit collection process described above has led the company to gradually decrease overdue trade receivables compared to total receivables, first macroscopic indicator of credit quality.
Exposure to credit risk - represented in the financial statements as the allowance for impairment - is measured using a statistical model, based on customer segmentation in function on territorial criteria and days outstanding, which reflects the group's historical experience in collecting receivables make a prevision on the balance of receivables at 31 December.
At December 31, 2016 the allowance for impairment at Group level amounted to € 42.1 million (€ 68.5 million at December 31, 2015), down because, despite their utilisation, the valuation of receivables outstanding at December 31, 2015 was qualitatively better, due to the reduction of the overdue outstanding time period and gradual improvement of receipts on the due date.

CONSOLIDATED CASH FLOWS FOR 2016

(euro/thousand)	YEAR 2016	YEAR 2015 *like-for-like basis*	CHANGE
EBITDA	63,947	44,125	19,822
Net interest income (expense) from discounting of operating assets / liabilities and stock options	(671)	600	(1,271)
Decrease (increase) in operating working capital	15,361	18,912	(3,551)
(Decrease) increase in non-current operating liabilities (*)	142	(3,701)	3,843
Capital expenditure	(23,155)	(38,786)	15,631
(Gains) losses on disposal of non-current operating assets	(22)	(1)	(21)
Operating free cash flow - OFCF	**55,602**	**21,149**	**34,453**
Income taxes	(1,147)	(1,840)	693
Unlevered free cash flow	**54,455**	**19,309**	**35,146**
Collection of interest and financial expense, net	1,856	976	880
Payment of non-recurring and restructuring expense	(17,234)	(27,013)	9,779
Cash-in under the settlement of the directors liability proceedings	-	30,000	(30,000)
Effect related to lease agreements	7,985	23,216	(15,231)
Other charges	498	(685)	1,183
Change in net financial position	**47,560**	**45,803**	**1,757**

(*) The change does not include the non - monetary effects arising from actuarial gains and losses recognised in equity.

The following graph summarizes the main elements that affected the change in net financial position during 2016.



The **Free cash flow unlevered**, generated during 2016 amounting to € 54,455 thousand, significantly improved compared to that generated during 2015 on a *like- for-like basis* (€ 19,309 thousand).
This result mainly benefited from *(i)* the continuing cash flow from operations supported by accurate management of collections and an improvement in the terms of payment, *(ii)* the increase of € 19.8 million in EBITDA, *(iii)* an improvement in capital expenditure which decreased by € 15.6 million and *(iv)* lower tax payments for € 0.7 million.

Disclosure required by Consob on 22 July 2016 pursuant to Article 114 of Legislative Decree No. 58/98

Pursuant to the request sent by Consob of July 22, 2016, file no. 0067885/16, pursuant to Article 114 of Legislative Decree No. 58/1998, regarding the request to add some information to the annual and interim reports as from the interim financial statement started from the first half report at June 30, 2016 as well as the press releases concerning the approval of the above mentioned financial statements, in lieu of the disclosure requirements provided with the request of 7 September 2011, file no. 11076499, the additional information related to December 31, 2016 are reported below.

The net financial position of the Group and the Company as of December 31, 2016 are described and commented on, respectively in note 19 and in note 16, "Net financial position" of the notes to the consolidated and separate financial statements at December 31, 2016.

The overdue accounts payable of the Parent and the Group, based on their nature (financial, trading, tax, social security and to employees) and relating to any actions by creditors (reminders, injunctions, suspension in supply, etc.) are shown below:

- Trade payables to suppliers expired December 31, 2016 amounted to € 18,103 thousand (of which € 17,099 thousand of Italiaonline S.p.A.), paid in January 2017 for € 15,176 thousand (of which € 14,702 thousand of Italiaonline S.p.A.);
- there are no overdue financial or social security liabilities;
- overdue tax liabilities are of small amounts and, as such, do not affect the ordinary course of business.

This situation is deemed normal under the usual commercial relationships with the Group's suppliers. No significant action by creditors that may affect the course of ordinary business.

The transactions carried out by Italiaonline Group Companies, including inter-company transactions, with related parties, all take place in the context of the normal course of operations and are regulated by market conditions or through specific provisions and regulations. There were no atypical and/or unusual transactions, potential conflicts of interest, changes or developments in the related party transactions described in the latest approved financial statements that have had a material effect on the financial position or results of operations of the Group or Italiaonline S.p.A..

Detailed tables of transactions with related parties of the Group and the Company are stated under note 32 and note 33 "Related-party tansactions" of the notes to the consolidated and separate financial statements at December 31, 2016.

Based on the latest available data, related to financial year 2016 and included in this Annual Report, we highlight the following deviations compared with the corresponding data set in the Business Plan approved January 15, 2016.

The table below also shows the data of the guidance communicated on November 9, at the time of the results at September 30, 2016, on revenue, EBITDA and operating margins.

(Euro million)	**YEAR 2016**		**YEAR 2016 *Budget***	**GUIDANCE 2016 *Min***	**GUIDANCE 2016 *Max***	***Change vs budget* *abs.***		***%***	
Revenues	389.5		424.6	391	401	(35,1)		(8.3)%	
EBITDA	63.9	67.1(*)	51.8	64	67	12.1	15,3	23.4%	29.5%
EBITDA margin	16.4%	17.2%(*)	12.2%	16.4%	16.7%	4.2 ppt	5.0 ppt		
Capex	23.2		38.1			(14.9)		(39.1)%	
Capex margin	6.0%		9.0%			(3.0) ppt			
FREE CASH FLOW Unlevered	54.5		30.5			24.0		78.7%	
NFP	122.1		81.3			40.8		50.2%	

(*) Ebitda, before the of € 3,2 milion impairment losses on current assets of the subsidiary Consodata S.p.A. that as a result of the desire to dispose of this investment, and given the non-materiality of amounts in relation to those of Italiaonline Group, was classified under "non-current net assets held for sale"

Main events of 2016

Approval of the 2016-2018 Business Plan

On January 15, 2016 Seat's (the "Parent") Board of Directors approved the 2016-2018 Business Plan of the Group resulting from the merger of Italiaonline into Seat. This will give rise to the leading operator in the Italian digital advertising market for large accounts, and in communications services for small and medium-sized enterprises, which are the backbone of the Italian economy.

Merger

In their meeting of March 8, 2016, the Shareholders meeting of both companies approved the reverse merger of Italiaonline S.p.A. into Seat Pagine Gialle S.p.A. that had been previously approved by the Boards of Directors on January 20, 2016.
For further details, please refer to the documentation available on the web site: "www.italiaonline.it section "en/investors/governance/corporate-documentation/meeting-documents/minutes/2016/minute of the ordinary and-extraordinary shareholders meetings held on March 8, 2016.
On that occasion, the Shareholders of the Parent in their ordinary and extraordinary meetings also resolved to approve:

- the "Stock Option Plan 2014-2018 of Seat Pagine Gialle" and the assignment of powers to the Board of Directors to increase the share capital for the aforementioned Stock Option Plan pursuant to Article 2441(5)(6)(8) of the Italian Civil Code, also previously approved by the Board of directors on January 20, 2016. For further details, plese refer to the documentation available on the web site: www.Italiaonline.it in the section "Investor/governance/corporate-records/stock-option plan;
- the assignment of powers to the Board of Directors to increase the share capital one or more times, with exclusion of the option rights pursuant to Article 2441(4) of the Italian Civil Code;
- the appointment of Antonia Cosenz as a Member of the parent's Board of Directors, – co-opted on November 10, 2015, to replace Cristina Mollis who resigned on November 6, 2015 – who will remain in office until the expiration of the current Board of Directors, i.e. until the Shareholders' Meeting convened to approve the financial statements at December 31, 2017;
- the appointment as Alternate Auditor of Giancarlo Russo Corvace, replacing Massimo Parodi who passed away on September 5, 2015.

On the same date, the Board of Directors of the parent resolved – after assessing the independence requirements – to co-opt Antonia Cosenz as Chair of the Appointment & Remuneration Committee and Member of the Audit & Control Committee. Therefore:

- the Appointment and Remuneration Committee is comprised of Directors Cristina Mollis (Chair), Cristina Finocchi Mahne and Corrado Sciolla;
- the Risks and Audit Committee is comprised of the Directors Cristina Finocchi Mahne (Chair), Maria Elena Cappello and Antonia Cosenz.

On May 12, 2016 the Extraordinary General Meeting of the Parent approved, inter alia, the change of name to Italiaonline S.p.A., the moving of the registered office at Assago and the grouping of the shares, all with effect subject to the Merger.
On May 26, 2016 Merger deed was signed with effect from 11 June 2016, then postponed to 20 June 2016 with the amending deed on June 15, 2016.
On June 16, 2016, Consob recognised the information document prepared as part of the merger as equivalent, pursuant to art. 57, paragraph 1, letter d), of Consob Regulation no. 11971/99.
On June 17, 2016, the deed relating to the merger of Italiaonline S.p.A. into Seat (the "Merger") was registered with the Registrar of Companies of Milan and Turin.

The merger took legal effect from 20 June 2016, while the accounting and tax effects are retroactive to January 1, 2016.
With the legal effectiveness of the merger, the pre-existing Italiaonline S.p.A. ceased to exist against the assumption of all its transactions, rights and obligations by the former Seat Pagine Gialle S.p.A.; company that, inter alia and at time of the merger, changed its name to Italiaonline S.p.A., moved its own headquarters to Assago, creating a secondary branch in Turin, and grouped its shares in the ratio of 1/1000.

Ordinary Shareholders' Meeting of April 27, 2016

On April 27, 2016 the Ordinary Shareholders' Meeting of Seat Pagine Gialle S.p.A. resolved to:
- approve the 2015 financial statements of Seat Pagine Gialle S.p.A., the draft of which was approved by the Board of Directors on March 15, 2016, which closed with loss for the year of € 27,114,345.46, and to cover the loss for the year in full through retained earnings;
- approve Section I of the Remuneration Report pursuant to Article 123-ter of Legislative Decree no. 58 of February 24, 1998.

New legally-required audit engagement

In ordinary session on May 12, 2016, the shareholders approved *(i)* the proposed mutual early termination of the legally required audit engagement in place with PricewaterhouseCoopers S.p.A. and *(ii)* the new assignment for the legally required audit for the period 2016 - 2024 to KPMG S.p.A..

Special meeting of savings shareholders of 18 May 2016

On May 18, 2016 the special meeting of savings shareholders of Seat Pagine Gialle S.p.A., *(i)* approved the statements relating to the Mutual Fund pursuant to article 146 of Decree 58/1998; *(ii)* confirmed Ms Stella D'Atri as the savings shareholders' representative for 2016-2018 with a annual fee of 36,000 euros (iii) authorised a fund of 150,000 euros to be spent on common interests pursuant fir savings shareholders to ex. art 146; *(iv)* authorised an analysis of merger impact on shares and issue decisions in their interest; *(v)* delegated responsibility for a proposed transaction during meeting held on April 23, 2015 in the past relating to the allocation of the result for the year ended December 31, 2014.

Loan repayment with Banca Imi S.p.A.

On June 20, 2016, the company resulting from the merger, Italiaonline S.p.A., repaid the liability arising from the loan agreement signed in August 2015 with Banca Imi S.p.A. for the purpose of partial payment of the purchase for the mandatory public offer for the ordinary Seat shares, for about Euro 41 million.

Exercise of Warrants and Changes in Share Capital

With reference to the Seat PG 2014-2016 Warrants exercised during 2016, the Company announced that the warrants were exercised as indicated in the following table:

period	N° OF WARRANTS EXERCISED	N° OF SHARES ISSUED PRIOR GROUPING	N° OF SHARES ISSUED POST GROUPING	INCREASE SHARE CAPITAL (€)	SHARE PREMIUM(€)
9 March -24 March	2,703,703	2,703,703	-	79.72	12,086.94
13 May - 31 May	2,145,146	2,145,146	-	63.25	9,589.91
1 June - 30 June	637,000	-	637	18.78	2,847.72
1 July - 27 July	8,407,000	-	8,407	247.89	37,583.61
	13,892,849	**4,848,849**	**9,044**	**409.64**	**62,108.18**

As a result, the share capital amounted to € 20,000,409.64 divided into n. 114,761,225 ordinary shares and n. 6,803 savings shares, all without par value.
For reference, it is noted that pursuant to art. 2.5 of the "Seat PG 2014-2016 Warrant Regulation", during the year the Company informed the Seat PG 2014-2016 warrant holders that the exercise of Warrants had been suspended:

- from January 29, 2016 to March 8, 2016 (inclusive), during the publication of the notice-convening convening the Ordinary and Extraordinary Shareholders' Meeting of March 8, 2016;
- from March 25, 2016 until April 27, 2016 (inclusive), the date of the Ordinary Shareholders' Meeting;
- and further suspended until May 12, 2016 (inclusive), the date of the Ordinary and Extraordinary Shareholders' Meeting;

The Exercise Period of the Warrants has been extended by a number of days equal to that of the aforementioned suspension and consequently ended on July 27, 2016 (last day of the exercise), date on which the Warrants definitively ceased to exist.

Sale of the 12.54 services

On June 30, 2016 the Company announced the sale of the 12.54 service to Contacta S.p.A., a company belonging to the Covisian Group, with effect from July 1, 2016.
On March 3, 2017, the Tax Office served the Company a payment notice ("Claiming") higher registration tax (€ 0.56 million), plus penalties amounting to the higher tax and interest. The notice refers to the sale of the 12.54 service made by deed registered on July 5, 2016 and effective from July 1, 2016.
At the moment the Company with the support of its advisors is assessing its behaviors with regard to the above Notice to which the liability of the Company is jointly liable with a right of recourse against the purchaser of any taxes assessed and paid definitively.

New Guidelines for processing confidential information

At the meeting of July 6, 2016, in accordance with the legal provisions to reform the rules on market abuse, referred to in EU Regulation 596/2014 and Directive 2014/57/EU, the Company's Board of Directors approved a series of changes to the existing company procedures which, in turn, have been replaced with the new "Guidelines for processing confidential information" and the "Internal Dealing Procedure".

Removal of the Company from the Consob Blacklist

With a notice dated July 22, 2016, CONSOB announced that the company was non longer subject to the monthly disclosure requirements pursuant to Article 114 of Legislative Decree No. 58/98, in a note dated September 7, 2011 (the "Blacklist").
Replacing these disclosure requirements, the Company was required to integrate the annual and interim financial reports– the latter if published on a voluntary basis – starting from the interim financial report as at June 30, 2016 as well as the press releases concerning the approval of said accounting documents, with information on: the net financial position; overdue debt positions divided by their nature and any associated actions by creditors; related party transactions; any failure to comply with covenants, negative pledges and any other clause of the Group's indebtedness; and state of implementation of the Business Plan.

Positive response to the request made to the Tax Office

On August 3, 2016, the Tax Office provided a positive response to the request made in relation to carrying forward the excess interest expense in the amount of approximately € 650 million, in addition to the approximately € 160 million carried forward for already existing tax losses. The request was made on February 11, 2016 in order to suspend the application of anti-avoidance rules that limited the carrying forward of the interest expense resulting from the merger of Seat Pagine Gialle S.p.A. and Italiaonline S.p.A..

Sale of Europages

On August 4, 2016, 100% of the subsidiary Europages S.A. – based in Paris, was sold to a company controlled by the private equity firm Paragon Partners based in Munich (Germany). The business was considered no longer strategic and, therefore, its sale in 2016 in the Business Plan approved in January 2016 provided for.

Industrial relations: union agreement on corporate reorganisation

On December 14, 2016 Italiaonline and the trade unions confirmed, at the Ministry of Economic Development, in a statement signed also by the Ministry of Labour, the agreement reached on December 2, 2016 on the use of government-sponsored layoff schemes for a maximum of 700 employees until June 19, 2018. The agreement is a key element in the current phase of development of the new Italiaonline, following the merger with Seat Pagine Gialle, from traditional publishing company to a digital company.

Main subsequent events

Chief Financial Officer

On January 12, 2017 the Company's Board of Directors resolved to appoint, with the approval of the Board of Statutory, Ms Gabriella Fabotti, former head of the Finance Administration and Control Department of the Company, the new Officer in charge of preparing corporate accounting document, pursuant to art. 154-bis, CI, Legislative Decree no. 58/98.

Board positions

On February 14, 2017 Mr. Khaled Galal Guirguis Bishara resigned from the Board positions of Chairman and member of the Company's Board of Directors. During the same meeting the Board of Directors acknowledged his resignation, and co-opted Mr. Tarek Aboualam pursuant to art. 2386, paragraph 1, of the Italian Civil Code also appointing him Chairman of the Board of Directors. Mr. Aboualam will remain in office until the next General Meeting.

Assignment of leases

On February 23, 2017, the Company signed deeds for the sale of the two remaining finance lease contracts with Italian Mediocredito S.p.A. to the company Engineering Ingegneria Informatica S.p.A.. The residual liability at December 31, 2016 amounted to € 9,287 thousand and is recognised for € 7,985 thousand. The real estate portions relating to the contracts are recognised under assets amounting to € 5,859 thousand, including the value of the fixed plant, which is also financed. These items have been duly reclassified under non-current assets held for sale and discontinued operations.

Updated Business Plan

On March 15, 2017 the Board of Directors of Italiaonline approved an update of the Pre-Merger Plan, extending the period to 2019 and updating the financial targets for 2017-2019 (the "Updated Business Plan").

Under the Updated Business Plan:

- Revenue is are expected to grow with a 2015-2019 CAGR of [0%÷0.4%]. The Pre-Merger Plan instead forecasted a 2015-2018 CAGR of [0%÷0.3%];
- EBITDA margin is expected to grow throughout the period of the Plan, and is expected to stand at 22%÷27% in 2019, thanks to the expected increase in digital revenue and the cost cutting initiatives. The Pre-Merger Plan forecast an EBITDA margin of 25%÷30% in 2018. Accordingly, thanks to the higher results achieved in FY 2016, the EBITDA of the Updated Business Plan is expected to grow with a 2015-2019 CAGR of 21%÷26%; the Pre-Merger Plan instead forecast a 2015-2018 CAGR of 40%÷45%;
- the impact of capex on revenue is expected to progressively decrease throughout the period of the Plan, with a forecast 6% in 2019, thanks to the effects of capex rationalization.
- The cash generation of the Updated Business Plan is substantially in line with that of the Pre-Merger Plan.

Outlook

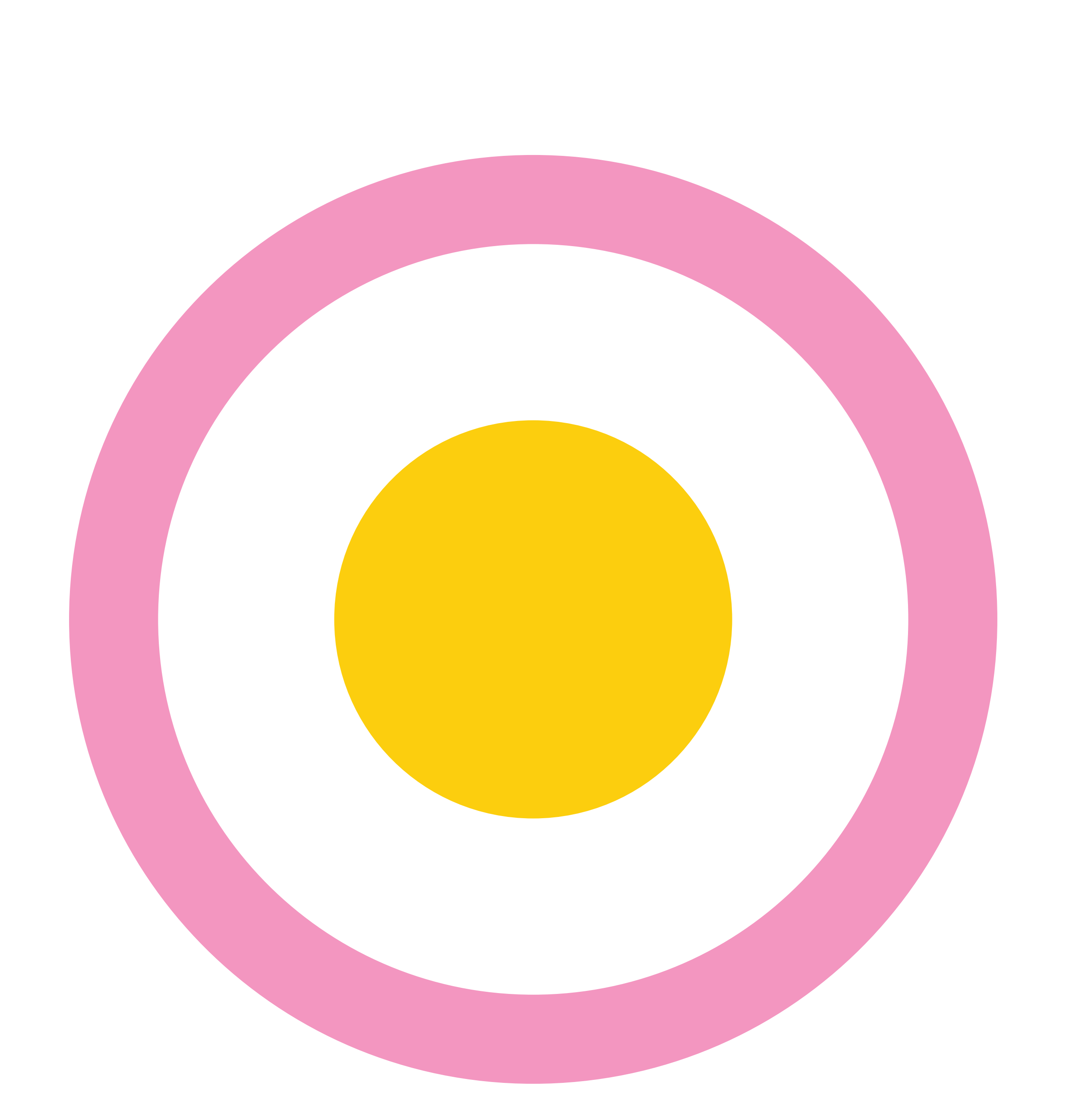
During 2017, in addition to continuing to reduce operating costs with the goal of sustaining margins, Italiaonline will focus on a number of initiatives in support of the top line, in particular with the aim of returning to “digital revenue growth”.

As of innovating its range of products and services, the Company will continue in the implementation and development of the services launched in 2016 and designed for the digitization of Italian SMEs. In particular:

- as regards to the Web Presence segment, the IOL Connect platform, which allows SMEs to maximize search ability of their online presence, will be enriched by an offer dedicated to large enterprises with distributed presence on the territory and will enable to track the phone contacts (with possible registration) and received messages.
- regarding the Website and eCommerce segment, the IOL Website offer for the turnkey construction of web sites, will include a customized solution addressed to a demanding market segment; a new range of eCommerce offer, integrated with the Digital Marketing IOL Audience Platform, is planned as well.
- referring to the Digital Marketing segment, the IOL Audience platform for the integrated management of SMEs advertising investments, which already supports Google AdWords, the Google Display Network and Italiaonline Display Network, will be enriched by the management of advertising campaigns on Facebook and on SKY AdSmart (new platform for geolocated TV commercials through SKY decoder) providing customers an integrated and detailed reporting to monitor their ROI.

In addition, the Company will continue in the renewal of its web properties and to invest in new digital products. In this regard it is noted that, after the launch in February 2017 of a new version of superEva site, the first Italian portal "Feel good" contents based on search and social trends, in the coming months a new email platform will be released with a completely new and responsive interface and new built-in features of cloud storage and sharing.
Based on the currently available information, Italiaonline Group expects to close 2017 with an Ebitda margin increased compared to FY 2016. In terms of top line, despite the expected return to digital revenue growth, an overall decline is still forecast due to the physiological decrease of some traditional business activity (mainly advertising in print directories and directory assistance services).

Experience



Performance by Business Area

The figures for 2016 are shown in comparison to those for 2015, as fully described in the Report on Operations - "Presentation of comparative accounting data" - of the 2016 Annual Financial Report.

(euro million)		ITALIAN DIGITAL	OTHER DIRECTORIES	AGGREGATE TOTAL	ELIMINATIONS AND OTHER ADJUSTMENTS	CONSOLIDATED TOTAL
Revenue from sales and services	Year 2016	373.0	19.2	392.2	(2.7)	389.5
	Year 2015 *like - for - like basis*	431.7	22.4	454.1	(4.5)	449.6
MOL	Year 2016	84.3	1.3	85.6	0.1	85.7
	Year 2015 *like - for - like basis*	66.5	1.0	67.5	0.4	67.9
EBITDA	Year 2016	66.5	(2.6)	63.9	-	63.9
	Year 2015 *like - for - like basis*	43.5	0.8	44.2	(0.1)	44.1
EBIT	Year 2016	12.3	(11.5)	0.8	(0.1)	0.7
	Year 2015 *like - for - like basis*	(22.6)	(4.2)	(26.8)	(0.2)	(27.0)
Total assets	December 31, 2016	702.5	11.2	713.7	(13.1)	700.6
	December 31, 2015 *like - for - like basis*	771.7	21.8	793.5	(17.6)	775.9
Total liabilities	December 31, 2016	328.5	17.8	346.3	(13.0)	333.3
	December 31, 2015 *like - for - like basis*	435.4	25.8	461.2	(22.9)	438.3
Net invested capital	December 31, 2016	244.4	0.9	245.3	(0.1)	245.2
	December 31, 2015 *like - for - like basis*	254.0	9.3	263.3	(0.2)	263.1
Capital expenditure	Year 2016	20.5	2.6	23.1	0.1	23.2
	Year 2015 *like - for - like basis*	35.4	3.4	38.8	-	38.8
Average workforce	Year 2016	1,662	131	1,793	-	1,793
	Year 2015 *like - for - like basis*	1,871	161	2,032	-	2,032
Average number of sale agents	Year 2016	1,044	28	1,072	-	1,072
	Year 2015 *like - for - like basis*	1,438	35	1,473	-	1,473

DIGITAL ITALIA

Market situation

Since "Digital Italia" accounts for the bulk of the Group activity, the market situation and the strategic positioning are those described in the section above with the same heading in relation to the Group as a whole and to IOL in particular.

Product innovation

2016 showcased Italiaonline's role as a digital innovation driver for SMEs. Notably, after the merger, new products were launched, such as IOL Audience, IOL Connect and IOL Website which have been added to the current range of products and have marked the transition from traditional directory products to Web Agency products - a move from traditional advertising products in favour of digital advertising.
Long-standing partnerships with internet giants (Google, Facebook) were supplemented with new partnerships with key international companies that have played a role in new product launches. Italiaonline has indeed expanded its product range, thus further confirming its status as largest Italian Web Agency.

Web agency products

In 2016 Italiaonline accelerated its Business model expansion strategy, which was primarily based on SMEs' web presence on owned directories. The three main development strategies were: new product launches, complete revision of previous core products offered and optimisation of products launched in 2015.
The most important innovation came with the launch of the IOL Connect service in September 2016; an integrated digital location system which gives companies the best possible web searchability and visibility, integrating the largest directories, social networks and search engines, maps and satellite navigation systems, such as Google, Facebook, Here and Tom Tom.
IOL Connect represents an unprecedented breakthrough in location data management in Italy, and to make it happen Italiaonline has formed an exclusive partnership with the New York-based Yext, a market leader that connects businesses to a vast network of digital touchpoints thanks to its Location Cloud service. With IOL Connect customers can be certain that their digital identity is consistent and aligned across the web and any changes can be updated quickly and anywhere across all platforms from just one place. Customers may benefit from a free digital identity check-up on the Italiaonline website and request to be contacted for a follow-up on the service.
The website product range was entirely renewed in September with the launch of IOL Website, allowing businesses to create the perfect website in the quickest and most efficient way.
In less than a month IOL Website can give you a new, perfectly responsive HTML5 website, compliant with Google's standards, especially for mobile. A dedicated personal consultant will guide you through all the stages, from graphic preferences to professional photo selection and ad-hoc content (also multilingual), quality assurance prior to online launch, maintenance, monitoring and result analysis. Also a Freephone number is active, for any (free) editing request.
The project was developed in partnership with Spotzer, a Dutch company that provides digital marketing solutions and websites for 450,000 SMEs in 16 global markets.
The IOL Website platform is provided by Duda, successfully used in over 5 million websites and recently declared the "best service for SMEs".

Four different solutions are available: Starter, Pro, Advanced and Top, based on company needs, size and characteristics in terms of graphics, content, functionality and service provided.

Traffic products (reselling) and partnerships

Italiaonline strengthens its position as Media Agency on the SME market.
IOL Audience was launched back in September, one of the 360-degree advertising investment management platform designed especially for SMEs, and created in partnership with MatchCraft, a global leader in local marketing solutions for retailers around the world. IOL Audience has made Italiaonline into a real media planner for SMEs, with a complete service which includes all aspects of online marketing campaigns: communication strategy, editorial content, advertising space negotiation, real-time control and optimisation of campaigns and measurement with the best analytics that provide customers with accurate and timely feedback. All of this is in IOL Audience, the largest network of consultants in Italy. In order to launch a service with such features, Italiaonline has partnered with MatchCraft, which since 1998 operates in more than 42 countries with a technology that supports over 24 languages and a full suite with proprietary bid management algorithm, call tracking, advanced reporting and Advisor, keyword library and state-of-the-art ad-copy for local marketing. This partnership includes the development and evolution of a database of keywords and custom ads for all devices, "Advisor for Italiaonline", developed exclusively by Italiaonline for the Italian market. The keyword library guarantees a constantly updated communication strategy which evolves according to the needs of local SMEs and evidence from the adverts' performance data.
IOL Audience gives customers a choice or combination of the best online maketing solutions available today, from social advertising, to search, display adv, and especially the following:
• Google AdWords, the advertising platform of the number one search engine, which allows you to reach users when they search for products or services provided by SMEs;
• Italiaonline Display Network, the largest network in Italy which includes the main Italian sites such as Libero, Virgilio, Pagine Gialle;
• Google Display Network (GDN), the largest display network in the world with more than 2 million sites, able to reach 90% of global internet users.
Italiaonline's traditional media department has consolidated relationships with the most important partners at national and local level, from various types of media: TV, radio, outdoor media, press and cinema. Italiaonline is therefore able to offer all customers a full range of communication products nationwide that can be used to co-create a comprehensive media plan.

Online and mobile directory services

In 2016, innovation of Italiaonline's range of digital directory products focused on performance optimisation for existing products and development of new features and new products able to:
- boost customer visibility enhancing synergies between Virgilio Local and PagineGialle through a bundle;
- supplement the traditional business model of directories with a new model based on lead generation;
- improve user experience with a focus on mobile.

Usage: in 2016, the usage growth strategy involved both desktop and mobile product innovations:
I. Graphic / functional design and drafting specifications of the vertical product PagineGialle Casa that will be launched in

the course of 2017. The goal is to reach a new target audience with (offered) interactive services, meeting user needs and customer expectations in terms of leads.

II. User improvement of PagineGialle directory through the use of filters and related searches optimised for search engines (pilot testing).

III. Restyling and graphic optimization for Pagine Gialle: preparation of cost estimates, multimedia content and greater visibility of customer details.

IV. Maintenance and implementation of SEO activities on PagineGialle, PagineBianche and TuttoCittà properties (desktop, mobile site and app).

V. Improved page loading times, especially from mobile browsing, as page speed is a factor taken into account by Google in indexing content.

VI. Complete makeover for PagineGialle app for iOS and Android.

Advertisers: in 2016 focus was given to development of services that generate value and increase the perception of the return on investment for advertisers, therefore maintaining attractiveness and competitiveness compared to other national and international competitors. Specifically:

I. The algorithm to provide results on PagineGialle and PagineBianche listings has been improved to enhance the presence of advertisers.

II. The use of Programmatic Advertising now guarantees monetization of 90% of available inventory (in 2014 it was still 60%);

III. Usability of price lists and menus for restaurants has been improved, enhancing content of interest for users and boosting engagement for our customers.

IV. A new offer for advertisers has been developed for PagineGialle Casa that will be launched in 2017.

Publishing products

In the course of 2016 the circulation of single volume PAGINEBIANCHE® PAGINEGIALLE® and TUTTOCITTA increased: this product was totally renovated in 2015, in size (new compact format), structure (3 products together), in content, internal graphics and cover pages.

On the cover of PagineBianche®, city landmarks are still present as always, while the cover of PagineGialle depicts professionals and businesses who have always been the economy's driving force.

Institutional strengthening of PagineBianche ®

Since 2015 the company has been an official partner of Local Administrations and also throughout 2016, giving advertising space for the development of the most significant and strategic initiatives for each local capital city.
65 administrations have joined the initiative; the goal is to gradually reach all local capitals in 2017. Pagine Bianche® will therefore reinforce its institutionality and especially its status as a focal point of reference in people's lives; a single essential tool, which is always available to citizens and always close to hand.
Traditional Useful Numbers (timetables, addresses, local public administration contacts) have been introduced at the beginning of the volume and highlighted with a layout which is visible even when the volume is closed. This is a Practical Guide for citizens: a full display of services dedicated to Emergencies, Safety, Transport, Health, Family, Business, Social Services, Museums and Leisure. All of this makes communication between citizens and public administration quicker and more efficient.
On the business side, smaller ad spaces have been redesigned for better visibility compared to free utilities. High impact advertising space has been included with geolocation features for customers in smaller towns, who were, until recently, not included in this directory. 2016 volumes have seen an additional 140 new places with dedicated maps, thus confirming the company's commitment to public service for citizens.

PagineGialle ®

PagineGialle has been integrated with Pagine Bianche, which gives it a better focus on smaller areas and Tuttocittà in a privileged position in AvantieElenco, enriched by a section of cultural and gastronomic itineraries "outside the city" aimed at enhancing ''Small Town Italy" the backbone of local tourism.
In order to give greater focus and value to Small Town Italy as a vessel for culture and excellence, this section contains pages on typical traditions and local foods. This includes all products coming under various, qualitative labels, from DOP to DOCG certified by the Ministry of Agricultural Food and Forestry. This section also contains designated sections to highlight local, entrepreneurial excellence and the regions' industrial districts.
The business offer has been completely redesigned with a better focus on smaller ad space areas for better browsing.
Aside from these innovations, the distribution process is also completely new and, most importantly, certified, ensuring greater control over the actual product distribution, and especially, the certainty as to where, when and how much was distributed.

Directory assistance services

In 2016 the Directory Assistance market was transformed with smaller volumes.
The two phone numbers 89.24.24 and 12.40 can now be used to get an insight on services offered and promotions with the aim of supporting calls and revenue.
There has been a particular focus on monitoring quality and management in order to maintain a high level of provision of services.
Multiplexed communications through sms and dem were managed with advanced CRM system with hyper-segmentation of customers.
Partnerships with leading domestic brands (related to leisure, public utilities and administration) have made it possible to offer a complete service and initiate promotional activities through a communication plan also on partner media.

Development of new IT systems

2016 investment in DataBase mainly concerned:

- Development of interventions on Customer DataBase system in order to extend the database and optimise activities of CDB;
- Development of interventions on taxonomic systems (categories, keywords, brands, synonyms) in order to manage product developments (Print / Web).

Furthermore, with reference to product innovation, in 2016 developments on Seat platforms were made (IOL from June 2016) on the basis of initiatives undertaken in digital marketing, especially the following:

- PG.IT/VirgilioLocal company integration offer;
- Pilot Overplace of PGIT;
- Google Presence new offer;
- Migration of Offer from AD Server Adagio to AD Server DFP IOL;
- IOLConnect: Creating new base Presence offer in partnerhip with YEXT;
- IOLWEBSITE: Migration sites range (SmartSite Visual Site premium) towards new offer IOLWEBSITE (supplier Spotzer);
- IOLAudience / MediaPlanner:
    - Migration of PGClick offer towards googleadwords offer (Partnership Matchcraft);
    - Pilot display clicks.

In addition, the following initiatives related to Print and Partnership have been launched:

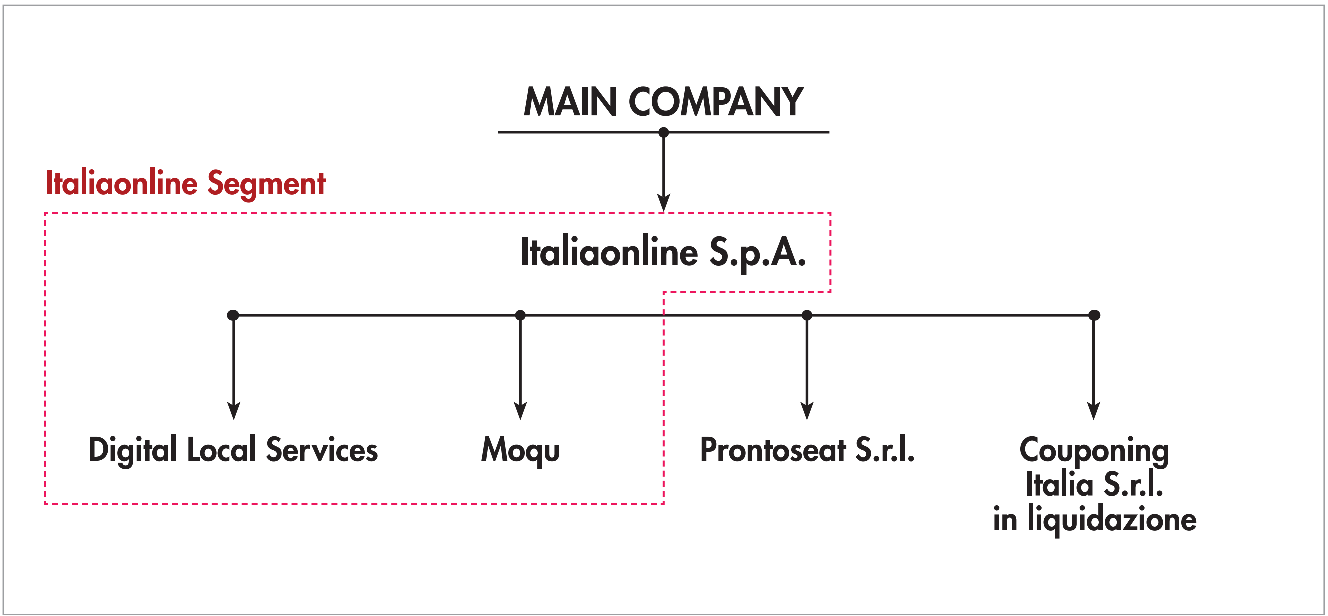
- with regards to PRINT, LIST Designation ELE / PAG to replace freelisting;
- with regards to Partnerships: extension of the National offer to the GC (Big Client) channel for Homepage Virgilio, Libero Mail and Virgilio, Dilei, SiViaggia, QuiFinanza, Virgilio Motori with Video 15 "on all listed properties listed. New AIR acronyms: Centostazioni, 7Gold (q & d), Cinema (q & d), SKY.

With regards to Customer Experience and Customer Care:

- Zendesk integration of social channels (Facebook) as a Customer contact channel with the Company;
- Adoption and use of Sandsiv platform for systematic measurement of NPS (Net Promoter Score) and VOC (Voice of Customer).

Business structure

The Digital Italia Business Area is organised as follows:



It is noted that:

- in the course of 2016 6 of 74 Digital Local Services were placed into liquidation;
- the Shareholders' Meeting of Moqu ADV S.r.l. - 100% owned by the Company - on 19 October 2016 decided to move its registered office from Florence to Assago;
- on December 12, 2016 Moqu ADV Ireland DAC (wholly owned by Moqu ADV Srl) formally initiated the voluntary liquidation process.

Financial highlihts

The table below shows the main results of the Digital Italia Business Area for 2016 compared with those from the previous year.

(euro million)	YEAR 2016	YEAR 2015 *like-for-like basis*	CHANGE ABSOLUTE	CHANGE %
Revenue from sales and services	373.0	431.7	(58.7)	(13.6)
MOL	84.3	66.5	17.8	26.8
EBITDA	66.5	43.5	23.0	52.9
EBIT	12.3	(22.6)	34.9	n.s.
Capital expenditure	20.5	35.4	(14.9)	(42.1)
Average workforce	1,662	1,871	(209)	(11.2)
Net invested capital	244.4	254.0	(9.6)	(3.8)

Below is an analysis of the data divided by the ITALIAONLINE segment, ProntoSeat S.r.l. and Couponing Italia S.r.l. in liquidation (formerly Glamoo S.r.l.).

ITALIAONLINE

The ITALIAONLINE segment includes Italiaonline S.p.A. data, 74 companies known as Digital Local Services set up to ensure better management of the sales network and provide appropriate support to agents and customers, as well as Moqu, a digital media company focused on the *performance* advertising *business*, namely the optimisation of advertising campaigns in *performance* specifically based on search engines (SEM).
The table below shows the main results for 2016 compared with those from the previous year on a *like-for-like basis*. The latter were reduced due to the non-recurring effect caused by the change in the relevant criterion for recognising the revenue of PagineBianche®, which was adopted as January 1, 2015 which resulted in a decrease of € 9.9 million in revenue and a € 9.4 million decrease in EBITDA.
It should be noted that the data for the Moqu Group has been included within the scope of consolidation as of February 28, 2015.

(euro million)	YEAR 2016	YEAR 2015 *like-for-like basis*	CHANGE	
			ABSOLUTE	%
Revenue from sales and services	373.0	431.2	(58.2)	(13.5)
MOL	84.8	67.7	17.1	25.3
EBITDA	67.0	44.9	22.1	49.2
EBIT	12.8	(20.6)	33.4	n.s.
Capital expenditure	20.5	35.4	(14.9)	(42.1)
Average workforce	1,512	1,713	(201)	(11.7)
Net invested capital	243.8	253.4	(9.6)	(3.8)

In this Annual Financial Report, in line with the approach taken in the Interim Reports of September 30, 2016 and June 30, 2016, the Company will disclose revenue on the basis of a new classification that is more consistent than in the past, with its positioning as a 360-degree consultant for all digital development needs of Italian companies, from SMEs to big companies.
More specifically, revenue generated by the Italiaonline segment is divided into the following areas:

Digital revenue include:

- *Proprietary* revenue, mainly relating to the sale of advertising space on the generalist web portals Libero®, Virgilio® and Supereva®, on vertical (national and local) web portals and – to a lesser extent – on third-party *websites* as well as *free* proprietary web mails. This segment also includes *performance advertising revenue* from thesubsidiary Moqu, Subscriber revenue generated by users of the e-mail service registered in Italiaonline domains that subscribe to their respective paid services (*premium services*), and revenue from Direct Marketing (DEM) and SMS campaigns.
- *Directory* revenue relating to advertising activities carried out on web *portals* owned by PagineGialle.it PagineBiancheit and TuttoCittà.it.
- *Website* revenue relating to website construction and management *services* also optimised for mobile devices; the creation of multimedia content; visibility activities on the *web*, e-commerce and *web marketing* services and *managing the presence on social networks*.
- *Third-party* revenue relating to visibility on digital media in *partnership* with specialised operators, including *display* advertising and advertising campaign management on Google, Facebook and Sky platforms.

Print revenue: the item consists of revenue generated from advertising sales on Smartbook®i.e. paper volume including the PagineGialle®, PagineBianche® and TuttoCittà® directories and the portion of revenue returned to Italiaonline by telecom operators for the paper directories distribution service.

Other revenue: this item includes revenue generated by: *(i)* directory assistance services, *(ii)* the sale of advertising on third-party traditional media; and *(iii)* direct marketing and merchandising services.

Revenue from sales and services of the Italiaonline segment amounted to € 373.0 million during the year, down 13.5% compared to 2015 on a *like-for-like basis*. For more details, see the comments on the consolidated income statement for 2016.
More specifically:

a) *Digital* revenue: Amounted to € 239.4 million in 2016, a decrease of 10.0% compared to 2015 on a *like-for-like basis*. *Digital* revenue in the year amounted to 64.2% of total revenue.
   In line with the Group's strategy of renewing the product portfolio, in October 2016 Italiaonline completed the launch of new products designed for the digitisation of small and medium-sized enterprises. The coordinated management of the network presence (IOL Connect), the development of HTMLS sites (IOL Website), to the integrated management of online marketing campaigns (IOL Audience), thus confirming the role of Italiaonline as the main leader of this important process of transformation in Italy.
b) *Print*: revenue of printed products amounted to € 102.4 million in 2016, down 10% compared to 2015 on a *like-for-like basis*. *Print* revenue in the year amounted to 27.4% of the total revenue. Net of the portion of revenue returned to Italiaonline by telecom operators for the paper *directory* distribution service, the decrease in *print* revenue is 21%. It is noted that during 2016, 113 directories were published and 16,1 Smartbook® volumes were distributed.
c) *Others*: Revenue from other products in 2016 amounted to € 31.2 million, down 39.4% compared to 2015 on a *like-for-like basis*. *Directory assistance* Service Revenue from 89.24.24 Pronto PAGINEGIALLE®, 12.40 Pronto PAGINEBIANCHE® and 12.54® (4.4% of total revenue) amounted to € 16.2 million in 2016, a decrease of 35.6% compared to 2015 on a *like-for-like basis*. The decline in revenue reflects the trend of call volumes equal to 3,792 thousand in 2016, down 29% compared to 2015.

MOL amounted to € 85.0 million in 2016, an increase of € 17.1 million compared to 2015 on a *like-for-like basis*, thanks to the efficiency of actions to reduce costs, which more than offset the decline in revenue.
The costs for materials and external services, net of the portion of costs charged to third parties, amounted to € 202.0 million in 2016, a decrease of € 67.4 million (22.8%) compared to 2015 on a *like-for-like basis*.
Industrial costs amounted to € 111.6 million in 2016, a decrease of € 28.3 million compared to 2015 on a *like-for-like basis* (€140 million). This was partly due to revenue but also to structural changes. Significant savings, amounting to approximately €10.3 million, were recorded on costs for printing and distributing Smartbook® directories due to the lower number of pages printed and renegotiation of tariffs, while the fall in call volumes relating to directory enquiry services, combined with the new contract at better conditions for call center services for 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE® services, has resulted in a decrease in costs of 39.6%. Industrial performance for digital services fell by approximately €1.8 million, mainly due to the tariff review in the second half of 2015.
Selling expenses amounted to € 59.0 million in 2016, were down € 26.8 million compared to 2015 on a *like-for-like basis*; this reduction reflects lower expenses for compensation for the sales force partly due to the revenue trend and in partly to the optimisation of the agents' network.
Overheads amounted to € 31.6 million in 2016 and decreased by 28.0% compared to 2015 on a *like-for-like basis*, thanks to a careful cost containment policy, particularly advertising expenses recorded a decrease of € 6.3 million.
Personnel expense, net of costs recovered for personnel seconded to other Group companies, totalled € 85.9 million in 2016, down € 7.9 million (-8.4%) on 2015 *like-for-like basis*. This change is due to the restructuring progress with the downsizing of the workforce and solidarity arrangements

(government-sponsored lay-off scheme on a rotating basis). The workforce as of December 31, 2016 – including directors, contract workers and interns – consisted of 1,512 employees (compared to 1,806 employees as of December 31, 2015).

EBITDA stood at € 67.0 million in 2016, an increase of € 22.1 million compared to 2015 on a *like-for-like basis* (+49.2%) which translated in 18% of revenue (10.4% in 2015 on a *like-for-like basis*).

The operating profit (EBIT) of € 12.8 million in 2016 reflects the EBITDA trend and includes operating and non-operating amortisation and depreciation and impairment losses of € 45.7 million and net non-recurring and restructuring charges of € 8.5 million, significantly lower than in the previous year including € 3.3 million mainly related to merger consultancy services and € 1.7 million for the rebranding project.

In 2016, capital expenditure amounting to € 20.5 million mainly relates to: *i)* improvements to web and mobile delivery systems, specifically for real-time updates of content and its publication, improved search algorithms, and identification of new graphic-functional web portal solutions for the Company; *ii)* improvements to web products mainly relating to the optimization of the graphics concept for use through mobile devices, developments for the new range of sites for improvements to Large Customer offers; *iii)* commercial and publishing improvements to adapt and strengthen systems to new product ranges.

The average workforce, which identifies the work force in proportion to the actual time of active service, amounted to 1,487 employees in 2016 compared to 1,713 employees in 2015 on a *like-for-like basis*; the decrease of 226 employees is mainly due to the progress of the restructuring plan.

Prontoseat S.r.l.
Wholly owned by Italiaonline S.p.A.

The table below shows the main results for 2016 compared with those from the previous year.

(euro million)	YEAR 2016	YEAR 2015	CHANGE	
			ABSOLUTE	%
Revenue from sales and services	5.1	5.4	(0.3)	(5.6)
MOL	(0.6)	(0.1)	(0.5)	n.s.
EBITDA	(0.6)	(0.1)	(0.5)	n.s.
EBIT	(0.6)	(0.2)	(0.4)	n.s.
Capital expenditure	-	-	-	n.s.
Average workforce	150	141	9	6.4
Net invested capital	0.7	0.7	-	-

The Revenue from sales and services in the year 2016 amounted to € 5.1 million, down by € 0.3 million compared to the previous year. The lower revenue is primarily due to the reduction in outbound revenue (- € 0.2 million compared to 2015) due to the reduction of tariffs granted by Italionline and some discontinued services, such as the *SmartSite*. Essentially stable revenues related to the management of inbound 89.24.24 service; in 2016 the management of 89.24.24 service was carried out for the entire year while in 2015 only from July.

MOL stood at -€ 0.6 million (- € 0.1 million in the previous year) due to higher personnel expense incurred in managing inbound and outbound services.

Negative **EBITDA** and **EBIT** at € 0.6 million are in line with MOL.

The **average workforce** (141 people in 2015) increased by 9 compared to the previous year for the needs related to service management.

Couponing Italia S.r.l. in liquidation
Wholly owned by Italiaonline S.p.A.

During their meeting of December 22, 2015, the Shareholders of Glamoo S.r.l. approved the Company's liquidation without debt, changing its name to Couponing Italia S.r.l. in liquidation. The entry in the Milan Chamber of Commerce Register of Companies was made on January 21, 2016.
On February 9, 2016, Glamoo Ltd was removed from *Companies House UK*.

Reference regulatory framework

1. EU Directives on telecommunication and e-commerce systems and incorporating them into the Italian regulatory framework

The regulatory framework for the activities performed by Italiaonline S.p.A. mainly comes from a package of EC Directives on telecommunication and e-commerce systems.
Specifically, these directives are:
Directive 2000/31/ EC on e-commerce; Directive 2002/19/ EC on access to electronic communication networks; Directive 2002/20/ EC on permits for networks and electronic communications services; Directive 2002/21/EC establishing a common regulatory framework for networks and electronic communications services; Directive 2002/22/EC on the Universal Service and Directive 2002/58/EC on the processing of personal data and privacy protection in the electronic communications sector.
With the exception of Directive 2002/58/ EC, implemented by Legislative Decree No. 196 of June 30, 2003 (Privacy Code) and Directive 2000/31/EC, implemented by Legislative Decree No. 70 of April 9, 2003, in Italy these Directives have been transposed into Legislative Decree No. 259 of August 1, 2003 (so-called "Electronic Communications Code") and other regulatory measures issued by both AGCOM and the Italian data protection authority.
At the end of 2009, these directives were subject to reform: the European Commission approved a new regulations package: Directive 2009/140/ EC (for "Better Regulation"); Directive 2009/136/ EC ("Citizens' Rights Directive"); Regulation 2009/1211, which set up the supranational regulation body "BEREC" (Body of European Regulators for Electronic Communications).
In Italy, these Directives were transposed in 2012, specifically: on June 1, 2012, the new Electronic Communications Code came into force through Legislative Decree No. 70 of May 28, 2012 (implementing EU Directive 2009/140/EC), which resulted in the exclusion of telephone directories from the universal-service obligations; on May 28, 2012, Legislative Decree No. 69 was enacted (to implement EU Directives No. 136/2009 and No. 140/2009), which introduced several changes to the personal data protection code (Legislative Decree No. 69/2012) including regulations for the processing of cookies.
As part of the Digital Single Market Strategy, adopted by the European Commission in May 2015 with a view to establish a European digital single market and foster economic growth, the Commission has promoted a series of measures including the revision of Directive 2002/58 / EC, called e-Privacy Directive. This revision will lead, probably at the beginning of 2017, to the proposal for a new Regulation which aims to provide uniform regulations on electronic communications and protection of personal data by repealing the previous regulations adopted by the EU Directive 2002/58 / EC.

2. The Privacy regulation: Telemarketing, the "cookies" provision, new Privacy Regulations and Privacy Shield

2.1 Telemarketing

With regard to Telemarketing services, following the publication of Presidential Decree No. 178 of September 7, 2010, the Public Register of subscribers opposed to the use of their telephone number for direct-marketing purposes was set up.
The Register was managed by the Ugo Bordoni Foundation and was activated on 1 February 2011.
With effect from this date:

- companies operating in the telemarketing sector may no longer contact subscribers with numbers included in the Register. All telesales lists taken from telephone directories (such as Pagine Bianche and Pagine Gialle) must therefore be checked against the opt-out database before being used. The validity of lists containing the names of subscribers who can be contacted has been reduced to 15 days;

- direct-marketing companies must declare themselves as such to the Ugo Bordoni Foundation and must sign a contract under which they agree to match their lists with the opt-out database.

The Order of the Italian data protection authority issued on January 19, 2011 ("Regulations on operator-assisted telephone processing of personal data for marketing purposes following the creation of the public opt-out register") stipulates that the new regulatory framework also gives businesses the right to opt out. Therefore, telesales of products of any company aimed at a business audience may be carried out using the aforementioned matching procedure (or using lists of parties that have given their express consent). Therefore, Italiaonline (formerly Seat Pagine Gialle S.p.A.) has signed up to the opt-out register for matching.

Lastly, on May 22, 2011, the previous regulation on postal marketing – which established an opt-out system (the possibility of being contacted without express consent), without prejudice to the right of individuals to object to postal marketing by signing up to the public opt-out register – was modified within the "Development Decree" (Article 6 of Legislative Decree no. 70 of May 22, 2011). As a result, regulations on direct marketing provided for equal treatment for telephone and postal marketing.

The Italian Data Protection Agency has not issued the implementing measure as of yet, and its impact on Italiaonline involves removing the "envelope" symbol printed in the Pagine Bianche directory, to make the consent of subscribers to receiving postal marketing materials (the current opt-in system) more explicit.

2.2 Cookies provision

With regard to the provisions of the Privacy Act, it is reported that, in accordance with Article 122 of the same code, the storage of non-technical cookies is only permitted on condition that the website visitor has been informed and provided their explicit consent.

In this regard, on May 8, 2014, the Italian data protection authority enacted provision no. 229 (the "**Provision**") on establishing simplified procedures for the privacy notice and for the acquisition of consent for the use of cookies, which came into force on June 2, 2015.

The provision applies to all sites, including responsive sites, and to browsing thereof from any terminal/device, where such sites do not use exclusively proprietary analytical and technical cookies. It requires the user to be informed through two levels of information: first, a brief notice will be displayed appearing immediately on the page which the user accesses, then, an extended notice that can be accessed through a link in the brief notice as well as through a link at the bottom of every updated page of the website.

2.3 New privacy regulation

With regard to the development of privacy regulations, on April 14, 2016, the text of the new European regulation on personal data protection was approved. Said regulation entered into force on May 24, 2016, but its provisions will be directly applicable in Member States as of May 25, 2018.

2.4 Privacy Shield

Lastly, also in the area of privacy regulations, it should be noted that on February 2, 2016, the European Commission and the Government of the United States of America reached a political agreement on a new scheme for transatlantic exchanges of personal data for commercial purposes: this is the so-called EU-US "**Privacy Shield**". The Commission presented the draft text of the decision on February 29, 2016. Following the Group's opinion Article 29 (data protection authorities) of April 13, 2016 and the

European Parliament resolution of May 26, 2016, the Commission completed the adoption process on July 12, 2016.
The EU-US Privacy Shield aims to address the requirements laid down by the judgment of October 6, 2015 whereby the Court of Justice invalidated the old "**Safe Harbour**" scheme.
On October 27, 2016 the Italian Privacy Authority issued the Authorisation to transfer data abroad through the agreement called "EU-US Privacy Shield" (Published in the Official Gazette no. 273 of November 22, 2016). The authorisation pits an end for the Italian legal affair opened by the judgment of the Court of Justice regarding the Safe Harbor and allows Italian companies to make use of the adequacy decision of the European Commission July 12, 2016, n. 1250 for the transfer of personal data in the US.

3. Electronic signature services

Moreover, electronic signature services – which are becoming widespread – are also subject to specific regulations, including rules governing the processing of certain biometric data of subscribing customers. In particular, Italiaonline adopted an advanced electronic signature service, provided in accordance with: the provisions of the Digital Administration Code; the technical rules issued by the Prime Ministerial Decree of February 22, 2013; and with the provision of the Italian data protection authority of November 12, 2014. The advanced electronic signature ("AES"), as defined in the CAD, consists of a set of electronic data associated with an electronic document used to identify the signatory and ensure a unique connection to them.

4. Main resolutions issued by AGCOM

In relation to the regulatory framework, the following AGCOM resolutions are pointed out:

- Resolution No. 179/03/CSP, by which AGCOM approved the general guidelines on quality and charters for telecommunications services;
- Resolution No. 254/04/CSP, by which AGCOM approved the guidelines on quality and charters for fixed voice telephone services;
- Resolution No. 680/13/CONS, by which AGCOM issued the Regulation on the protection of copyright on electronic communication networks and the implementation procedures for Legislative Decree No. 70 of 9 April 2003 This regulation introduced powers of intervention held by AGCOM for the event of a suspected violation of copyright concerning the provision of public content on computer networks. Specifically, "entitled persons" (owners or licensees of copyright or trade associations) may report to AGCOM any suspected violations of copyright online and, after an adversarial procedure, AGCOM may adopt prohibitory measures such as selective removal, disabling access to the illegal content, or applying sanctions in the event of non-compliance. It is also possible to have an adversarial procedure with a person who has rights over online content, given that the internet provider can spontaneously remove the contents, as is usually done by Italiaonline for content posted by users on websites owned by Italiaonline.

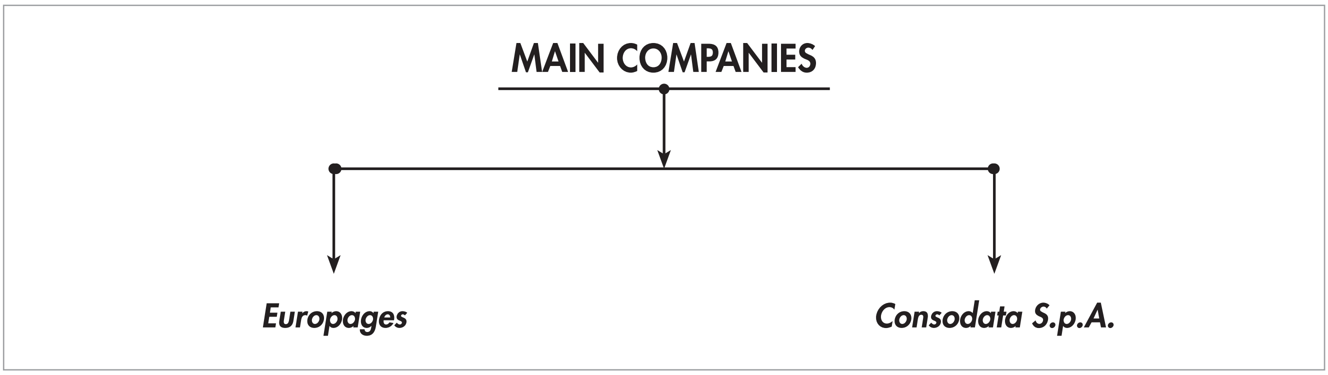
Signing up for the opt-out scheme

On January 28, 2013, the Company's Board of Directors resolved to sign up for the opt-out scheme established under Article 70(8) and Article 71(1-bis) of the Issuers' Regulation, thereby availing itself of the option to avoid the obligation to publish a prospectus for significant mergers, demergers, and capital increases by way of contribution of assets, acquisitions and disposals. On February 1, 2013, the Company released adequate information to the market.

OTHER ACTIVITIES

Business structure

The residual Business Area comprises all activities not included in the previous area. It is organised as follows:



On August 4, 2016, 100% of the subsidiary Europages S.A. – based in Paris to a company controlled by the private equity firm Paragon Partners based in Munich – was sold.
Following the decision to divest the investment in Consodata S.p.A., as it is no longer considered synergic with the Group's business, the related statement of financial position balances have been reclassified under "Non-current assets held for sale".

Financial highlights

The table below shows the main results for 2016 compared with those of the previous year.

(euro million)	YEAR 2016 (*)	YEAR 2015	CHANGE	
			ABSOLUTE	%
Revenue from sales and services	19.2	22.4	(3.2)	(14.3)
MOL	1.3	1.0	0.3	30.0
EBITDA	(2.6)	0.8	(3.4)	n.s.
EBIT	(11.5)	(4.2)	(7.3)	n.s.
Capital expenditure	2.6	3.4	(0.8)	(23.5)
Average workforce	131	161	(30)	(19)
Net invested capital	0.9	9.3	(8.4)	(90.3)

(*) Income statement data include the first seven months of 2016 Europages Group which was sold on Augost 4, 2016

The analysis of the figures is broken down below between the various companies that make up the Business Area.

Consodata S.p.A.

Wholly owned by Italiaonline S.p.A.

Consodata S.p.A., the Italian market leader in Data-Driven Marketing and Marketing Intelligence, with a growing presence in the business & credit information market, has been offering wide-ranging and innovative customer acquisition, evaluation and management services to thousands of businesses operating in various product sectors for over 20 years. Consodata S.p.A. focuses its business on the great wealth of statistical data and personal content of its database and on the recognised expertise in dealing with and imparting value to the data.

The table below shows the main results for 2016 compared with those of the previous year.

(euro million)	YEAR 2016	YEAR 2015	CHANGE	
			ABSOLUTE	%
Revenue from sales and services	14.7	15.0	(0.3)	(2.0)
MOL	2.1	2.7	(0.6)	(22.2)
EBITDA	(1.2)	2.5	(3.7)	n.s.
EBIT	(9.8)	(2.3)	(7.5)	n.s.
Capital expenditure	2.6	3.2	(0.6)	(18.8)
Average workforce	93	96	(3)	(3.1)
Net invested capital	0.7	8.9	(8.2)	(92.1)

(*) Data refers to December 31, 2015

Revenue from sales and services in 2016 amounted to € 14.7 million, down by € 0.3 million compared to the previous year. This decrease is mainly attributable to the decline in sales from business information products of Italiaonline agent network and was only partially offset by increased sales of Direct Marketing channel marketed by large customers.

In particular, the Direct Marketing campaigns have benefited from the increase in sales of Face-to-Face services, while revenue from Marketing Intelligence products have been affected by the delay in the closure of some orders postponed to 2017.

MOL of € 2.1 million was down by € 0.6 million compared to the previous year due to lower overall profitability resulting from increased incidence of lower average profitability revenue as Face-to-Face service sales, compared to Marketing Intelligence products with higher profitability.

EBITDA and **EBIT** of € -1.2 million and € -9.8 million respectively (profit of € 2.5 million and a loss of € 2.3 million in 2015) reflect the effects of the measurement at the lower of their carrying amount and the respective fair value which resulted an impairment loss € 7.6 million.

The **capital expenditure** in 2016 amounted to € 2.6 million, € 0.6 million less than the previous year, which included some non-recurring investment components, in addition to the usual software platform development, enrichment of the database and the purchase of databases.

The **Average workforce** was 93 employees in 2016, down by 3 employees compared to the previous year.

Net invested capital amounted to € 0.7 million as of December 31, 2016 (€ 8.9 million as of December 31, 2015).

Europages

Wholly owned by Italiaonline S.p.A.

Following the sale of the Europages Group, completed on August 4, 2016, the 2016 data in the table below refer to the first seven months of the year

(euro million)	YEAR 2016	YEAR 2015	CHANGE	
			ABSOLUTE	%
Revenue from sales and services	4.5	7.3	(2.8)	(38.4)
MOL	(0.8)	(1.6)	0.8	50.0
EBITDA	(1.4)	(1.7)	0.3	17.6
EBIT	(1.8)	(2.1)	0.3	14.3
Capital expenditure	0.1	0.1	-	-
Average workforce	64	65	(1.0)	(1.5)
Net invested capital	-	0.3	(0.3)	(100.0)

(*) Data refers to December 31, 2015

Other Information

HUMAN RESOURCES

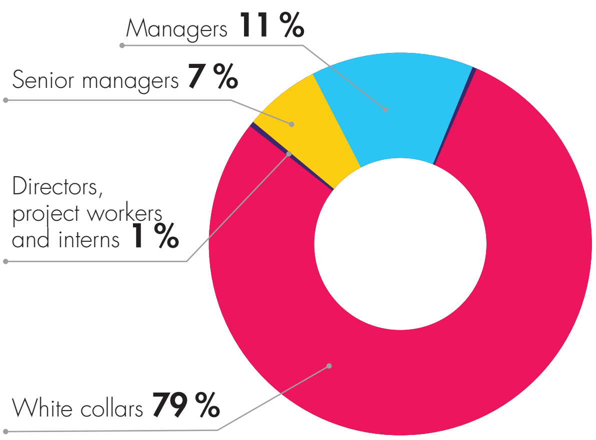
Italiaonline Group

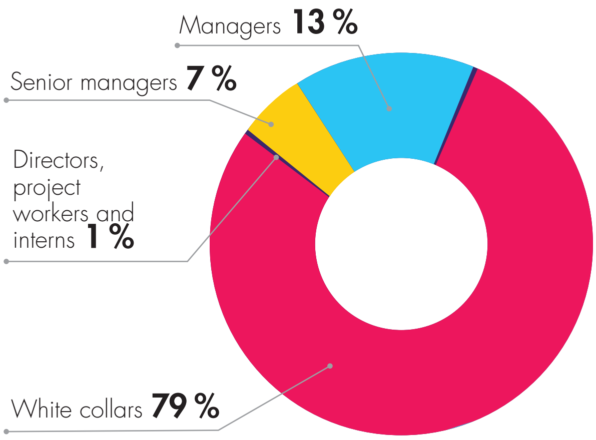
	At 12. 31. 2016	At 12. 31. 2015	CHANGE
Senior managers	114	134	(20)
Managers	222	262	(40)
White collars	1,367	1,600	(233)
Call operators	202	221	(19)
Employees	**1,905**	**2,217**	**(312)**
of which government-sponsored lay-off scheme (CIGS zero hours)	*305*	*135*	*170*
Directors, project workers and interns	11	13	(2)
Total workforce at the end of the period	**1,916**	**2,230**	**(314)**
Employees at the end of the year - HFS	92		92
Total workforce at the end of the year including HFS company	**2,008**	**2,230**	**(222)**

	YEAR 2016	YEAR 2015 *like-for-like basis*	CHANGE
Senior managers	128	135	(7)
Managers	226	264	(38)
White collars	1,302	1,503	(201)
Call operators	124	115	9
Employees	**1,780**	**2,017**	**(237)**
Directors, projects workers and trainees	14	15	(1)
Average workforce for the period	**1,794**	**2,032**	**(238)**

At December 31, 2016, the Italionline Group had a total workforce of 2,008 (including employees of companies classified as Held for sale), a decrease of 222 units compared with December 31, 2015 (of these 1,692 were active at December 31, 2016 and 2,095 at 31 December 2015), as a consequence of a reorganisation implemented mainly at the Parent and structural revisions effected throughout the network of subsidiaries.

The average human resource presence was of 1,794 units during 2016, down by 238 people compared to 2016 (2,032 people).
Regarding the allocation of human resources between the various Business Areas, it should be noted that the ITALIAONLINE segment (Italiaonline S.p.A., 74 Digital Local Services and Moqu) that during 2016 generated about 95.8% of revenue, employed 82.9% of the average aggregate labour force.





The chart data refer to the average workforce of the year

The ITALIAONLINE Segment (Italiaonline S.p.A, Digital Local Services and Moqu)

	At 12. 31. 2016	At 12. 31. 2015	CHANGE
Senior managers	114	129	(15)
Managers	222	237	(15)
White collars	1.335	1,430	(95)
Call operators	-	-	-
Employees	**1,671**	**1,796**	**(125)**
of which use government - sponsored lay - off scheme (CIGS zero houres)	*305*	*128*	*177*
Directors, project workers and interns	10	10	-
Total workforce at the end of the period	**1,681**	**1,806**	**(125)**

	YEAR 2016	YEAR 2015 *like-for-like basis*	CHANGE
Senior managers	125	129	(4)
Managers	203	237	(34)
White collars	1,173	1,334	(161)
Blue collars	-	-	-
Employees	**1,501**	**1,700**	**(199)**
Directors, projects workers and trainees	11	13	(2)
Average workforce for the period	**1,512**	**1,713**	**(201)**

The headcount of the Italiaonline segment on December 31, 2016 is lower by 125 units compared to December 31, 2015.

In average terms and considering the effects of the reorganisation plan, the decrease is even more significant with a reduction of over 13% compared to the average figure for 2015.

Organisational Development

In December, the first level of the new Italiaonline organisational structure was announced; Its primary organisational criteria were the simplification and rationalisation of structures, in addition to the confirmation of the importance of SME Customers and Large Accounts, product development and customer focus.
In this context, eight departments were set up, reporting directly to the Managing Director: Product Development and Innovation, Operations, SME Media Agency Business Unit, Large Account Business Unit, Finance Administration and Control, Legal and Corporate Affairs, Corporate Image and Communication, Human Resources. In addition to these departments, the Internal Audit Department that hierarchically reports to the Board of Directors and operationally to the Managing Director.

Industrial relations

Labour relations in 2016 continued in the wake of the agreement signed with trade union organisations and trade union representatives at the Ministry of Labour and Social Policy on 02.12.2015 in relation to the initially planned reorganisation programme for the period February 2015 - February 2017.
Furthermore the Union Agreement concerning the merger of Italiaonline S.p.A. Seat Pagine Gialle S.p.A. has been started on February 1, 2016, and carried out on February 25, 2016, with the former union consultation procedure under Article 47 Law 428/90.
On August 5, 2016, the procedure was initiated, pursuant to Art. 24, Legislative Decree nr. 148/2015, for the adoption of the Government-sponsored lay-off schemes motivated by reorganisation under Law 416/81, as amended, arising from the need to follow up and implement the actions under the reorganisation plan underway, as well as the additional required actions envisioned by the new Business Plan.
On August 30, 2016, the above procedure was carried out at the Ministry of Labour with but without the presence of union representatives, although they had been formally summoned by the Ministry itself.
On December 2, 2016, following intense discussions with the unions throughout the months of September, October and November, the Company and the counterpart union representatives signed a draft agreement on the new reorganisation programme, adopting the Government-sponsored lay-off schemesfor a maximum number of 700 employees up to June 19, 2018.
On December 14, 2016, at the Ministry of Economic Development, the aforementioned draft agreement was ratified and it has thus become a Company-union agreement.

Recruitment and Training

During 2016, *recruiting* activity focused on the search for managerial and sales resources with the engagement of three directors (Internal Audit, Operations, Legal and Corporate Affairs, the latter was terminated in the second half of 2016), and the head of the new Mergers & Acquisitions and the engagement of 99 commercial figures, including 97 new agents and 2 Field Managers. Again in relation to sales, search and selection efforts continued in order to reinforce the area of Digital Local Services, especially in terms of the Media Consultant role. This has led to a total of about 15 appointments, nine of which were sourced from the webmaster experience pool.

Training of the sales network: in 2016, training courses for employees and agents under the National and Media Agency Sales Departments were organised, for a total of about 836 participants and more than 16,800 hours of training.
The orientation courses for new Account Managers continued. Furthermore, a new initiation programme was extended to the entire national territory with the launch an e-learning instruction module followed up by class-room sessions and on-the-job and field sales training. The new Sales Techniques training package has been delivered in test mode, subject to a full review of the new module content.

For Agents that have already engaged, 12 different training modules were run for a total of 46 editions, addressing specific goals in sales performance improvement and techniques for overcoming objections to appointment requests.
A training programme with a "gaming approach" was conceived to improve sales performance with the intention of reviving Agents' enthusiasm through role play, with the further aim of presenting the new company in its Rebranded context; this formative module has been released in its first seven official editions and the activity will continue throughout 2017.
Following on from the internal ICF Coaching programme held in 2015, internal coach training was initiated in order to prepare a number of Senior Coach Agents. Training activities aimed at improving classroom management and public speaking skills have also continued for the position of Media Consultant. 56 resources were also subjected to a course aimed at people who manage agents with the aim of improving their coordination and feedback capabilities.
The telesales sales channel received on-the-job training directed at streamlining and industrialising the preparation phases as well as improving the customer interaction skills of the call-centre operators. Besides this work, introductory sales training has been carried out for over 50 resources in relation to the introduction of the new vendor Covisian.

Corporate training: this activity continued throughout 2016 with training courses being held for a total of approximately 540 participants and more than 7,400 hours.
In particular, in continuation with the initiatives of 2015, language training continued in the form of professional training of 15 apprentices (through on-the-job training and coaching) and training courses were concluded for specific talent candidates identified by the company as a result of an Assessment Centre on operational and managerial issues through workshops based on the Harvard negotiation model and Group Coaching sessions.
Support training was also offered to various business areas on technical/specialised topics through courses, seminars, workshops on the web and mobile (SEO), the use of the web page test platform, on social media marketing and digital communication, the SAP management system and, generally, in support of the reorganisation of work, development and integration of skills, including updating best practices related to professional roles.
During 2016, requalification training has also been provided to staff under government-sponsored lay-off schemes for the enhancement of technical, commercial and behavioural skills for a total of 259 days and 352 classroom hours. The topics consisted of HTML, CSS, Photoshop, Managing change and effective Communication.
A part of the courses provided to employees during the year was financed by 2 plans activated by Fondimpresa, one for employees and one dedicated to staff under government-sponsored lay-off schemes still under assessment by the body as of 31 December.

Services to society

In 2016, a number of charitable initiatives were promoted with which employees have helped support the activities of various non-profit organisations and associations.
Through the fair trade market and the sale of eggs at Easter, it was possible to collect funds for a number of charities such as: Emergency; Onlus Wamba for the implementation of social and health projects including the construction of centres devoted to children suffering from SMA (spinal muscular atrophy); the 'Quelli che… con Luca' Association for the support and funding of scientific research on childhood leukaemia; etc.
All employee gifts received from suppliers and clients on the occasion of the holiday season were given to associations such as Pane Quotidiano [Daily Bread] (committed to ensuring daily free food to the poorest members of the population) and the Maria Letizia non-profit organisation (dedicated to the study and treatment of childhood leukaemia). Furthermore, in December the Company donated computer labs equipped with laptop pcs and coding courses to schools in the earthquake areas. Recipients included the Amtrice Scientific Comprehensive Secondary School, The Sansi-Leonardi-Volta Secondary School in Spoleto and the Antonio Orsini Scientific Secondary School in Ascoli Piceno.

In May, the Company adhered to the "Kids in the office with Mom and Dad" initiative, welcoming the children of company employees to all corporate office facilities and entertaining them with gifts, snacks and fun activities.
Corporate summer camps were organised for employees' children aged between 6 and 12 years in the following locations: Lignano Sabbiadoro, Lake Trasimeno, Parco del Cilento and La Magdeleine in Val d'Aosta.
The Health Care Mutual Fund continued its coverage extension throughout the year, serving approximately 3,200 members including non-executive employees, their dependants and retired personnel. In addition, during 2016, the Articles of Association, the regulations and the name of the Fund were changed (from Cassa mutua Seat to Cassa Mutua Italiaonline).

Property & Facilities Management

Throughout 2016, this department has continuously ensured continuity to the monitoring of transactions with all services related to building maintenance and cleaning, mail service, logistics and company cars.
With reference to *management of the company car fleet*, the new corporate policy has been approved, entailing agreements with the rental companies Leasys, Ald and LeasePlan.
The company's fleet in early 2016 consisted of 262 vehicles; at year-end it had been reduced to 204 units.
At the same time, corporate fuel cards were standardised and distributed to all company car assignees.
In accordance with the new targets set for the current year, several measures were also taken to improve the economic performance of *Cleaning*, *Reception* and *Maintenance* services; in particular, procurement tenders were held that led to the complete overhaul of the related service contracts and in some cases, the appointment of new contractors. The tenders have also led to the unification of contractors originally hired for previously unrelated Italiaonline and ex-Seat premises.
The optimisation plan also involved streamlining electricity overheads by means of a single utility supply plan for all corporate locations (including Digital Local Services) that had previously been served by various operators.
Always in accordance with the BP goals on premises-related costs, significant consolidation activities were implemented for the Turin and Milan offices. For the Turin office in particular, the spaces occupied in two buildings were released and personnel were transferred to adjacent buildings. Similar circumstances applied to the Milan office which has been fully transferred to the Assago location.
Furthermore, the reference period saw the completion of DLS commercial consolidation procedures involving a number of sites distributed throughout the national territory.
The department, through the work of Prevention and Protection Services, has ensured continuity in the management of issues related to workplace health & Safety and health surveillance for all areas of corporate responsibility, also launching the process of content unification for the updated Risk Assessment Document.
Likewise, obligations concerning environmental protection decree 152/06 were fulfilled.

ADMINISTRATIVE, JUDICIAL AND ARBITRATION PROCEDURES

Administrative, judicial and arbitration procedures involving the Italiaonline Group

1. Disputes with the Tax Authority

On December 24, 2014, the Company received a tax assessment notice from the Tax Autority - Lombardy Regional Office (hereinafter "DRE"), claiming that the company had failed to apply withholding taxes in 2009 on interest paid to the Royal Bank of Scotland (Milan branch) for the "Senior" loan financial operation. Thus, according to the DRE, the Company should have applied withholding tax on part of the interest paid to the Royal Bank of Scotland. The DRE has calculated the omitted 2009 withholding tax as corresponding to 5.2 million euros, in addition to approximately 1 million euros in interest. The DRE did not apply penalties due to the objective uncertainty inherent in this issue; hence, the total amount requested is approximately 6.2 million euros. As a precautionary measure, the assessment notice charge in question has been partially balanced, reducing the amount demanded to 3.0 million euros.
The Company, with the assistance of its tax consultants, challenged the assessment notice. The action, petitioning the annulment of the claim, was notified to the DRE on May 13, 2015 and filed for court appearance at the Provincial Tax Commission on May 25, 2015. As stipulated by the rules governing Tax Collection, on May 21, 2015 before the formal proceedings, the Company paid, on a provisional basis pending judgement, one third of the required sum of €1.2 million. The appeal was discussed at the Provincial Tax Commission on November 3, 2015.
Following the judgement of the Milan Provincial Tax Commission filed on December 1, 2015, the appeal against the assessment notice for the 2009 tax period was accepted and a first level annulment was ordered. Following this judgement, the Company has acquired the right to reimbursement of the amounts paid while awaiting judgement, for an amount of € 1.2 million; this amount was paid in full (plus interest of € 11,863) on July 7, 2016.
On June 7, 2016, the Company received notification that the DRE had prepared its appeal against the judgement of the Milan Provincial Tax Commission, which had ordered the annulment of the tax assessment issued for the purpose of withholding taxes for the period 2009. On August 2, 2016, the Company proceeded to file its counterclaims and incidental appeal.
On October 2, 2015, the Company received five tax assessment notices issued by DRE, following the one received on December 24, 2014 referring to the year 2009. These assessments alleged that in the years 2010, 2011 and 2012 the Company had failed to apply withholding tax on interest paid to the Royal Bank of Scotland as part of the "Senior" financing loan for an approximate total of € 7.7 million, in addition to approximately 6.4 million euros in penalties for untrue withholding agent declarations, failure to apply withholding taxes, and 1 million euros in interest. Therefore, the total demand amounted to about 15 million euros, plus interest. In light of the above, the Company has outsourced the related defence action to tax advisors with a mandate to appeal the 2010, 2011 and 2012 charges. During February 2016, the Company appealed the 2010, 2011 and 2012 tax assessment and took steps to effect a provisional payment, pending judgement, of € 2.9 million, corresponding to one third of the applicable amount.
It is also noted that, in light of the changed regulatory environment and taking into account the clarifications provided by the tax Authorities by means of Circular no. 6/E of March 30, 2016, the DRE, accepting the arguments sustained by the Company, has ordered the annulment of charges for non-payment and has acknowledged the invalidity of the claim in relation to penalties for untrue statements and omitted implement of withholding taxes for the tax years 2011 and 2012, and has filed for an annulment of the related dispute proceedings The case was verbally debated on October 31, 2016 and the Company is now awaiting the relevant judgement.
In addition, on August 2, 2016, the Company has taken steps to deposit the instrument of counterclaims and cross appeal, relating to the 2009 tax period.

The Company, supported by its advisors, considers that the risk of having to call on resources to cover the charges notified by DRE is not of a likely nature but possible. Therefore, in accordance with IAS 37, it has not made any provision for risks and tax charges.

2. Claims for damage

In a summons dated July 30, 2014, Mr Rocco Amabile and 32 other individuals (the "Plaintiffs") - representing non-controlling interest in the Company - before the Court of Rome presented a civil action for damages against, among others, Seat Pagine Gialle S.p.A.. The Plaintiffs requested the Court to ascertain the contractual and non-contractual liability of Seat Pagine Gialle in relation to "the financial disruption of the company and related collapse of its stock value and consequently, to ascertain and declare the right of the Plaintiffs to be compensated pursuant to the annexed bank documentation evidence". The facts alleged by the Plaintiffs include a series of operations that involved the Company before the merger with Italiaonline; namely, the 2003 merger, the 2004 dividend distribution, the restructuring of the Debt in 2012 and the advancement of the composition with creditors procedure in 2013.

Such substantive action was preceded by an action for seizure, pursuant to Articles 669-bis and 700 of the Civil Procedure Code, December 21, 2012 promoted before the Court of Rome by seven individuals appearing as Plaintiffs in the current substantive action, which was then proposed as instrumental to a subsequent action for damages. By order dated April 12, 2013, the Court of Rome rejected the seizure because, among other things, "*the appeal does not identify with sufficient clarity what wrongfulness is attributable to the 2003-2004 merger and, above all, what are the specific responsibilities to be attributed from which would arise the right to compensation for damage as invoked. Similar considerations apply with regard to the recent debt restructuring operation which took place during 2012*".

Seat Pagine Gialle responded by rejecting all claims of the Plaintiffs based on a series of preliminary defences (in particular, the Plaintiffs' lack of standing, lack of passive legitimacy on the part of Seat Pagine Gialle, expired statute of limitations) as well as their general lack of merit.

During the first hearing held on February 10, 2015, the Plaintiffs requested a hearing for the personal appearance of the parties and in the alternative, terms for preliminary briefs pursuant to Article 183, paragraph 6 of the Civil Procedure Code. The issuer insisted on the acceptance of various preliminary objections formulated as absorbent for the definition of the judgement.

After hearing the arguments, the judge granted to the Plaintiff time for preliminary pleas pursuant to Article 183, paragraph 6, of the Civil Procedure Code.

The hearing on preliminary motions was held on May 19, 2015, following which the judge declared that the case was ready for the decision phase and scheduled a hearing for closing arguments on April 5, 2016, during which the plaintiffs quantified the loss which they suffered amounting to €1.3 million, after which the judge set the legal deadline for filing closing arguments (60 days) and responses (20 days after the deadline for filing closing arguments).

All parties have filed their final statements and responses within the specified time limits and are now waiting for the publication of the judgement, unless the Court decides not to accept the requests of the Plaintiffs and decides to reopen the investigation phase of the proceedings.

The law firm assisting the Company presently believes the opposing claims to be of dubious consistency and holds the risk level associated with an unfavourable outcome to be remote.

3. Savings Shareholders

On July 16, 2015, the special meeting of savings shareholders of the Company resolved to authorise the common representative, Ms. Stella D'Atri, to take the necessary action to challenge - under and for the purposes set out in Article 2377 et seq. of the Italian Civil Code - the resolution passed by the Ordinary Shareholders Meeting of Seat on April 23, 2015, in the part concerning the allocation of profit for the year ended December 31, 2014. The Issuer reiterated that the request to allocate part of the profit for 2014 to the distribution of dividends in favour of the savings shareholders was not compatible with the creditors agreement proposal approved by the Court of Turin and, in turn before that, with the resolution passed by the Extraordinary Shareholders Meeting of Seat on March 4, 2014 and by the Meeting of Savings Shareholders of July 2, 2014, and is therefore untenable.

On July 17, 2015, the Issuer was notified of a writ of summons filed at the Court of Turin by the common representative of the savings shareholders. The plaintiff requested the annulment of the resolution of April 23, 2015 claiming that this resolution violated the rights of the savings shareholders to receive the preferred dividend provided for in Article 6, the sixth and eighth paragraphs of the Article of association and, therefore, requested the complete or partial annulment of the aforementioned resolution. The Issuer filed for appearance by pleading the invalidity of the opposing claim while also noting that the decision was aligned with a previously approved decision of the same savings shareholders.

Subsequently, on May 18, 2016, the savings shareholders meeting resolved, among other things, to delegate the Common Representative, Ms. Stella D'Atri, to submit a settlement proposal for the proceedings brought against the Company consisting of the waiver of the on-going lawsuit against the split of the savings shares or other transactions with similar purpose.

In particular, during the hearing of October 12, 2016, the court asked the parties to evaluate a conciliatory hypothesis based on the conversion of savings shares into ordinary shares.

The Company thus expressed its willingness to cooperate in this sense and consequently, in the following months, proposed to the Common Representative the joint undertaking of a process which, through the compulsory conversion of savings shares, would lead to the closure of the dispute in question. The next hearing is scheduled for March 15, 2017 and in the absence of a settlement will proceed to the investigation stage or at the final judgment.

4. Payment of the Communications Authority fee ("AGCOM") for the period 2006-2010

A hearing on the merits of this question was held before the Lazio Regional Administrative Court (TAR) on May 9, 2012, as a result of which - at the request of the company - with a ruling on May 22, 2012, judgement was suspended pending the resolution of a similar challenge, by another telecommunications industry operator, appealing to the European Union Court of Justice against the decisions taken by AGCOM concerning the subject Fee.

On July 18, 2013, the European Court of Justice had ruled on the preliminary question, stating that Member States could only impose on companies providing services under the general authorisation system such administrative charges required to cover the overall costs incurred for the management, control and enforcement of the general authorisation system itself. Such charges may only cover costs related to these activities in a proportionate, objective and transparent manner and may not include other expenses.

On September 23, 2015, AGCOM notified an application for preliminary decision on jurisdiction with which it has asked the Supreme Court of Cassation to declare the incompetence of the Lazio TAR to decide on the Fee, arguing that the issue falls within the exclusive jurisdiction of the tax court. Thence, AGCOM notified an application for stay of proceedings before the Administrative Court until the definition of the preliminary issue of jurisdiction by the Supreme Court.

On October 7, 2015 a new hearing was held at the Lazio Regional Administrative Court, where Seat, besides reiterating the illegitimacy of the Fee enforcement decisions, in accordance with the approach adopted by the European Court of

Justice and subsequent Italian administrative case law, opposed the suspension of the administrative proceedings requested by AGCOM.
By order filed on October 20, 2015, however, the Lazio Regional Administrative Court decided to stay its judgement pending the appeal for determination of jurisdiction subject to the Supreme Court Appeal. Within these judgement proceedings, the Company filed a defence and a brief in accordance with law. At the hearing on July 19, 2016, fixed on that date by the Supreme Court of Cassation for the discussion on the jurisdiction dispute, the case was adjourned for judgement by the Court and the parties retired to await the decision.
By ruling issued on October 3, 2016, the Supreme Court found that in this case competence was attributable to the administrative courts on the basis of the established principle under which disputes concerning provisions of the Communications Authority, related to its operational costs to be financed by the relevant market (in accordance with Article 1, paragraph 65 of the law nr. 266 of December 23, 2005), are assigned to the exclusive jurisdiction of the administrative court, under Art. 133, section L, of Legislative Decree 209 of 2005.
The next hearing in this dispute is scheduled for discussion on May 3, 2017 before the Lazio TAR.
As part of the litigation, a litigation provision was recorded in previous years considered appropriate to cover the risk.

5. Disputes with former agents, ex Matrix

By notice on June 11, 2013, the firm MDE di Detti S.a.s. (hereinafter "MDE") summoned the Incorporated Company (then Italiaonline) before the Milan Court, requesting compensation for damage related to the alleged sudden interruption of the working relationship with the firm then incorporated as Matrix S.p.A. The plaintiff requested the judge to order payment of a sum amounting to € 1.2 million by way of compensation *(i)* failure to pay compensation under Art. 1751 of the Civil Code, *(ii)* contractually agreed residual charges and *(iii)* compensation for damage suffered. Italiaonline appeared before the court requesting the rejection of all counterparty requests and formulating a counterclaim with the intention of achieving the repayment of advances and pre-payments (for a total of € 288,910.50), reimbursement of expenses (€ 688,073.88), in addition to damage compensation of € 2,742,934.52. The next hearing is scheduled for 21 June 2017 for the submission of the parties' statements.
The law firm assisting the Company has assessed the risk of an unfavourable outcome as probable therefore, an adequate amount was estimated for charges to be paid by the Company.
With notification dated October 6, 2014, Uomini & Affari S.r.l. ("Uomini & Affari") summoned the Incorporated Company (then Italiaonline) before the Milan Court, requesting compensation for damage caused as a result of alleged breaches of contract in the period of the advertising contract between Italiaonline and Uomini & Affari valid from January 1, 2010 to January 31, 2014; the disputed amount is greater than € 3 million. The contract, for which Uomini & Affari complains of a plurality of failures, concerned the management of the "news" section of the Libero portal by Uomini & Affari and provided for the payment, by Italiaonline, of fees to Uomini & Affari based on the sale of the advertising space on affaritaliani.it site by Italiaonline.
With the appearance of a defence statement, the Company has rejected all the requests made by the opposing party, highlighting the lack of validity of claims. In the first hearing on September 23, 2015, the Judge granted the terms for filing the briefs provided for in Article 183, paragraph 6 of the Civil Procedure Code and deferred the judgement until April 7, 2016. With a subsequent order, the judge adjourned the proceedings to enable two witnesses (one on each side) to be heard during the hearing of December 2, 2016. The Judge then adjourned proceedings until the hearing of June 9, 2017 for the examination of other witnesses.
The law firm assisting the Company presently believes the opposing claims to be dubious and therefore indicates the risk level of an unfavourable outcome as possible.

CORPORATE GOVERNANCE

Introduction

The Company has adopted the current version of the Corporate Governance Code and has comitted to carrying out all the activities necessary to fully implement the principles and provisions therein.

The Code is publicly accessible on the webpage of the Committee for Corporate Governance on the page http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf

Management and coordination activities

At the date of this report, no entity exercises management and coordination over the Company pursuant to Article 2497 of the Italian Civil Code.

In this regard, it is recalled that, although Article 2497-sexies of the Italian Civil Code specifies "it is presumed, unless proven otherwise, that the management and coordination of companies is exercised by the company or entity required to consolidate or otherwise control the financial statements of that company pursuant to Article 2359", the Company believes it is not subject to the direction and coordination of Libero Acquisition S.à.r.l ("Libero") which nevertheless holds a stake of 58.82% of the share capital, on the basis of the following reasons:

(i) Libero has never exercised and does not exercise any type of management and coordination activity over the Company (specifically, Libero does not develop strategic, business and financial plans, nor does it draft group level budgets, with actual decision-making powers on the subsidiary; nor does it issue guidelines concerning financial and credit policy, acquisitions, divestitures and mergers of investments/assets in a manner that would affect the operations of the subsidiary; it does not issue group strategy directives);

(ii) the Company and Libero are not bound by organisational or functional links nor economic relations of any kind, nor is there any centralisation of functions such as treasury and administration, nor is there any control over the strategic orientation of the Company;

(iii) Libero restricts its involvement with the Company to the simple exercise of administrative and ownership rights arising from its status as shareholder and elects to collect whatever information may be required to prepare its consolidated financial statements; and

(iv) the Company operates with full corporate and entrepreneurial autonomy with respect to its parent Libero, in particular, it freely undertakes relationship negotiations with customers and suppliers and defines its own strategy and development policies.

Libero is a Luxembourg company, indirectly controlled by the Marchmont Trust.

Pursuant to Article 2497-bis of the Civil Code, the companies controlled directly by Italiaonline have identified the latter as the entity that exercises management and coordination. These activities involve establishing the Group's operational and general strategic orientation by defining and updating the internal control and governance model and drawing up general policies for managing financial and human resources, procuring production-related assets, training and communication.

Organisational structure

The Company has a traditional organisational structure, consisting of:
- the Shareholders' Meeting;
- the Board of Directors; and
- the Board of Statutory Auditors.

The legal auditing of accounts is entrusted to Independent Auditors.

The Board of Directors is assigned a central role in the Company's corporate governance system; it meets regularly (usually every two months, however, given the intensity of activity mainly related to the Seat-Italiaonline merger, actual frequency was higher throughout 2016).

The board is organised and operates in order to ensure the effective and efficient performance of its functions.

It should be noted that the Board is invested with the broadest powers for the ordinary and extraordinary administration of the Company. It is therefore empowered to take any measures deemed appropriate to implement and achieve corporate goals in Italy and abroad, with the sole exception of measures which, by law, are the preserve of the Shareholders´ Meeting (Article 19 of the Articles of Association).

The Board of Directors

The Shareholders' Meeting of October 8, 2015 resolved, among other things:

- that the Board of Directors is composed of nine members and set the duration of their mandates until the approval of the financial statements for the year ending on December 31, 2017;
- the appointment of directors Messrs Khaled Galal Guirguis Bishara, Antonio Converti, Sophie Sursock, Onsi Naguib Sawiris, David Alan Eckert, Corrado Sciolla, Maria Elena Cappello, Cristina Mollis and Cristina Finocchi Mahne (all solely drawn from Italiaonline SpA (the "Incorporated Company")), also appointing Khaled Galal Guirguis Bishara as Chairman of the Board of Directors. This resolution was passed with the approval of 98.637% of the voting capital.

Note that the Directors Corrado Sciolla, Maria Elena Cappello, Cristina and Cristina Mollis Finocchi Mahne have declared that they meet the independence requirements provided for by the combined provisions of Articles 147 ter, paragraph 4 and 148, paragraph 3, of Legislative Decree nr. 58/1998 and the Code (see below).

In addition, the Board of Directors, also on October 8, 2015, appointed Antonio Converti as Managing Director and David Alan Eckert as Deputy-chairman.

On November 10, 2015 the Company's Board of Directors decided to co-opt as Director Antonia Cosenz - pending verification of the independence requirements - to replace Cristina Mollis, who resigned with effect as of November 6, 2015. Antonia Cosenz was subsequently confirmed during the Shareholders' Meeting held on March 8, 2016.

On February 14, 2017 the Company's Board of Directors also resolved to co-opt as a Director and Board Chairman Mr. Tarek Aboualam, to replace Mr. Khaled Galal Guirguis Bishara, who resigned with effect as of February 14, 2017. The confirmation of Dr. Tarek Aboualam's appointment will be put to the next Shareholders' Meeting.

The appointment of directors is governed by Article 14 of the Articles of Association, which was most recently modified by the Extraordinary Shareholders' Meeting on June 12, 2012.

Specifically, the proposed changes to Article 14 of the Articles of Association (Composition of the Board of Directors) arose from the need to comply with the regulations introduced by Law nr. 120 of July 12, 2011 concerning gender balance in the composition of the management and control bodies of listed companies, which, by changing the provisions on the appointment of members of management and control bodies set out in Legislative Decree nr. 58 of February 24, 1998, as subsequently amended (the "TUF [Consolidated Finance Act]"), require listed companies to comply with gender balance criteria under which the least represented gender must account for at least one fifth of members for the first term following August 12, 2012 and at least one third for the two subsequent terms.

Furthermore, the Issuers' Regulation requires listed companies, inter alia, to set out rules in their Articles of association governing the compilation of lists and the replacement of board members whose terms come to an end, in order to guarantee compliance with the gender balance criteria.

The Board of Directors is appointed on the basis of lists submitted by the shareholders or by the outgoing Board. Each list must contain and expressly indicate at least two

candidates who meet the independence requirements pursuant to Article 147-ter, paragraph 4C of Legislative Decree 58/1998.
All lists presented by the outgoing Board of Directors and by shareholders must be submitted to the Company´s registered office at least 25 days before the Shareholders´ Meeting that will appoint the Board of Directors. They must be made available to the public at the registered office, on the Company´s website and in other ways stipulated by Consob regulations, at least 21 days before said Shareholders´ Meeting.
Each shareholder may present or participate in the presentation of only one list, and each candidate may appear on only one list; otherwise they are not eligible for election.
Lists may be presented only by shareholders who individually or jointly hold shares with voting rights representing at least 2% of the voting capital in the Ordinary Shareholders' Meeting, which is the minimum established by CONSOB pursuant to Article 147-ter, paragraph 1C of Legislative Decree 58/1998. In this regard, it should be further noted that on January 25, 2017, by Resolution nr. 19856, Consob declared, pursuant to Article 144-septies, paragraph 1 of the Issuers' Regulation, that lists of candidates for the election of the management and control bodies must be submitted by shareholders with a stake of at least 2.5% in the company, without prejudice to any lower percentages set forth in the Articles of Association. Therefore, pursuant to the relevant article currently in force, the percentage threshold for the submission of lists for the appointment of the board of directors is deemed reduced to 2%. In order to prove ownership of the aforementioned rights, copies of ownership certificates issued by authorised intermediaries must be submitted to the Company´s registered office before the list publication deadline.
Together with each list, within the term indicated above, professional resumes are filed together with declarations in which the candidates accept the nomination and attest, under their own responsibility, that there are no causes of ineligibility or incompatibility and that they possess the regulatory and statutory requirements prescribed for the office and the optional declaration of qualification as an independent pursuant to Article 147 ter, IV C, Legislative Decree 58/1998. Lists containing three or more candidates must also include candidates of different genders, as prescribed in the notice calling the Shareholder's Meeting, so that the Board of Directors may be composed in compliance with the applicable gender balance legislation.
Lists that fail to comply with the aforementioned requirements will be considered null and void.
For further details on Board appointment procedures, please see the previously cited Article 14 of the Articles of Association, and the Report on Corporate Governance and Shareholder Structure.
Given the above, concerning the appointments of company directors and statutory auditors pursuant to Article 1C2 of the Code, on the basis of relevant acquired information, the following are confirmed:

Tarek Aboualam	-
Antonio Converti	Member of the "Supervisory Body" of Telegate AG..
David Alan Eckert	-
Sophie Sursock	Director of Dada S.p.A.
Onsi Sawiris	-
Corrado Sciolla	-
Maria Elena Cappello	Member of the Board of Directors of A2A S.p.A. ; Member of the Board of Directors of Saipem S.p.A; Member of the Board of Directors of Banca Monte dei Paschi di Siena; Member of the Board of Directors of Prysmian S.p.A.. Member of the Board of Directors of FEEM (Fondazione Eni Enrico Mattei);
Cristina Finocchi Mahne	Member of the Board of Directors of Inwit; Member of the Board of Directors and Audit and Risk Committee of Trevi Group; Member of the Board of Directors and the Audit and Risk Committee of Banco Desio Group; Member of the Board of Directors of Natuzzi.
Antonia Cosenz	-

Personal and professional information on the directors can be found in the Report on Corporate Governance and Shareholder Structure, as well as in the Company website www.italiaonline.it in the Section dedicated to the Corporate governing bodies.

Delegated Bodies

Within the Board of Directors currently in office, the company has assigned corporate governance roles to two distinct officers, the Chairman and the Managing Director. A Deputy-chairman has also been appointed with Managing Director support functions in specific areas. Pursuant to the application criterion 2.C.1, only the Managing Director - Antonio Converti - and Deputy-chairman - David Alan Eckert - can be considered Executive Directors. The other, non-executive directors are sufficient in number, competence and independence to ensure that their opinion carries significant weight in the Board's decision-making process. They are particularly vigilant over areas where there could be a conflict of interests.

In 2016, there was no need for a lead independent director since the Chairman was neither the main person responsible for managing the business nor the person who controlled the Company.

For purposes of full disclosure, the powers of the Chairman and the Managing Director, as well as the system of managerial powers, are outlined below.

The Chairman of the Company has signing authority and is a legal representative of the Company in dealings with third parties and in judicial proceedings. The Chairman, who is not usually awarded managerial powers, is responsible for organising the business of the Board and liaising between the Managing Directors and the non-executive directors.

The Managing Director Antonio Converti oversees the technical and administrative performance of the Company and carries out the decisions taken by the Board of Directors. Mr Converti has signing authority and is a legal representative of the Company in dealings with third parties and in judicial proceedings. Furthermore, he has – in compliance with the requirements of law and the Articles of Association, with regard to matters that may not be delegated by the Board of Directors – specific powers and responsibilities for ensuring the operational management of Company business, up to a general limit of €5 million. There are specific limits for some types of action. The Managing Director has also been appointed as the director in charge of the Company's internal control and risk management system (described below).

To the Deputy-Chaiman of the Company, Mr David Alan Eckert, were attributed - without prejudice to the powers of the managing Director and/or the Board of Directors and in addition to the powers provided for under the applicable legislation - support functions to the Managing Director in the definition and implementation of the Company's strategic plan and in relation to commercial transactions of strategic importance.

Independent directors

The Board of Directors adopts a process for assessing the independence of its members whereby said directors, following their appointment and on an annual basis, sign a declaration (addressed to the Board of Directors and the Chairman of the Board of Statutory Auditors) of compliance with the independence requirements established the assessment criteria indicated in application criterion 3.C.1 of the Code, confirming the independence requirements established by Art. 3 of the Code. Based on the information received, the Board - in its meeting on March 15, 2017 - has evaluated (the status of) the independence requirements of each of the non-executive directors and, consequently, acknowledged and confirmed the independence of Directors Maria Elena Cappello, Antonia Cosenz, Cristina Finocchi Mahne and Corrado Sciolla. These directors also meet the independence requirements pursuant to Article 148, paragraph 3 of the TUF [Consolidated Finance Act].

It should be clarified that upon the appointment of the Board of Directors currently in office by the Ordinary Shareholders' Meeting of October 8, 2015, Directors Maria Elena Cappello, Cristina Finocchi Mahne, Cristina Mollis and Corrado Sciolla declared that they met the independence requirements prescribed by the combined provisions of Articles 147 ter, paragraph 4 and 148, paragraph 3, of Legislative Decree nr. 58/1998 and by the Code of Corporate Governance of Listed Companies.

Internal committees of the Board of Directors

In compliance with principle 4P1 and criterion 4C1 of the Code, the Board of Directors has established the following internal committees, most recently with a resolution passed on October 8, 2015:

- the Appointments and Remuneration Committee;
- the Audit and Risk Committee, each having advisory and consultative roles.

It should be noted that, in accordance with the comments on the Article 4, given the organisational structure of the Group and taking into account the skills expressed by the designated members, the Board has resolved that the functions outlined in Articles 5 and 6 of the Code of Conduct, are assigned to a single committee (the Appointments and Remuneration Committee), consisting of three members with appropriate relevant professional skills.

A Chairman was appointed for both Committees. The tasks were established following a resolution of the Board of Directors, in line with the provisions of in Articles 5, 6 and 7 of the Code, and may be supplemented or amended by subsequent resolution of the Board.

In carrying out its functions, the committees have the right to access the information and corporate functions necessary to carry out its duties.

In this respect, the Chairmen of the two Committees also have the power to make specific requests for resources needed to cover special needs of the Committees themselves and these will be presented on a case by case basis to the Board.

Appointments & Remuneration Committee

In accordance with Articles 5.P.1 and 6.P.3 of the Code, the committee in question is currently composed entirely of non-executive, independent directors in the persons of Antonia Cosenz (Chairwoman), Cristina Finocchi Mahne and Corrado Sciolla.

It should be thus clarified that the chairmanship of the Committee is awarded to an independent director and that all members have adequate knowledge and experience of finance and remuneration policies.

The most recently established Committee was appointed by the Board of Directors on October 8, 2015.

With regard to the duties provided for by Article 5 of the Code, the Committee is tasked with the following duties:

- presenting opinions to the Board concerning its size and composition, and issuing recommendations concerning individual candidates for the Board, as well as recommendations concerning the issues mentioned in Articles 1.C.3 and 1.C.4;
- presenting proposals to the Board concerning candidates for the role of director in the event that independent members need to be replaced.

With reference to Article 5.C.2 of the Code, it should be noted that the Board has not taken decisions on the adoption of a plan for the succession of executive directors.

As regards the functions assigned to the Committee pursuant to Article 6.P.4 of the Code, it should be noted that the same proposes to the Board of Directors the policy for the remuneration of directors and key management personnel.

That said, on March 23, 2017 the Board resolved regarding the Remuneration Policy, as described in the referenced Remuneration Report.

On October 8, 2015, the Board of Directors, according to criterion 6.C.5 of the Code - assigned to the Committee in question the tasks of:

- regularly assessing the adequacy, overall consistency and concrete application of the remuneration policy with respect to directors and key management personnel in the latter case making use of information supplied by managing directors; making suggestions on the matter to the Board of Directors;
- making suggestions and expressing opinions to the Board of Directors on the remuneration of executive directors and other directors in specific positions, as well as on the setting of performance targets with regard to the variable portion of this remuneration; monitoring the application of decisions made by the Board itself, in particular verifying that performance targets are actually met.

Unless expressly invited in order to provide useful information, no director may take part in the Committee meetings convened for the purpose of formulating proposals to the Board of Directors concerning the remuneration package of that same director (criterion 6.C.6 of the Code). In addition, if the Committee intends to engage the services of a consultant in order to obtain information on market practices regarding remuneration policies, the Committee should verify in advance that it is not faced with situations that could compromise their independence of judgement.

Finally, in accordance with "note" to Article 6 of the Code, the Appointments and Remuneration Committee advises that:

- in the execution of its tasks it is supported by the relevant corporate structures;
- its meetings shall be attended by the Chairman of the Board of Statutory Auditors or another delegated Statutory Auditor; in any case, other statutory auditors may be invited to attend.

General remuneration policy

It should be noted that the remuneration policy concerning the Managing Director and key management personnel in Italiaonline, as defined by the Board of Directors on the proposal of the Nominations and Remuneration Committee pursuant to Art. 6.P.4 and criterion 6.C.1 of the Corporate Governance Code, is given in the already mentioned Remuneration Report, which should be referred to for further information.

Audit and Risk Committee

The Audit and Risk Committee, appointed recently by the Board of Directors after the Shareholders meeting held on October 8, 2015, is composed of Cristina Finocchi Mahne (Chairman), Maria Elena Cappello and Antonia Cosenz[1].

The Committee is composed of independent directors who have adequate experience in accounting and finance or risk management (in accordance with Art. 7.P.4 of the Code).

In addition to the Committee members, the meetings are normally attended by the Chairman of the Board of Statutory Auditors or another statutory auditor, the Secretary of the Committee and the Manager of the Internal Audit and Compliance Department.

Furthermore, depending on the items on the agenda, the meetings may also be attended - at the invitation of the Committee itself - by the Managing Director also in his capacity as Director in charge of the internal control system and by representatives of the Independent Auditors and corporate management.

During the aforementioned meeting of October 8, 2015, the Board of Directors resolved to task the Committee with duties pursuant to Article 7.C.2 of the Code[2] .

In line with the provisions of the Code, the regulations that govern the Committee include rules on its appointments, composition and functions. In particular, pursuant to the regulations, as last amended by resolution of November 7, 2016 and in accordance with the above mentioned Article 7.C.2., the Committee shall:

1. discussion with the officer in charge of preparing corporate accounting documents [Chief Financial Officer] and, having taken the advice of the Independent auditors and the Board of Statutory Auditors, the correct application of accounting principles and, in the case of groups, their consistency for the purpose of preparing the consolidated financial statements;
2. express opinions on specific aspects concerning the identification of main corporate risks;
3. examine the periodic reports on the assessment of the internal control and risk management system, as well as other reports of particular importance prepared by the Internal Audit Department;
4. monitor the autonomy, adequacy, effectiveness and efficiency of the Internal Audit Department;
5. may request that the Internal Audit Department perform checks on specific operational areas, simultaneously informing the Chairman of the Board of Statutory Auditors;
6. report to the Board of Directors at least every six months, upon of the approval of the annual and interim financial report, on its activity and the adequacy of the internal control and risk management system;
7. support, with adequate investigations, the assessments and decisions of the Board of Directors relating to the management of risks arising from adverse facts of which the Board has acquired knowledge.

The Committee, in the functions assigned to the same, is supported by the competent internal functions including, in particular, the function

(1) Please note that the Annual General Meeting of Shareholders, held on March 8, 2016, resolved to appoint as member of the Company's Board of Directors, Antonia Cosenz - already co-opted on November 10, 2015 to replace Cristina Mollis who resigned on November 6, 2015 - which will remain in office until the expiry of th e current Board, ie until the Shareholders' meeting called to approve the financial statements ending December 31, 2017. the Board of Directors met at the end of the meeting, he decided - after an assessment of the existence of the independence requirements - to confirm Antonia Cosenz as member of the Audit and Risk Committee.

(2) As reported earlier, the Board, considering that all the Audit and Risk Committee members have the independence requirements, decided also to assign to this Committee also the Independent Directors Committee functions pursuant to and by effect of the provisions referred to Consob Related Parties

"Internal Audit & Compliance" department, as well as by external entities, whose professional skills may occasionally be required.
The Audit and Risk Committee met 17 times throughout 2016, with meetings of three hours average duration. It has met four times from January 1, 2017 up to the date of approval of this Report.
During the meetings held in 2016, the Committee undertook, among other things, the following activities:
- monitoring the development of the organisational and operational model of the Internal Audit and Compliance Department;
- it expressed its favourable opinion - in the role of Independent Directors Committee - with reference to the Merger of Italiaonline into Seat and in accordance with the OPC Procedure, concerning the Company's interest in executing of the Merger, on the basis of the terms indicated by the management in the draft Merger plan, and the convenience and substantial correctness of the terms and conditions of the Merger;
- it examined and assessed the progress of the activities set out in the audit plan prepared by the Internal Audit and Compliance Department for 2015 and the results of measures carried out;
- meetings with the Officer in Charge of preparing corporate accounting documents [Chief Financial Officer], the highest levels of the Administration, Finance and Control Department, the Board of Statutory Auditors and representatives of the independent auditors for the examination of the main features of the financial statements at 31 December 2015, the correct application of accounting policies and their consistency for the purpose of preparing consolidated financial statements;
- examination of the "document on the organisational, administrative and accounting structure" prepared by the competent corporate departments in order to assist the assessment of the Company's corporate-governance system, the Group structure and the organisational, administrative and accounting structure pursuant to Article 1.C.1 of the Code;
- meetings with the representatives of the Independent Auditors to examine the issues dealt with during auditing;
- examination and assessment of the methods used to carry out impairment tests, already examined by the Independent Auditors;
- it reviewed and assessed the results of the Enterprise Risk Management (ERM) process for defining an integrated approach to identifying, assessing, managing and monitoring business risks;
- it expressed favourable opinion on "minor transactions" pursuant to the OPC Procedure;
- it expressed favourable opinion, to the extent of its authority, on the appointment of Mr Angelo Jannone as head of the Internal Audit Department in place of Mr Francesco Nigri;
- it held meetings with the Manager responsible for preparing corporate accounting documents, the highest levels of the Administration, Finance and Control Department, the Statutory Auditors and the Independent Auditors in order to examine the essential features of the interim financial as of June 30, 2016 and the correct use of the accounting policies adopted; it has followed with particular attention and level of detail - promoting remedial action, some issues related to weaknesses in the revenue recognition processes related relating to digital advertising services of the absorbed company Italiaonline - highlighted by the attention of Internal Audit Department and resulted following the implementation of integration activities of Italiaonline S.p.A. and Seat Pagine Gialle S.p.A.. Further analysis shared with the Management of the Company and conducted with the support of external advisors, has allowed the identification of non-material errors and to incorporate into the income statement for the nine months ended September 30, 2016 a deferral of revenues amounting to approximately 0.7% of the period revenues and to approximately 0.5% of the forecast revenue on an annual basis. In this context, was initiated by the Company a project to overcome the above emerged, also in view of the future adoption of IFRS 15.

The Committee has, among other things, provided prior opinion to the Board of Directors on the implementation of the tasks entrusted to it in accordance with Art. 7.C.1 of the Code (see the following paragraph).
The percentage of attendance at Committee meetings held in 2016 is illustrated in the attached table to this report.

Internal Audit System

Under Article. 7.P.1 of the Code, the Company had an internal audit system and risk management face to allow the identification, measurement, management and monitoring of the main risks; this system is integrated into the broader organizational and corporate governance, and take into due consideration the reference models and the best practices in national and international level.

As indicated by art. 7.P.3 the Code, the internal audit system involves, in addition to the Audit and Risk Committee of which above, *i)* the Board of Directors, *ii)* the Director in charge of internal control and risk management, *iii)* the Internal Audit and Compliance Manager, *iv)* the Board of Statutory Auditors and *v)* other specific roles. The Company establishes procedures for coordination between these entities through the special board meetings held involving the participation of various bodies and audit functions (Audit and Risk Committee, the Board of Statutory Auditors, Supervisory Board, External Auditor, Chief Financial Officer and Head of Internal Audit and Compliance).

The Company, in order to spread at all levels aware of the existence and culture of controls, attributed, as indicated in its Code of Ethics, the responsibility to implement and ensure an effective system of internal control at all levels of the organizational structure. Consequently all employees, in their respective functions, are responsible for the proper functioning of the control system.

The Board of Directors

The Board of Directors is responsible for guiding and assessing the adequacy of the internal audit system.

Pursuant to Art. 7.C.1 of the Code, the Board, in consultation with the Control and Risk Committee:

- defined the guidelines for the internal control and risk management system: pursuant to Art. 7.C.1, point b) of the Code, the Board has assessed the adequacy of the internal control and risk system with respect to the characteristics of the Company and its risk profile, as well as its effectiveness: the assessment was carried out subsequent to the examination conducted by the Board on the adequacy of both the Company corporate governance and the structure of the group as well as the organisational, administrative and accounting systems (see above, section on the "role of the Board of Directors", reference to Art. 1 of the Code); pursuant to Art. 7.C.1 point d) of the Code, it resolved to consider adequate, efficient and effective the internal control system of the Company;
- assessed, in consultation with the Board of Statutory Auditors, the results set forth by the Independent Auditors in their management letter (where applicable) and in the report on the fundamental issues arising from the audit.
- approved the work plan of the Internal Audit Department, after consultation with the Board of Statutory Auditors and the Director responsible for internal control and risk management.

In particular, it's forecasted that the Board annually reviews the results of the ERM process ("Enterprise Risk Management", which will be discussed later[3]) aimed at the identification, self-assessment and monitoring of the main risks to which the Company is exposed, as the basis for the Annual Audit Plan.

Furthermore, the Board, following the proposal of the Director in charge of the internal control system, with the consultation of the Board of Statutory Auditors and subject to the approval of the Audit and Risk Committee, appoints and dismisses the Head of the Internal Audit Department, ensuring that he is empowered with adequate resources for the fulfilment of his responsibilities and defining the relevant remuneration in line with company policies (as described below).

Director responsible for the internal audit and risk management system

In accordance with Art.7.C.4. of the Code, on October 8, 2015, the Managing Director was appointed by the Board as the director in charge of the Company's internal control and risk management system. Consequently, the following tasks were assigned to him:

- identifying the main corporate risks, taking into account the nature of the business conducted by the issuer and its subsidiaries, and regularly putting them before the Board of Directors;
- executing the guidelines established by the Board of Directors, overseeing the design, creation and management of the internal control and risk management system, and constantly checking that the system is adequate and effective;

3 See the information in the section entitled "Principal characteristics of the risk management system and internal control in relation to the financial reporting process (pursuant to art. 123 bis, paragraph 2, letter b) TUF)" ("Principali caratteristiche del sistema di gestione dei rischi e di controllo interno esistenti in relazione al processo di informativa finanziaria (ex art. 123 bis, comma 2, lett b) TUF)")

- adapting the system to changing operating, legal and regulatory conditions;
- requesting the Internal Audit department to perform checks on specific operational areas and on compliance with internal procedures and rules when carrying out corporate operations, simultaneously informing the Chairman of the Board of Directors, the Chairman of the Audit and Risk Committee and the Chairman of the Board of Statutory Auditors;
- promptly informing the Control and Risk Committee (or the Board of Directors) of any problems that arise during the performance of his activities or that have come to his attention, so that the Committee (or the Board) may take appropriate action.

Internal Audit e Compliance Department

The Company calls on the assistance of the Internal Audit and Compliance Department. This department is structured to verify and ensure the adequacy of the Internal Audit System in terms of effectiveness and efficiency and to ascertain whether the system provides reasonable assurance that the organisation can effectively and efficiently achieve its objectives.

During the meeting of June 7, 2016 the Board of Directors, following the proposal of the Director in charge of the internal control and risk management system, taken note of the favourable opinion expressed by the Control and Risk Committee and the Board of Statutory Auditors, resolved as follows: *(i)* to appoint Angelo Jannone as the new Head of Internal Auditing replacing Francesco Nigri from 1, July 2016; *(ii)* to take note that the head of the Internal Audit Department thus appointed is not responsible for any operational area and hierarchically depend to the Board of Directors; *(iii)* to ensure that the Head of the Internal Audit Department function is adequately resourced to carry out his responsibilities; *(iv)* to authorise the Head of the Internal Audit Department for the tasks described in Article 7.C.5 of the Corporate Governance Code.

The Head of the Internal Audit Department is responsible for verifying that the internal control and risk management system is adequate and functioning properly. Furthermore, in accordance with Article 7.C.5. of the Code:

a) he verifies that the internal control and risk management system is suitable and functioning properly, both on an ongoing basis and in relation to specific needs and in compliance with international standards, via an audit plan that is approved by the Board of Directors and based on a structured process entailing analysis and assessment of the main risks;
b) he is not responsible for any operational areas and reports directly to the Board of Directors;
c) he has direct access to all information that may be useful to him in the performance of his duties;
d) he prepares periodic reports containing adequate information on his activities, the methods he uses to manage risks, and compliance with the plans defined to contain said risks; these reports contain an evaluation of the suitability of the internal control and risk management system;
e) he promptly prepares reports on events of particular importance;
f) he submits the reports mentioned in points d) and e) to the Chairmen of the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors, as well as to the director in charge of the internal control and risk management system;
g) he verifies the reliability of the accounting systems and other IT systems used, within the context of the audit plan.

For performing his duties, the head of the Internal Audit and Compliance Division has access to all information that may be considered useful, he has adequate means for the fulfilment of the functions assigned to him, and he operates in line with the programme of defined interventions with risk-based methodologies as approved by the Audit and risk Committee. The work programme primarily includes activities arising from the Risk Assessment process, related to compliance with Legislative Decree 231/2001, compliance with Law 262/2005, compliance with Legislative Decree 196/03 and European regulations concerning the handling and protection of personal data, verification activities on specific processes, verification activities triggered by management and employee reports, and monitoring the effective implementation of recommendations made during previous interventions (follow-up).

In the course of 2016 the Head of the Internal Audit and Compliance department undertook the following:

- checks foreseen for the year's activities;
- periodic reporting to the Director in charge of the internal control and risk system on the outcome of the actions taken;

- prompt reporting on the most important cases to the Chairmen of the Board of Directors, Board of Statutory Auditors and the Audit and Risk Committee, as well as the Director in charge of the internal control system;
- attendance at all meetings of the Control and Risk Committee, illustrating the outcome of the implemented interventions;
- participation in all the meetings of the Supervisory Board (previously 231/01 legislative decree).

Main characteristics of the internal Audit and Risk management system in relation to financial disclosure (pursuant to Article 123-bis, paragraph 2, point b) of the TUF [Consolidated Finance Act])

The Company has developed an enterprise risk management (ERM) process aimed at identifying, measuring and monitoring the main corporate risks.

Management implements ERM in order to:

- identify events that may prevent the Company from reaching its goals, evaluating their related risk level and define a degree of acceptability;
- provide the Board of Directors and management with useful information for defining the Company's operating and organisational strategies;
- provide reasonable confidence that the processes and major controls drawn up are effective and optimised towards ensuring that the Company achieves its targets.

With this in mind, a web-based application has been developed to collate, manage and consolidate information. In line with international best practices, and in particular by implementing the Co.SO Model, the risks identified and to which the Company is exposed are classified into four broad categories: strategic, operational, financial (reporting) and compliance.

The annual process, coordinated by the Internal Audit Department, adopts self-assessment across the various departments to identify the key activities and controls that can reduce the emergence of identified risks and/or mitigate their impact. A calculation algorithm, which considers the initial measurement of risk and the effectiveness of the existing control system, assigns a residual rating to each risk. On an annual basis, those risks identified with a high residual score rating are brought to the attention of the Director in charge of the internal control system, the Control and Risk Committee, the Board of Statutory Auditors and the Board of Directors.

A review of the risk portfolio has been planned for 2017, with the application of an integrated classification logic that reclassifies the risk events in one or more macro risk categories according to the new CoSo-Erm standard (compliance, strategic, operational, transparency of accounting and financial statements data) and adding sustainability to the classification parameters (according to Legislative Decree nr. 254/2016) as well as the risk of fraud.

The system of risk management and internal control in relation to the financial reporting process is based on the traditional three levels of control:

- the first level (line controls) is entrusted to the management team within their respective mandates and through the validation of administrative accounting data, the control of the underlying documentation and the segregation of duties in diverse activities, both in terms of accounting rules and in terms of administrative-accounting systems;
- the second level of control consists of a series of management activities of homogeneous types of risks that the Company, in a perspective of simplification, and because of its size, has decided to adjust with ad hoc organizational solutions, conforming to standards and best practices. In particular it was considered: *i)* to entrust the function of: compliance "231" in the field of administrative liability of Entities from Offense ("*Enti da Reato*"), compliance "262" in the field of conservation and protection compliance Legislative Decree 196/03, in the field of Privacy, to the same Internal Audit Department, renamed so Internal Audit Department and Compliance; *ii)* to entrust to said direction the management and coordination of the process "Erm" test (see below) to support audit activity; these solutions, in addition to make efficient the system of controls, (also guaranteeing the assurance on compliance risks and integrating the risk monitoring system as a key tool for the development of audit plans) are in accordance with the new 1112 standards of the Internal Profession Audit, issued by the Institute of Internal Audit, which provides for the possibility of entrusting additional roles of the function

4 Acronimo ci Committee of Sponsoring Organizations of the Treadway Commission, è uno standard nato nel 1984 e rivisto nell'ultima versione del maggio 2013 e costituisce l'insieme di Best Practice, riconosciute a livello internazionale, impiegate per la gestione dei Controlli Interni e della Corporate Governance

responsible; *iii)* to entrust the management control, in line with solutions practiced by the majority of listed companies, the Finance Administration and Control Department, for better support with second-level controls the activity of the manager in charge; *iv)* to attribute to the IT security function, in terms of risks to information security management, as well as a hierarchical reporting to the IT department a functional dependence of the Audit and Compliance Division;

- the third level of control is entrusted to the Internal Audit &Compliance Department through the execution of the Annual Audit Plan that, on the basis of risk scoring deriving also from the ERM process, performs the third-level audits of Companies processes with main purposes of the assurance adequacy of controls compared to the relative risks.

With regard to financial and reporting risks identified during the ERM process, the Company has had a specific process in place for a number of years which aims to ensure the credibility, accuracy, reliability and timeliness of financial disclosure pursuant to Law 262/05. Such activities include, but are not limited to:

- definition of "scope" i.e. a quantitative analysis of the significance of the companies included within the scope of consolidation. This analysis is carried out in the event of significant changes to the Group structure or possibly to the core business of each subsidiary, if a significant impact on the consolidated financial statements. On the basis of this "scoping" analysis, or the significance of evaluation, it has been determined for the current situation that, in quantitative terms (as indicated by the Board), the subsidiaries are not currently of significant size (see the section above concerning the Board's assessment of the adequacy of the organisational, administrative and general accounting structure pursuant to Article 1 of the Code). However, specific controls are performed on the Digital Local Services (DLS), subsidiaries which provide commercial coordination with agents, but only for intercompany transactions, since these companies are not characterised by an autonomous asset and liability cycle referenced to the external market;
- identification of the major corporate processes and the risks arising from failing to meet control objectives. This involves quantitative and qualitative analysis of the established processes and subsequent identification of the most significant ones;
- evaluation of the controls. The significant business processes identified in the previous phase are subject to specific analysis activities through preparation and/or updating of the accounting, administrative procedure and in particular the flowchart and process narratives, namely identification of the process flow and description of specific activities, and control matrices. The latter identifies the key controls and their characteristics: type (automatic or manual), frequency, the responsible officers for the process and the first control level;
- implementation of tests on identified key controls in order to check compliance related to financial statement assertions (completeness, existence, Rights and obligations, Valuation, Recognition, Presentation and Disclosure); This activity takes into account the manner of control implementation, dividing it among manual and automatic controls to application system levels and general inspections of IT structures as well as check on the frequency of the same controls;
- identification of any improvements that could be applied to the current risk management and internal audit system in order to improve supervision of the areas and processes considered significant in terms of impact on financial reporting.

Also the above activities are carried out by the Internal Audit & Compliance Department on the basis of an action plan of action established each year in agreement with the Chief Financial Officer/Officer in Charge. The findings and any improvements identified are submitted to the same Officer in Charge of preparing the financial reports [Chief Financial Officer], the Control and Risk Committee and the Board of Statutory Auditors.

Moreover, in December 2016, precisely in the context of the strengthening of the internal control system, the Company took the following actions on the organisational structure:

- the management Merger & Acquisition and control functions were brought back under the responsibility of the new Administration, Finance and Control Director/Officer in Charge [Chief Financial Officer]. This function is envisaged as a second-level control over the correctness of the administrative and accounting processes;

- the scope of responsibility of the Head of Internal Audit was expanded to also cover a number of essential compliance supervision activities such as those referring to Law 262/05, to Legislative Decrees 231/01 and 196/03 and hence this unit was renamed as the Audit & Compliance Department.

In addition to the Audit Plan, subject to the prior assessment of the Control and Risk Committee and the Board of Statutory Auditors as well as the approval of the Board of Directors, the Internal Audit & Compliance Department carries out, where required, additional third-level checks aimed at assessing the adequacy of the risk management and internal control system in place also at the subsidiaries - with regard to administrative and accounting procedures - on the basis of the indications formulated by the supervisory bodies and the corporate management team.

Finally, regarding the updating of corporate documentation pertaining to the provisions of Legislative Decree 231/2001 following the Seat/Italiaonline Merger and the intention to adopt a whistleblowing protocol, see below in section 2.5).

Organisational, management and control model pursuant to Legislative Decree 231/2001- Supervisory Board

Organizational models independent "231" conform to principles, guidelines and best practices, related to Legislative Decree 231/01 existed in both of the companies that formed the merger process (IOL and Seat PG).

It was built models based on their pre-merger business processes.

That said, on December 16, 2016 following the Seat/IOL Merger, continuing the integration process, which also involves the updating of processes and procedures required for the prevention of the crimes envisaged by Legislative Decree nr. 231/2001, the Italiaonline Board of Directors approved the new 'Group Code of Ethics' and the new "Group Guidelines for the implementation of the Organisational, Management and Control Model", addressing the administrative liability of entities for offences committed by persons in senior positions and by those who are under their management or supervision.

Both documents have a dual validity in that, on the one hand, they illustrate the system of procedures and controls required by the Board of Directors, aimed at reducing the risk of occurrence of offences envisaged by the special regulations. On the other hand, they provide a range of behavioural indications and prohibitions that sustain ethical business management, compliance with all governance regulations and, not least, the effectiveness and efficiency of all business activities in the interest of the stakeholders. Particular emphasis is placed on customer orientation, on the prevention of corruption, gender equality, the protection of workers and their health and safety as well as transparency.

In the pursuit of an organic approach, the Guidelines, considered as the master document of the 231 Organisational Model, have been prepared according to the scheme of the Decree itself and take into account the guidelines of Confindustria 2014, prevailing doctrinal and jurisprudential orientations, but also anticipating new approaches to disclosure mechanisms such as the section dedicated to the protection of reporting individuals (the so-called whistleblowing concept) in line with the indications of the Corporate Governance Code for listed companies and the evolution of the legal law.

In order to assist the Supervisory Board and the Supervisory Committees of the subsidiaries, an Ethics Committee should be established, composed of the heads of the Internal Audit & Compliance, Human Resources and Legal and Corporate Affairs Departments, which will better ensure a multidisciplinary approach to the addressed problems.

A special section dedicated to this subject is available on the Company's website at www.italiaonline.it.

Supervisory Board (pursuant to Legislative Decree 231/2001)

The Supervisory Board, pursuant to Legislative Decree nr. 231/2001, is currently composed of Messrs Alberto Mittone (Lawyer, with the role of Chairman) and Angelo Jannone (Head of Internal Audit and Compliance).

It should be noted that Angelo Jannone was appointed member of the Supervisory Board by the Board of Directors during its meeting on August 4, 2016 (following the resignation of Michaela Castelli with effect from October 8, 2015).

The current Supervisory Board will expire with the Shareholders' Meeting that will be called to approve the financial statements at December 31, 2016.

The above composition of the Supervisory Board assures suitable adherence to the provisions of the Report accompanying Legislative Decree 231/2001, endowing the Board itself with the appropriate autonomy, independence, professionalism and continuity of action required to efficiently execute its required tasks.

The Board of Directors has resolved that a member of the Board of statutory auditors shall always be invited to attend the meetings of the Supervisory Board.

The Supervisory Board is responsible for the following activities:

- monitoring the effectiveness of the organisational, management and control Model to ensure that conduct within the Company complies with it;
- monitoring the reliability of the Model by verifying that it is effective in preventing the occurrence of the envisaged offences;
- updating the Model by promoting appropriate modifications following environmental and/or organisational changes at the Company.

For the purpose of conducting the activities listed above, the Supervisory Board avails of the assistance of the Audit & Compliance Department.

When carrying out its duties, the Supervisory Board has unlimited access to Company information for investigations, analyses and control activities. All Company departments, employees and/or members of corporate bodies are obliged to provide information in response to requests by the Supervisory Board or upon the occurrence of events or circumstances that are significant for the purposes of the activities of the Supervisory Board.

The Supervisory Board met four times in 2016 and once since January 1, 2017 to the date of this report.

During 2016, the Supervisory Board i) updated the Organisational Management and Control Model to ensure its alignment with the modified corporate and business context consequent to the Merger; ii) continued to regularly execute its supervisory mandate. In particular, following the completion of the Seat/Italiaonline Meger, all documentation pursuant to Legislative Decree 231/2001 was assessed and revised. This led to the approval of the New Code of Ethics by the Board of Directors and the adoption of the "Group Guidelines for the implementation of the Organisational Management and Control Model".

The Independent Auditors

The Company's Ordinary and Extraordinary Shareholders' Meeting was held on May 12, 2016. In the ordinary session, the shareholders approved *(i)* the proposed mutual termination of the legally required audit contract in place with PricewaterhouseCoopers S.p.A. and *(ii)* the new assignment of legally required audit services for the period 2016 - 2024 to KPMG S.p.A.

Officer in Charge of preparing corporate accounting documents [Chief Financial Officer] (as per Art. 154 bis TUF [Consolidated Finance Act])

On April 19, 2007, an Extraordinary Shareholders' Meeting, pursuant to Article 154-bis of Legislative Decree 58/98 (which introduced the "Legge Risparmio" - Savings Law), resolved to modify Article 19 of the Articles of Association to give the Board of Directors (subject to the mandatory approval of the Board of Statutory Auditors) the power to appoint and revoke the corporate accounting documents officer [Chief Financial Officer] (hereafter also known as "Officer in Charge" ["CFO"]) and to determine his term of office. Officers in Charge [CFOs] must have at least three years' experience in a position of sufficient administrative and/or financial responsibility at the Company or at another company that is comparable in size or organisational structure.
On April 24, 2015, the Board of Directors appointed Andrea Servo (who was already in charge of the Company's Finance and Administration Department) to the role of Officer in Charge [CFO], given that the position he held was fully compliant with the technical and professional requirements envisaged in Art. 154-bis nr. 3 of the TUF [Consolidated Finance Act] and Art. 19 of the Articles of Association. Mr Servo´s appointment was approved by the Board of Statutory Auditors. His term of office was set to expire at the Shareholders´ Meeting called to approve the financial statements as at December 31, 2016. Andrea Servo, following a mutually agreed termination of employment, ended his appointment at the Company on December 31, 2016.
Therefore, on January 12, 2017, after consulting the Board of Statutory Auditors, the Issuer's Board of Directors, resolved to appoint Gabriella Fabotti - who in the meantime had taken over since January 1, 2017 as person in charge of the Company's Finance, Administration and Control Department - as the Officer in Charge [CFO]. Her term of office is set to expire at the Shareholders´ Meeting called to approve the financial statements as at December 31, 2017.
The Board also resolved that the Officer in Charge of corporate accounting documentation [CFO] shall exercise the powers and have the resources to effectively perform its duties pursuant to the aforementioned Article 154-bis of Legislative Decree 58/98. The Officer in Charge [CFO] reports at least twice a year to Board on the methods used to manage and control the preparation of accounting documents, on any critical issues encountered during the reporting period, and on the adequacy of the structure and the resources made available.
The Officer in Charge [CFO] plays a crucial role in reinforcing the Company's internal control system, particularly with reference to the internal process of preparing the draft financial statements and, in general, to the main documents disclosing information on the Company's financial situation.

The Board of Statutory Auditors

The board of statutory auditors consists of three standing statutory auditors and two alternate statutory auditors appointed by the Shareholders' Meeting, which also establishes their remuneration. That said, it should be noted that he General Meeting of April 23, 2015 appointed as Standing Statutory Auditors, until the financial statements for the year ended December 31, 2017, Maurizio Gili, Ada Garzino Demo and Guido Nori and as alternate Statutory Auditors Massimo Parodi and Roberta Battistin, also nominating Maurizio Gili as Chairman of the Board of Statutory Auditors.
It should be noted that on September 5, 2015 Massimo Parodi died; on March 8, 2016 the Company's Shareholders, in their ordinary meeting, decided to appoint Mr Giancarlo Russo Corvace as alternate Statutory Auditor.
Lists may be presented only by shareholders who individually or jointly hold shares with voting rights representing at least 2% of the voting capital in the Ordinary Shareholders' Meeting, which is the minimum established by CONSOB pursuant to Article 147-ter, paragraph 1 of Legislative Decree 58/1998.

In this regard, it should be further noted that on January 25, 2017, by Resolution nr. 19856, Consob established, pursuant to Article 144-septies, paragraph 1 of the Issuers' Regulation, that lists of candidates for the election of the administration and control bodies must be submitted by shareholders with a stake of at least 2.5% in the company, without prejudice to any lower percentages set forth in the Articles of Association. Therefore, pursuant to the relevant Article currently in force, the percentage threshold for the submission of lists for the appointment of the board of statutory auditors is deemed reduced to 2%.
Lists must be submitted to the Company's registered office at least 25 days before the Shareholders' Meeting that will appoint the Board of Statutory Auditors. In order to prove ownership of the aforementioned rights, copies of ownership certificates issued by authorised intermediaries must be submitted to the Company's registered office before the list publication deadline.
Each shareholder, as well as shareholders belonging to the same group, may not present more than one list or vote for more than one list, including through third parties or trust companies. Each candidate may be presented on only one list, under penalty of being declared ineligible.
Lists may not include candidates who do not fulfil the reputational and professional requirements established by law. Outgoing statutory auditors may be re-elected.
Within the same deadline, each list must be accompanied by the CVs of nominees and personal statements in which each candidate accepts their nomination, declaring that they are eligible and suitable for election and that they fulfil the requirements of law and the Articles of Association to become a statutory auditor.
Lists that fail to comply with the aforementioned requirements will be considered null and void.
Statutory auditors are elected as follows:
1) two standing auditors and one alternate auditor are taken from the list that obtained the highest number of votes at the Shareholders' Meeting, based on the order in which they are listed in the respective sections of the list;
2) the remaining standing auditor and the other alternate auditor are taken from the list that obtained the next-highest number of votes at the Shareholders' Meeting and is not directly or indirectly related to the shareholders that presented or voted for the list that obtained the highest number of votes, based on the order in which they are listed in the respective sections of the list.

The chairmanship of the Board of Statutory Auditors is assigned to the candidate on the second list that obtained the highest number of votes.
If the requirements of the applicable regulations and the Articles of Association are not fulfilled, the statutory auditor shall step down from the post.
In the event that a statutory auditor must be replaced, they [he/she] shall be succeeded by the alternate statutory auditor from the same list as the replaced statutory auditor. If said replacement does not allow for compliance with the regulations in force on gender balance, the second alternate statutory auditor, where applicable, belonging to the least represented gender and elected from the list of the replaced candidate shall be the replacement. If the application of the above procedures does not allow for compliance with the regulations in force on gender balance, the Shareholders' Meeting must be called as soon as possible to ensure compliance with the provisions of said regulations.
The aforementioned provisions on the appointment of the Board of Statutory Auditors do not apply to Shareholders' Meetings that must, pursuant to law or the Articles of Association, appoint standing and/or alternate statutory auditors and the Chairman in order to make the Board of Statutory Auditors complete following a replacement or the end of a statutory auditor's mandate, or to the appointment of statutory auditors who, for any reason whatsoever, are not appointed pursuant to the above provisions. In such cases, the Shareholders' Meeting passes resolutions in accordance with the quorums required by law, without prejudice to the provisions - where applicable - of Article 144-sexies, paragraph 12 of the Issuers' Regulation, as adopted by Consob with Resolution nr. 11971 of 14 May 1999, and in compliance with the regulations on gender balance and the other applicable provisions of law.
More information on the list vote used to appoint the Board of Statutory Auditors can be found in Article 22 of the Articles of Association and in the Report on Corporate Governance and Shareholder Structure. This document provides information on the list presented upon renewal of the Company boards.

List presented for the appointment of the Board of Statutory Auditors (disclosure pursuant to Article 144-decies of the Consob Issuers' Regulation)

During the Ordinary Shareholders´ Meeting of April 23, 2015, and in accordance with applicable legislation, information was provided and documentation was prepared pursuant to Article 144-sexies, paragraph 4 of the Consob Issuers´ Regulation. Furthermore, The San Bernardino County Employees' Retirement Association, GT NM LP, GoldenTree SG Partners LP and GoldenTree Asset Management Lux S.à.r.l, were identified as shareholdres by their asset manager GoldenTree Asset Management LP, who presented the list, as well as disclosing their overall holding percentage (29.022% of the ordinary share capital).

The Company promptly made information on the presented list available to the public on its website at http://archivio.italiaonline.it/documents/10184/166117/Lista+nomina+CdiA+e+CS+.pdf/187c87b0-17cd-4c37-b74f-3d126a2778e8.

With reference to the provisions of Article 144-octies, paragraph 2 of the Consob Issuers´ Regulation, the Company gave notice that no minority shareholders´ lists were submitted before the deadline for submitting nominations for the Board of Statutory Auditors. Thus, pursuant to Article 144-sexies, paragraph 5 of said Issuers´ Regulation, notice was given that additional nomination lists for the Board of Statutory Auditors could be submitted no later than April 2,2015 and that the statutory shareholding threshold required to present a list had been halved to 1% of the voting capital in the Ordinary Shareholders´ Meeting. On this occasion they were not presented minority lists. Further information on this matter can be found in the Company´s press release http://archivio.italiaonline.it/comunicati-price-sensitive/-/listing/2015/deposito-di-liste-di-minoranza-per-la-nomina-del-collegio-sindacale-di-seat-pagine-gialle-s-p–1.

In conclusion, it should be noted that the Company, during the Shareholders' Meeting April 23, 2015, through the press release accessible at http://archivio.italiaonline.it/comunicati-price-sensitive/-/listing/2015/-l-assemblea-degli-azionisti-approva-il-bilancio-di-esercizio-al-31-dicembre-2014-e-nomina-cda-e-collegio-sindacale of the appointment of the Board of Directors and of the Board of Statutory Auditors.

The Shareholders´ Meeting

As is generally known, the so-called "Shareholders Rights" regulations (Legislative Decree 27 of January 27, 2010, as subsequently amended) transposed into national law EU Directive 2007/36/EC on the rights of shareholders of listed companies. In particular, the decree amended Articles 2366/2373 of the Civil Code and had a profound impact on the TUF [Consolidated Finance Act], introducing important changes for listed companies, with particular regard to the conduct of shareholder meetings.

In light of this new legislation, Article 8 of the Articles of Association (as annexed to this document), as most recently amended by resolution of the Shareholders' Meeting of October 22, 2012, now states that those with voting rights, and who are eligible by law, may address the Shareholders´ Meeting in accordance with the established methods and timeframes. Each person with voting rights who is entitled to address the Shareholders´ Meeting may be represented by written proxy or proxy granted via a written document in electronic format in accordance with prevailing legislation.

It should be recalled that the Extraordinary Shareholders' Meeting of 20 April 2011 resolved to amend the text of Article 8 in order to make it more compliant with the provisions of Article 135-novies of the TUF [Consolidated Finance Act], which provides for the possibility of assigning a proxy electronically: any individual with voting rights who is entitled to attend the meeting may be represented by written or electronically assigned proxy in accordance with the applicable regulations.

The proxy may be issued to a natural or legal person.

Electronic notification of proxies may be given through the use of a special section of the company website, as specified in the meeting notice, or by

certified mail, to the e-mail as from time to time indicated in the notice.
It should be noted that pursuant to Article 135-undecies of the TUF [Consolidated Finance Act], as introduced by Legislative Decree 27/2010, companies with listed shares designate for each Shareholders' Meeting, a person to whom shareholders may grant a proxy with voting instructions on all or some of the proposals on the agenda, with the terms and conditions set out in the regulation. This legislation is applicable unless otherwise provided for in the Articles of Association. In consideration of this, the Board deemed it in the interest of the Company not to deprive itself of the possibility, in certain circumstances, to appoint the person indicated pursuant to the aforementioned paragraph 1 of Article 135-undecies of the TUF [Consolidated Finance Act]. The Extraordinary Shareholders' Meeting of 20 April 2011 had resolved to grant to the Board itself, where deemed appropriate, the right to make the aforementioned appointment, provided that the appointment is specifically announced in the notice convening the relevant Shareholders' Meeting.
Furthermore, the Extraordinary Shareholders' Meeting of 20 April 2011 had resolved, with the intention of assuring the best possible management of meeting procedures (in terms of technical/ logistics requirements), that the Shareholders' Meeting should be held in the Municiality where the registered office (or the secondary headquarters where applicable) are located. (Art. 10 of the Articles of Association).
Under Article 10 of the Articles of Association, as amended by the aforementioned Extraordinary General Meeting, the following is noted.
The Shareholders' Meeting is convened, pursuant to law, in the Municipality in which the Company's registered office (or, where applicable, its secondary headquarters) is located, through a notice published under the terms and conditions provided for by the applicable regulations. The Annual General Meeting to approve the financial statements must be convened within 180 days of the year end, in compliance with the applicable legal provisions, since the Company is required to prepare consolidated financial statements or when otherwise required by special circumstances related to the structure and purpose of the Company.
The Shareholders' Meeting is also called whenever the Board deems it appropriate or when calling is required by law.
The Extraordinary Shareholders' Meeting held on October 22, 2012 amended Article 10 of the Articles of Association, stipulating that Ordinary and Extraordinary Shareholders' Meetings convened after January 1, 2013 should be held with a single call, pursuant to law.
Pursuant to Article 11 of the Articles of Association, the quorums required for passing resolutions at the Shareholders' Meeting are those provided for by law.
At the proposal of the Chairman, the Shareholders' Meeting appoints a secretary, who does not have to be one of the shareholders. In cases where it is required by law, and where the Chairman of the Shareholders' Meeting deems it necessary, the minutes are drawn up as a public deed by a notary appointed by the Chairman himself.
It should be noted that Article 19 of the Articles of Association, pursuant to Article 2365, second paragraph of the Civil Code, prescribes that the powers therein are excluded from the shareholders' meeting and attributed to the Board of Directors (see “The role of the Board of Directors Article 1 of the Code” in the section above).
The directors will make every effort to facilitate shareholder participation. Where possible, all directors and statutory auditors (especially the directors whose role dictates that they can make a valuable contribution to discussions) shall attend the Shareholders' Meetings.
With reference to criterion 9.C3 of the Code, in light of the efficient management of its Shareholders' Meetings and the absence of any critical issues, to date it has not been proposed that the Company adopt Shareholders' Meeting regulations. Note, however, that Article 2371 of the Civil Code expressly stipulates that the Chairman of the Shareholders' Meeting verifies the regular constitution of the Meeting itself, ascertains the identity and eligibility of those present, regulates its development and ensures the results of votes (in accordance with Art. 12 of the Articles of Association, the Chairman of the meeting, also by means of appropriate delegates, ascertains the right of intervention, compliance of proxies with the laws in force, the correct calling procedures of the meeting, the identity and eligibility of those present, directs the proceedings and takes appropriate action to ensure orderly

discussion and voting, establishing the procedures and verifying the results.
In particular:

- with reference to the matters from time to time on the agenda, the Board seeks to provide shareholders with adequate information regarding the necessary elements so that they can make the relevant decisions;
- to ensure that each shareholder is entitled to take the floor on topics being discussed, before proceeding with the discussion of each agenda item, the meeting Chairman reminds participants that intend to speak to reserve their slot and that in order to guarantee an effective meeting debate, these comments must be concise, relate to the agenda and typically last for up to 10 minutes per speaker; lastly, those that have already taken part in the discussion may request to respond, generally for no more than 5 minutes.

Shareholders´ Meetings in 2016

The following Shareholders´ Meetings were held in 2016:

1) Ordinary and Extraordinary Shareholders' Meetings

a) On March 8, 2016, the Ordinary and Extraordinary Meeting of the Company resolved:
   i) to approve the reverse merger of the Incorporated Company into the Company, with the approval of the committee of independent directors - according to the exchange ratio set at 1350 ordinary shares for each share of the Incorporated Company;
   ii) the Stock Option Plan and the granting of powers to the Board of Directors to increase the share capital for the aforementioned Stock Option Plan pursuant to Article 2441, paragraphs 5, 6 and 8 of the Civil Code.;
   iii) the assignment of powers to the Board of Directors to increase the share capital in one or more instalments, with exclusion of the option rights pursuant to Article 2441, paragraph 4 of the Civil Code.;
   iv) - the appointment, as a member of the Board of Directors, of Ms Antonia Cosenz, co-opted by the Board of Directors on November 10, 2015;
   v) - the appointment of Mr Giancarlo Russo Corvace as alternate statutory auditor.

b) On 27 April 2016, the Ordinary Shareholders' Meeting of the Company resolved:
   i) to approve the 2015 financial statements of the Company, whose draft was approved by the Board of Directors of March 15, 2016, closing with a loss of € 27,114,345.46, and to cover the loss for the year for the full amount through the use of Retained Earnings;
   ii) approve Section I of the Remuneration Report pursuant to Article 123-ter of Legislative Decree nr. 58 of 24 February 1998.

c) The Company's Ordinary and Extraordinary Shareholders' Meeting was held on May 12, 2016 and *:*
   i) approved *(i)* the proposed mutual termination of the legally required audit contract in place with PricewaterhouseCoopers S.p.A. and *(ii)* the new assignment of legally required audit services for the period 2016 - 2024 to KPMG S.p.A.;
   ii) resolved, subject to the effectiveness of the Seat-Italiaonline Merger, to *(i)* approve the grouping of outstanding shares in the ratio of 1 (one) new ordinary share for every 1000 ordinary shares of the existing company, *(ii)* change the corporate name of the Company to "Italiaonline S.p.A." and to transfer its registered office to the Municipality of Assago (Milan) maintaining a branch in the City of Turin, and *(iii)* approve the consequent changes to the Articles of Association.

2) Meeting of the Savings Shareholders

On May 18, 2016, the special meeting of Company savings shareholders *(i)* approved the statements relating to the Common Fund pursuant to Article 146 of Legislative Decree 58/1998, *(ii)* confirmed Ms Stella D'atri as savings shareholders' representative for the years 2016-2018 with an annual remuneration of 36,000 euros, *(iii)* authorised a provision of 150,000 euros to cover expenses related to the protection of common interests of the savings shareholders pursuant to Art. 146 of the TUF, *(iv)* authorized the common representative to analyse the impact on the category by the merger and the proposed grouping of ordinary shares and possibly initiate any activities to protect the same category and *(v)* gave proxy to the common representative to propose to the Company a transaction relating to the challenge against the resolution of the Meeting of April 23, 2015, in the part concerning the allocation of the profit of the year ended December 31, 2014.

Shareholder relations

In accordance with the principles of Article 9 of the Code, pursuant to which the Board of Directors promotes initiatives to encourage the maximum possible participation of shareholders at Shareholders´ Meetings and to facilitate the exercise of shareholders´ rights, the Shareholders´ Meetings are usually held at the Company´s branch office in Turin at what was once the headquarters of the Company (ie the secondary location). As previously reported, according to art. 10 Articles of Association the meeting was convened in the town in which they are located the head office or the secondary location.
The documentation for the Shareholders´ Meeting, which is available pursuant to the legislation in force, is sent to all shareholders who request it, and can be sent by email. Information can also be received by phone.
With reference to the application criteria under Article 9 of the Code, during 2016, in compliance with the "SEAT Pagine Gialle S.p.A. procedure for the management and disclosure to the market of privileged information", up to July 6, 2016 and later in compliance with the "Guidelines on the treatment of privileged information" of Italiaonline (referenced above), the Company disclosed information about its activities accurately, promptly and transparently, in accordance with the proper procedures.
Dedicated departments look after relations with the national and international financial communities (Investor Relations) and with shareholders (Corporate Affairs).
To promote dialogue with all players in the financial market, the Company has made available on its website, in two special sections entitled "Governance" and "Investor" *(i)* all documentation concerning the Company's governance system, information on corporate bodies and the reports to shareholders and material for shareholder use, and *(ii)* all the financial documentation (financial statements, half-yearly and quarterly reports), supporting documentation (presentations to the financial community), as well as press releases issued by the Company, all in both Italian and English. The "Investor" section includes also information of interest to the Shareholders, including the progress of the Italiaonline share value on the Stock Exchange.

ENVIRONMENTAL SUSTAINABILITY

Italiaonline, the largest Italian Internet company, is aware that it also has a great responsibility, not only to investors, customers, suppliers and employees, but also with regard to the environment and the territories in which it operates. It is a responsibility not only of an economic nature but it is also ethical, aimed at creating lasting value and growth over time, to be delivered intact to future generations. Underlying all this is a strong and deep-rooted sense of corporate social responsibility that influences and determines industrial and commercial decisions, carried out with the aim of supporting the growth of the country and creating a corporate awareness of sustainability.
For the production of editorial products, the Company only works with suppliers and printers who observe the strictest standards of quality and environmental certification and uses paper and card material from some of the leading paper manufacturers in Northern Europe, possessing the relevant certificates in quality management (ISO 9001) and environmental management systems (ISO 14001 and EMAS) and whose products contain an average of 40% recycled fibre, while the remaining 60% comes from cellulose obtained from forests managed according to PEFC (Programme standards for the Endorsement of Forest Certification schemes) and FSC (Forest Stewardship Council).
Regarding the requirement to limit the use of natural raw materials, the Italian PagineGialle and PagineBianche have played a leading role in Europe for directories using lightweight paper: since 1995, the phone books have been respectively printed on 32 and 34 gr/sq.m. paper.
Also Italiaonline is a "Print Power" partner, a multi-year pan-European project carried out by the main operators and associations representing the entire value chain of printed paper, which is divided into two initiatives to demonstrate the quality and potential of print media to the market, both in terms of advertising effectiveness, and of sustainability of environmental impact: "*Print Power" and "Two Sides*"

Print Power

This is an advertising initiative that supports the specific values of printed media and its effectiveness. This advertising campaign highlights the effectiveness of specific qualities of printed materials (to reinforce or complement campaigns online or in other media). Today, it remains essential to maintain an integrated communication approach capable of adopting both on-line and off-line strategies in order to guide consumers in a thorough and efficient manner.
The "*Print Power*" campaign is aimed at the advertising investment decision-makers in companies, media centres and advertising agencies.

Two Sides

"*Two Sides* - The green side of paper" is an information campaign, launched at the end of 2010 and re-launched in 2011 and early 2013, aimed at a broad *target*, on the environmental sustainability of the paper industry.
By invoking facts and figures, the campaign aims to overcome stereotypes such as the supposed adverse ecological impact connected to the use of this raw material.
As a "*Two Sides*" partner, we are committed to minimising the environmental impact of our operations, thus contributing to sustainable development by:

- conducting business activities in an environmentally and socially responsible manner,
- supporting and promoting forest certification systems and the recycling of cellulose fibre,
- ensuring that raw materials come from sustainable sources,
- quantifying and managing the environmental footprint by eliminating or minimising the impact on nature,
- promoting efficient collection and recycling systems to reduce (and in the future eliminate) the disposal of waste paper and printed material in landfills,
- improving the sustainability of business activities while minimising waste and the use of water and energy.

In 2016, Italiaonline also partecipated in the comunication campaign "IT'S NOT TRUE THAT PAPER IS THE EVERY OF FORESTS" - published in newspapers, magazines and trade press thanks to the collaboration of the FIEG and AVES publishers associations and promotions on the site www.twosides.info/it and on the Facebook and twitter social networks. Contributions also included the publication of a full colour page in the Rome, Milan, Turin and Naples PAGINEBIANCHE® edition.

CORPORATE RESPONSIBILITY

"There is a great company to serve all companies", states the slogan of the advertising campaign announcing the birth of a new industrial reality: the new Italiaonline - generated by the merger of Seat Pagine Gialle S.p.A. and Italiaonline - it is the largest internet company in Italy and the largest next-generation national network of digital marketing professionals, that can provide institutions, the Public Administration, associative and business world - large, medium and small – with the most complete and effective system of media and communication services in the area, where each entity can find representation, and directly meet their customers. A responsible, accountable and transparent company looking to the future, always close to the Public Administration domain, thanks to the biggest Italian consulting network operating throughout the country.
Underlying all this is a strong and deep-rooted sense of corporate social responsibility that influences and determines business and commercial decisions, carried out with the aim of supporting the growth of the country and creating a corporate awareness of sustainability.
The values of Italiaonline, which are the basis of this major industrial project and that constitute its guiding inspiration, are the unremitting attention to the development of the economic and social fabric of the communities in which it operates, the focus on continuous innovation, the mission of contributing to the healthy growth of the business of small and large companies as well as the desire to seriously earn the trust of its clients, thanks to the fairness, transparency and passion that characterise all business relationships, both internal and external to the organisation.
For all these reasons, every Client who chooses Italiaonline is involved in a major project of sustainable growth.
Throughout 2016, Italiaonline has pursued the environmental harmonisation of its services and products and the spreading of communication and multi-channel promotion, to effectively support the activities, values, customs and lifestyles of its customers, employees, suppliers, partners and institutions with which it interacts on a daily basis, contributing concretely to the action of contrasting the crisis and the economic and social revival of the country.
The product range of Italiaonline is an increasingly functional evolution of new forms of participatory citizenship and behavioural mechanisms of social interaction: the ability to observe and monitor the habits and needs of consumers enables the development and use, without limits of space and time of next-generation products and services. Moreover, in addition to continuous innovation, upgrading and dissemination of new information models and multi-channel promotion, networking and mobile, Italiaonline pays special attention to the needs of those market players who, for various reasons, do not access, or still have difficulty accessing, the opportunities generated by the digital arena.
Thanks to the continued strong commitment, in economic and industrial terms, throughout 2016, Italiaonline has further enriched its offering with new and useful content for the citizens and guests of the Italian territories, providing an effective daily support to needs for knowledge and enjoyment of the services and products available across the Country.

Italiaonline - a Public Administration media partner

A closer relationship is with the Public Administration, built by reorganizing the institutional relations with individual municipalities, where not only the commercial part is the correct space but where especially ItaliaOnLine qualifies as an indispensable partner for the citizen to information, whether in emergencies and every day. This social function strengthens the company's credibility, not only among PA partners but also among commercial operators and individual citizens. For this reason, more and more public administrations grant their institutional patronage to the dissemination of Italiaonline media and decide to use the front sections of *Smartbooks* to inform the citizens on their most significant and strategic initiatives.

From Turin to Milan, and onto Venice, Florence, Chieti, Rome, Naples, Catania… in territory after territory, Italiaonline confirms its primary role as a media partner of the Italian municipalities.

In particular, the most "famous" multimedia system of information on Italian service providers and businesses - PagineBianche, Tuttocittà PagineGialle - is becoming an increasingly genuine "guide" linking territories and citizens across the nation, from North to South, offering a service of reliable contact information that is alternative and complementary to other channels (phone, web and mobile), and generating more than a billion consultations per year.

Some of the latest and most significant examples of multichannel declination of service information, in this case in the context of public health, is the *Guida Pratica per l'Azienda Unità Sanitaria Locale di Ferrara*, the mobile App for the Varese Health Authority and declination on the platform of Facebook of information relating to *ASUR Marche* and its *Aree Vaste*. These are essential tools for the understanding and enjoyment of diverse health services by the broadest populations because they are synergistically diversified across mobile, online and social platforms, as well as on paper and through telephone information services.

Current analyses on the use of Italiaonline products show that the new single volume, published in 113 editions, distributed in 18.5 million copies and distributed with a certified way throughout all urban areas, is used throughout the year by more than 19 million Italians, of all social groups, especially by those who have difficulty in using new technologies, for economic reasons or lifestyle contexts.

Digital culture serving SMEs: the path of CNA and Italiaonline for the digitisation of the country continues with DIGITALY.

SMEs account for over 99% of Italian companies: they number 4 million; they generate about 70% of turnover; and employ 80% of workers in our country. To expand their potential in global markets, digital tools are becoming increasingly necessary. For this reason, the 'Digitaly' tour continues; designed, conceived and promoted by CNA in partnership with Italiaonline, Google, Amazon and Registro.it under CNR. Throughout 2015, with 50 events across the country, this initiative effectively spread the culture of digital opportunity for SMEs. In this context, Italiaonline and other partners provide their know-how through training sessions to raise awareness and promote to SMEs the importance of being digital, helping them to grow their business, thanks to tools such as advanced management systems, use of Internet-oriented business, networks used for e-commerce, management of customers and suppliers, CRM, e-invoicing, relations with the banks and public administration, recruiting, an effective website and digital strategies for Social Media. The participating companies are also involved in B2B meetings organised by CNA to create a direct comparison between digital companies and "traditional" companies.

MOVIDUP, free time management for the healthy and sustainable growth of urban communities

The promotion of elements of territorial excellence, entertainment, food, leisure along with cultural, artistic and tourism initiatives are channelled as a basic instrument to educate, promote health, promote personal growth and integration, enhancing human capital as a strategic resource and a decisive factor for the development and expansion of urban communities in terms of social, economic and civil evolution: a healthy development of society is also based on a close balanced connection between work and leisure.

On this basis, *Movidup* was launched in March 2016, a new application to learn everything, absolutely everything, about the "nightlife" of every Italian city, its entertainment events, every aspect of artistic and cultural life, for the evenings and later. This is the spirit of the app, created as part of the Italiaonline Lab (the contest/workshop launched in the Company at the end of 2014 to encourage all employees with a business idea in mind, to develop a winning product or service or improve an existing one) and composed of sections - such as events, venues, cinemas - selectable by date, by distance and also "tailor-made" through *recommendation* mechanisms, organised chronologically, searchable by geographic location, also powered by a careful selection of thousands of Facebook pages of appointments, organisation of events, concerts and shows. *Movidup* provides information on about 4 thousand events a week and 22 thousand venues and locations - easy to reach with the map display and each accompanied by photos and comments of the Foursquare community - and more than 5 thousand cinemas throughout Italy.

The new SUPEREVA portal: Italiaonline's preferential editorial focus on public awareness issues.

For an editor, among the most sensitive topics within *Corporate Social Responsibility* is that of information processing and how this can influence the awareness and involvement of people. The new *superEva* portal project is inspired by US brand experiences such as *buzzfeed* and prestigious publications such as Forbes, but it is based entirely on a data-driven publishing strategy. Completely renovated in February 2016 by the Italiaonline team and ready to continue supporting Italians in their online inquiries, it will follow *social media and search trends* and is destined to become a leader in launching a new way of producing content in Italy. The new superEva, redesigned in 2016, is a *lifestyle destination site*, which highlights the most searched and discussed topics of the moment, according to algorithms that follow the growth, dissemination and sharing trends, analysing the flow of information on the main social networks and search engines. The articles are *crowdsourced,* with a group of young editors who write on-demand content on the indications of superEva team. The site's programming is therefore not determined by editorial staff rather, it is modelled in real time based on users' preferences. This makes superEva the number one site in Italy with topics chosen 100% based on SEO *and social trends*. It is a new way of producing content that has even given rise to a new profession: *audience editor* – a figure that knows how to listen to the web and its trends, identifying them and circulating them to give them a voice.

"KIDS IN THE OFFICE WITH MOM AND DAD": an interesting work-life balance initiative to achieve the right mix between work and private life.

Also in 2016, in May, in the wake of a tradition that has lasted for some time now, Italiaonline joined the "Kids in the office with Mom and Dad" initiative promoted by Corriere della Sera (in collaboration with La Stampa), which aims to close the gap between family and work by welcoming employees' children into the office: a full afternoon of entertainment and fun with over 420 young guests, spread over 11 branches (Assago, Turin, Bologna, Brescia, Milan, Naples, Palermo, Pisa, both offices in Rome and Treviso). There was strong support for this initiative, which was particularly significant as it was carried out during the merger between SEAT Pagine Gialle and Italiaonline, and helped to facilitate the integration between the two companies.

'A life on Social Media': Italiaonline, alongside the State Police and the Ministry of Education, runs an awareness campaign among young people about the dangers of the Internet.

Also in 2016, thanks to the extraordinary media coverage of its portals Libero and Virgilio, Italiaonline was the media partner for 'A life on Social Media', the most important itinerant educational campaign undertaken by the State Police, in collaboration with the Ministry of Education and the Childhood and Adolescence Guarantor Authority, promoting awareness and prevention of the risks and dangers of the internet.

In a mobile classroom travelling from north to south throughout the country, the operators of the Postal and Communications Police, supported by partner companies, met with students and parents of many cities with one major goal: to avoid future repetition of the recent serious episodes covered in the news concerning adolescents and the growing problem of cyberbullying and all the various forms of abuse related to a distorted use of technology.

It is cyberbullying that worries most: the Skuola.net research project by the State Police showed that half of the children interviewed had direct or indirect experience of phenomena of this kind. That is why 4 out of 5 are very interested in meetings with experts to learn how to best interact with social media. This is just what 'A life on Social Media truck' is achieving around Italy: encounters with 1 million students inside and outside schools; 106,125 parents; 59,451 teachers; 8,548 schools; 30,000 km covered and 150 cities visited; a Facebook page with 78,000 likes and 12 million monthly users searching on issues of online security and safety.

Besides Italiaonline, several major companies are also protagonists of this international digital reality: such as Facebook, Fastweb, Google, H3G, Microsoft, TIM TelecomItalia, Twitter, Norton by Symantec, Skuola.net, Vodafone, Wind, Youtube, the Italian Post Office, and more.

The corporate reorganisation of the new Italiaonline in the context of social responsibility.

Also a company merger with particular awareness of the social impact of this type of operations can become an opportunity for philanthropic initiatives. In the case of Italiaonline, the recovery of movable property and office equipment arising from the reorganisation of the Milan and Turin offices has provided the occasion for supporting many charitable initiatives, by means of the collaboration with "Donio, give without mistakes" - a young digital startup born within the I3P incubator of the Turin Polytechnic - and the commitment of an important and historical Foundation such as Giorgio Valsania Onlus. Supporting social initiatives must take place within a secure and validated "donation framework" at the centre of which is placed safety and quality for the benefit of the most vulnerable and needy population groups who become the final recipients. Donio, which presents itself as the first marketplace that brings together donors with all agencies working for the social good, has helped to identify an institution capable of promoting in the best way possible the recovery of usable goods for the optimal benefit of the situations of greatest need. This screening identified "AMMP Giorgio Valsania Onlus", a historical Foundation that supports a large number of small communities most in need of help in a structured and continuous manner - reception centres, solidarity banks, soup kitchens for the poor, families - and is able to better manage the important operation, also from a logistic point of view.

Italiaonline and support for the schools in the earthquake areas: "The Coding Project" and "By donating you learn"

As the first Internet company in the country, support for new technologies and the training of young digital natives is a strategic central mission: in particular, the course was launched in 2014, with 'Class Gifts', a successful relationship with secondary schools, setting up the computer rooms of three secondary schools in the cities with historical company headquarters: Milan, Pisa and Rome. The following year it continued with 'Operation Code Santa Claus', by funding coding classes in the same schools, with an additional one in Turin.

Thanks to this long-established tradition, also on the occasion of the end of 2016 holiday season, **Italiaonline** decided to donate to the schools the budget intended for Christmas gifts, sustaining **three secondary schools** in the areas most affected by the Central Italy **earthquakes** last August and October, with a particular focus on epicentre areas. The project, named "**By donating you learn**", was aimed at helping the local community to refocus on their most important asset: young people, accompanying them on the theme of computer skill, in a learning process that cannot fail to take into account information technology, and in particular Coding, as fundamental tools for the future development of their professional orientation. The most prominent schools that achieved recognition in those areas are: the **Comprehensive Scientific** Secondary School of **Amatrice**, the Sansi-Leonardi-Volta Scientific Secondary School in **Spoleto**, the Antonio Orsini Scientific Secondary School in **Ascoli Piceno**. The last two have been donated equipment (laptops and tablets) for setting up computer rooms and financial and technical support has been organised for coding courses in the Amatrice school.

Italiaonline: a CSR oriented company.

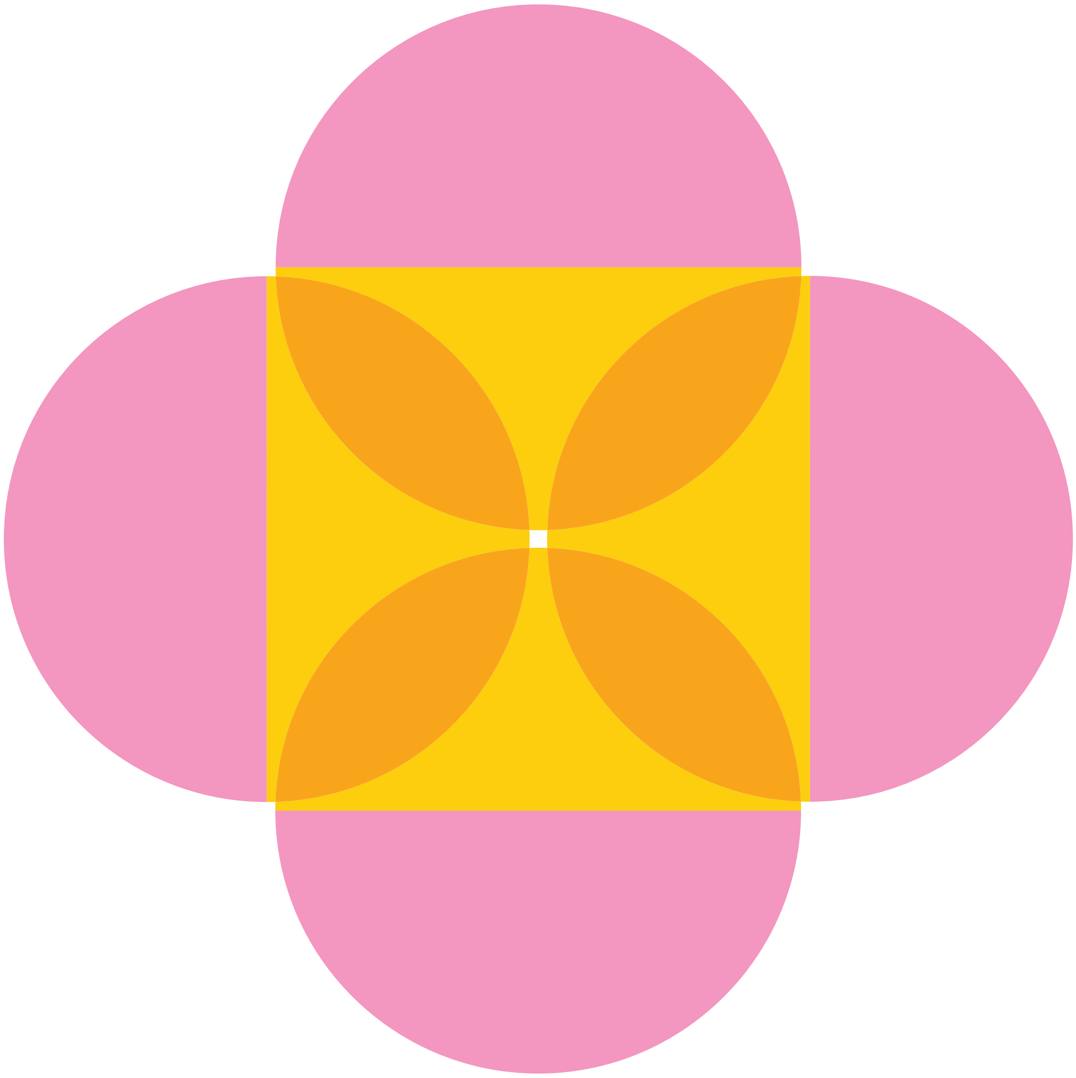
The vocation of Italiaonline for continuous innovation and change (also from a cultural, social and ethical point of view) and its widespread presence throughout the country, places it in a closely interdependent relationship with the local communities in which it operates and their public and economic development: this propensity towards a "networked social context" creates greater sensitivity in management and strategy approaches and the development of new technological and organisational skills that maximise the capability of working alongside clients within and outside the company. The attitude sustaining social responsibility in Italiaonline becomes a competitive factor and a smart way to consolidate relations and enable new market opportunities.

In the interests of equal opportunity, to achieve the desired results it is necessary to start with the involvement and active participation of all human resources that in different ways can contribute to the development of a fundamental collaboration in the business project and processes that can bring useful results for all.

In particular, in the context of internal initiatives to raise social awareness and charity events developed in 2016 for and with employees, we find the activities to support information campaigns for the International Day Against Homophobia, triggered by the World Federation in 125 countries is fighting to achieve equal rights for LGBTI people; to make Easter even more significant, the Italiaonline employees bought the Wamba and Athena Onlus solidarity eggs and hens, the proceeds of which were dedicated to children suffering from spinal muscular atrophy (SMA) and their families; on the occasion of the International Day Against Violence Against Women, Italiaonline joined in all major locations in the awareness campaign dedicated to remembering women victims of femicide; to close the year with a concrete sign of attention to those in need and to all the extraordinary operators working in the social context, the offices in Milan and Turin hosted solidarity Christmas Markets in which Don Ciotti's Libera, Doctors Without Borders, Foundation Paideia, Aism, Casa Oz Baricco, CIFA, Wamba and the Princess Laetitia Foundation were involved as major players; Finally, continuing a long-established tradition, always during the Christmas and year-end holidays, it was decided to allocate the gifts arrived in the company to organisations such as the Comitato Maria Letizia Verga Onlus, an association that concentrates the commitment of parents, friends and healthcare operators in providing medical and psycho-social assistance for children suffering from leukaemia, assuring them the best possibility of recovery and quality of life.

All initiatives were shared and supported effectively through structured internal communication activities, highlighting both the actions and the results for a full involvement of all, stimulating the ability to express themselves, to evaluate and enrich the activities with new personal contributions.

Creativity



CONSOLIDATED FINANCIAL STATEMENTS OF THE ITALIAONLINE GROUP

Consolidated statement of financial position as at December 31, 2016

Assets

(euro thousand)		AT 12.31.2016	AT 12.31.2015 *RESTATED* (1)	NOTE
Non-current assets				
Intangible assets with an indefinite useful life		250,720	250,720	(6)
Intangible assets with a finite useful life		66,605	93,360	(8)
Property, plant and equipment		8,654	11,752	(9)
Leased assets		-	6,628	(10)
Other investments		2,111	3,646	(11)
Other non-current financial assets		3,469	2,358	(12)
Deferred tax assets, net		152	191	(29)
Other non-current assets		23,560	6,832	(15)
Total non-current assets	**(A)**	**355,271**	**375,487**	
Current assets				
Inventories		2,210	3,789	(13)
Trade receivables		161,786	161,786	(14)
Current tax assets		7,215	26,598	(29)
Other current assets		40,177	46,098	(15)
Current financial assets		610	785	(19)
Cash and cash equivalents		121,566	123,566	(19)
Total current assets	**(B)**	**333,564**	**397,906**	
Non-current assets held for sale and discontinued operations	**(C)**	**11,801**	**2,525**	(31)
Total assets	**(A+B+C)**	**700,636**	**775,918**	

(1) December 2015 data have been restated to reflect, at August 31, 2015, the accounting effects resulting from the Purchase Price Allocation process.

Liabilities

(euro thousand)		AT 12.31.2016	AT 12.31.2015 *RESTATED* [1]	NOTE
Equity attributable to the owners of the parent				
Share capital		20,000	7,558	(16)
Share premium reserve		117,217	207,628	(16)
Legal reserve		4,000	884	(16)
Actuarial reserve		(1,691)	337	(16)
Other reserves		205,161	75,013	(16)
Profit (loss) for the period		22,650	4,052	
Total equity Equity attributable to the owners of the parent	**(A)**	**367.337**	**295,472**	**(16)**
Non-controlling interests				
Share capital and reserves		-	50,860	
Profit (loss) for the period		-	(1,407)	
Total non-controlling interests	**(B)**	**-**	**49,453**	**(16)**
Total equity	**(A+B)**	**367,337**	**344,925**	**(16)**
Non-current liabilities				
Non-current financial liabilities		-	7,798	(19)
Non-current provision for employees		19,015	18,393	(21)
Net deferred tax liabilities and non-current tax liabilities		9,267	33,762	(31)
Other non-current liabilities		31,540	33,531	(22)
Total non-current liabilities	**(C)**	**59,822**	**93,484**	
Current liabilities				
Current loans and borrowings		59	41,996	(19)
Trade payables		111,027	137,713	(24)
Liabilities for services to be provided and other current liabilities		110,407	116,621	(24)
Provision for risks and current charges		33,798	36,048	(23)
Current tax liabilities		4,260	4,926	(29)
Total current liabilities	**(D)**	**259,551**	**337,304**	
Liabilities directly associated with non-current assets held for sale and discontinued operations	**(E)**	**13,926**	**205**	**(31)**
Total liabilities	**(C+D+E)**	**333,299**	**430,993**	
Total liabilities and equity	**(A+B+C+D+E)**	**700,636**	**775,918**	

(1) December 2015 data have been restated to reflect, at August 31, 2015, the accounting effects resulting from the Purchase Price Allocation process.

Consolidated income statement for 2016

(euro thousand)	YEAR 2016	YEAR 2015 *RESTATED* (1)	NOTE
Sales of goods	1,677	2,170	(25)
Provision of services	387,799	214,131	(25)
Revenue from sales and services	**389,476**	**216,301**	**(25)**
Other income	4,031	3,428	(26)
Total revenue	**393,507**	**219,729**	
Costs of materials	(13,939)	(8,602)	(26)
Costs for external services	(192,130)	(116,424)	(26)
Personnel expense	(99,782)	(47,687)	(26)
Allowance for impairment losses	(14,894)	(9,419)	(14)
Accruals to provisions for risks and charges, net	(5,422)	(898)	(22; 23)
Other operating expenses	(3,393)	(3,390)	
Operating income before amortization, depreciation, non-recurring and restructuring costs, net	**63,947**	**33,309**	
Amortization, depreciation and impairment losses	(54,104)	(25,488)	(8; 10)
Non-recurring income (charges), net	(9,356)	(9,922)	(26)
Restructuring income (charges), net	252	(281)	(26)
Operating profit (loss)	**739**	**(2,382)**	
Interest expense	(2,486)	(394)	
Interest income	2,555	644	(27)
Impairment losses on investments	(1,499)	(6,624)	(27)
Profit (loss) before income taxes	**(691)**	**(8,756)**	**(28)**
Income taxes	23,341	11,399	
Profit (loss) for the year	**22,650**	**2,643**	**(29)**
- of which attributable to the owners of the parent	22,650	4,052	
- of which attributable to non-controlling interests	-	1,409	

(1) December 2015 data have been restated to reflect, at August 31, 2015, the accounting effects resulting from the Purchase Price Allocation process

		At 12.31.2016	At 12.31.2015
Number of Italiaonline S.p.A. shares		114,768,028	58,528,045
- *ordinary shares*	*no.*	114,761,225	58,528,045
- *saving shares*	*no.*	6,803	
Shares outstanding (*)		114,761,257	58,528,045
Profit (loss) attributable to the owners of the parent	€/thousand	22,650	4,052
Profit (loss) per share	€	0.197	0.069

(*) Figure refers to the number of shares outstanding following the completion of the merger with retroactive effect from January 1, 2016

Consolidated statement of comprehensive income for 2016

(migliaia di euro)	YEAR 2016	YEAR 2015 RESTATED [1]	NOTE
Profit (loss) for the period	**22,650**	**2,643**	
Other comprehensive income (expense) that will not be reclassified subsequently to profit or loss:			
Actuarial gains (losses) net of tax	(868)	598	
Total other comprehensive income (expense) that will not be reclassified subsequently to profit or loss	(868)	598	(17)
Other comprehensive income (expense) that will be reclassified subsequently to profit or loss:			
Profit (loss) from fair-value measurement of securities and investments AFS	-	(11)	
Gain (loss) from translation of foreign operations	-	6,333	
Total other comprehensive income (expense) that will be reclassified subsequently to profit (loss) for the period	-	6,322	(17)
Total other comprehensive income (expense), net of tax	**(868)**	**6,920**	
Total comprehensive income (expense) for the year	**21,782**	**9,563**	
- of which attributable to the owners of the parent	21,782	9,609	
- of which attributable to non-controlling interests	-	(46)	

(1) December 2015 data have been restated to reflect, at August 31, 2015, the accounting effects resulting from the Purchase Price Allocation process.

Consolidated statement of cash flows for 2016

(euro thousand)		YEAR 2016	YEAR 2015 RESTATED [1]	NOTE
Cash flows from operating activities				
Operating progit (loss)		739	(2,382)	
Amortization, depreciation and impairment losses		54,104	25,488	(8);(9);(10)
Stock options		606	757	
(Gain) loss on disposal of non-current assets		(22)	6	
Change in working capital		(3,705)	1,608	
Income taxes		(1,147)	1,694	
Change in non-current liabilities		9,801	1,871	
Foreign exchange adjustments and other changes		67	(363)	
Cash flows generated by operating activities	**(A)**	**60,443**	**28,679**	
Cash flows for investing activities				
Purchase of intangible assets with a finite useful life		(21,053)	(19,802)	(8)
Purchase of property, plant and equipment		(2,102)	(1,765)	(9)
Other investments		(1,103)	(205,852)	(*)
Proceeds from disposal of non-current assets		746	2	
Cash flows used in investing activities	**(B)**	**(23,512)**	**(227,417)**	
Cash flows from financing activities				
Repayment of non-current loans		(1,118)	(544)	
Paid interest and financial expense, net		1,856	524	
Change in other financial asset and liabilities		(40,669)	41,400	
Increase of capital		-	135,018	
Cash flows generated by (used in) financing activities	**(C)**	**(39,931)**	**176,398**	
Cash flows from non-current assets held for sale and discontinued operations	**(D)**	**1,000**	**-**	
Cash flows of the year	**(A+B+C+D)**	**(2,000)**	**(22,340)**	
Opening cash and cash equivalents	**(E)**	**123,566**	**28,659**	**(19)**
Cash and cash equivalents of Moqu Group at February 28, 2015			**13**	
Cash and cash equivalents of Seat Group at August 31, 2015			**117,234**	
Closing cash and cash equivalents		**121,566**	**123,566**	

(1) December 2015 data have been restated to reflect, at August 31, 2015, the accounting effects resulting from the Purchase Price Allocation process.
(*) This includes the capital increase of € 135,017 thousand subscribed by contribution of 53.87% of the shares of Seat Pagine Gialle S.p.A.

Consolidated statement of changes in equity for 2016

(euro thousand)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	STOCK OPTION RESERVE	ACTUARIAL RESERVE	OTHER RESERVES	PROFIT (LOSS) FOR THE PERIOD	TOTAL	NON-CONTROLLING INTERESTS	TOTAL
At 12.31.2015 *RESTATED*	**7,558**	**207,628**	**884**	**790**	**337**	**74,223**	**4,052**	**295,472**	**49,453**	**344,925**
Allocation of previous year profit (loss)	-	-	-	-	-	4,052	(4,052)	-	-	-
Share-based payments	-	-	-	606	-	-	-	606	-	606
Total other comprehensive income (expense) for the year	-	-	-	-	(868)	-	22,650	21,782	-	21,782
Merger	12,442	(90,473)	3,116	-	(1,159)	125,655	-	49,581	(49,581)	-
Impact of Europages's ownership percentage	-	-	-	-	-	(158)	-	(158)	126	(32)
Capital increase and other changes	-	62	-	-	(1)	(7)	-	54	2	56
At 12.31.2016	**20,000**	**117,217**	**4,000**	**1,396**	**(1,691)**	**203,765**	**22,650**	**367,337**	**-**	**367,337**

Consolidated statement of changes in equity for 2015

(euro thousand)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	STOCK OPTION RESERVE	ACTUARIAL RESERVE	OTHER RESERVES	PROFIT (LOSS) FOR THE PERIOD	TOTAL	NON-CONTROLLING INTERESTS	TOTAL
At 12.31.2014	**5,000**	**76,010**	**202**	**34**	**(150)**	**61,153**	**13,638**	**155,887**		**155,887**
Capital increase	2,558	132,459	-	-	-	-	-	135,017	-	135,017
Allocation of previous year profit (loss)	-	-	682	-	-	12,956	(13,638)	-	-	-
Share-based payments	-	-	-	757	-	-	-	757	-	757
Total other comprehensive income (expense) for the year	-	-	-	-	487	5,070	4,052	9,609	(46)	9,563
Other movements	-	(841)	-	(1)	-	(4,956)	-	(5,798)	49,499	43,701
As at 12.31.2015 restated	**7,558**	**207,628**	**884**	**790**	**337**	**74,223**	**4,052**	**295,472**	**49,453**	**344,925**

Notes to the consolidated financial statements at December 31, 2016

1. Corporate information

Italiaonline provides web marketing and digital advertising services, including advertising campaign management and lead generation through social networks and search engines. It is also the leading operator in the Italian market for printed and online telephone directories. The company serves small and medium-sized enterprises, which are the backbone of the Italian economy, as well as large companies.

The Parent Italiaonline SpA has its registered office in Assago, Via del Bosco Rinnovato 8, and a share capital of € 20,000 thousand; the duration is fixed as required by the Articles of Incorporation until December 31, 2100.

The Group's main activities are described in the Report on Operations, under "Performance by Business Area".

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with the provisions of Legislative Decree No. 38 of February 28, 2005, applying the international financial reporting standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union, including all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing endorsed Interpretations Committee (SIC), and in compliance with the applicable Consob regulations.

The Italiaonline Group adopted the IFRS in compliance with Regulation (EC) No. 1606 of July 19, 2002.

The financial statement formats adopted are consistent with those of IAS 1. Specifically:

– the *consolidated statement of financial position* was prepared by classifying assets and liabilities as "current/non-current" and showing "non-current assets/liabilities which are held for sale and discontinued operations" as two separate items, as required by IFRS 5;
– the *consolidated income statement* was prepared by classifying operating costs by nature, as this is considered the best way to present the Group's activities and complies with internal reporting methods. As required by Consob resolution No. 15519 of July 27, 2006 in the context of the income statement by nature, income and charges from non-recurring transactions were specifically identified, highlighting their impact on the operating profit (loss).
  Non-recurring income and charges include those which, by their nature, do not occur continuously in the normal course of operations, such as:
  – company restructuring costs;
  – non-recurring and highly strategic consultancy (relating mainly to identifying and implementing solutions for company and/or financial restructuring);
  – costs linked to directors and department manager end of office entitlement.
– the *consolidated statement of comprehensive income* shows the cost and/or revenue items not yet recognised in the income statement with an impact on Group equity as at the reporting date;
– the *consolidated statement* of cash flows was prepared by recognising cash flows from operating activities according to the "indirect method," as allowed by IAS 7, showing cash flows from operating, investing and financing activities separately from those from non-current assets held for sale and discontinued operations.
  Cash and cash equivalents in the financial statement include cash, cheques bank overdrafts and short-term securities which are readily convertible into cash.
  Cash flows from operating activities are presented after adjusting the operating profit or loss for the year for the effects of: non-cash transactions; any deferment or accrual for past or future operating receipts or payments; items of income or expenditure associated with investing or financing cash flows or which relate to non-current assets held for sale and discontinued operations;
– the *statement of changes in net equity* shows the changes which took place in net equity items.

The data is shown in euros and all figures have been rounded off to the nearest thousand, unless otherwise indicated.
Publication of the consolidated financial statements at December 31, 2016 of Italiaonline group was authorised by resolution of the Board of Directors of March 15, 2017.

2.1 Assessment of the company's viability as a going concern

The annual financial report of December 31, 2016 was prepared on the assumption of the continuation of the company's activity, since there is a reasonable expectation that Italiaonline SpA will continue to operate for the foreseeable future (and in any case for a timespan of more than twelve months).

2.2 Basis of consolidation

The consolidated financial statements include the separate financial statements of Italiaonline S.p.A. and its direct and indirect subsidiaries included under table 1. Where necessary, these financial statements have been amended to align them with the accounting policies adopted by the Parent.
Subsidiaries:
The Parent Italiaonline S.p.A. has control when it simultaneously has:

- decision-making power over the investee, i.e., the ability to direct the investee's relevant activities, or those activities that significantly affect the investee's returns;
- the right to variable (positive or negative) returns from the investee;
- the ability to affect these returns through its power over the investee.

The company reassesses whether it controls the investee any time that events or circumstances indicate that one or more of the three elements of control has changed.
The subsidiaries are consolidated on a line-by- line basis as of the date of acquisition, or the date on which the Group acquires control, and cease to be consolidated on the date on which control is transferred outside of the Group or if they are held for sale.

The following principles of consolidation were also used:

– recognition of assets, liabilities, costs and revenue in their total amount, not considering the amount of equity held, and recognising to non-controlling interests, in separate items, the share of equity and profit for the year attributable to them;
– elimination of receivables and payables, as well as costs and revenue arising from intra-group transactions;
– elimination of intra-group dividends.

Non-controlling interests represent the portion of the profit or loss and equity of the subsidiaries not held by the Group. These are presented separately from the portions attributable to the Group in the consolidated income statement and equity.

2.3 Discretionary assessments and accounting estimates

Pursuant to IFRS, when preparing consolidated financial statements and corresponding explanatory notes, the management must make estimates and assumptions that affect the amounts of for revenue, costs, and assets and liabilities in the financial statements, as well as the information on contingent assets and liabilities as at the reporting date. The actual results may differ from these estimates.
The estimates are used to measure the provisions for risks on receivables and errors, amortisation and depreciation, impairment losses, employee benefits, taxes, restructuring provisions and other accruals and provisions for risks.
The estimates and assumptions are periodically reviewed, and the effects of any change are immediately reflected in the income statement.
These valuations and estimates must be considered together with the accounting policies described in more detail in Note 4.

3. Accounting standards and interpretations issued by the IASB/ IFRIC

3.1 Accounting, standards amendments and interpretations issued by IASB / IFRIC applicable from January 1, 2016

Following the new IAS / IFRS that were in effect as of January 1, 2016.

Annual cycle of improvements to IFRSs 2010-2012

On December 12, 2013, the IASB published the document "Annual Improvements to IFRSs: 2010-2012 Cycle", endorsed by the European Union with Regulation n.2015 / 28 of December 17, 2014, the following changes to the principles:

- the amendment to IFRS 2 clarifies the definition of "vesting condition" by separately defining the concepts of "performance conditions" and service condition";
- the amendments to IFRS 3 clarify how to classify contingent consideration agreed as part of a business combination. In particular, the amendment clarifies that if the contingent consideration is a financial instrument, it must be classified either as a financial liability or as an equity instrument. The amendments to IFRS 3 also clarify that the changes in fair value of a contingent consideration, which does not represent a "measurement period adjustment" and has not been classified as equity, should be recognized in profit or loss;
- the amendments to IFRS 8 require an entity to provide additional information that consists of a short description of the criteria used by management to aggregate operating segments, as well as to explain the economic indicators that have been the subject of assessment in finding that the aggregate operating segments have similar economic characteristics. The amendments also clarify that reconciliation between the total assets of the sectors and the consolidated total assets is due only when it is already provided periodically to the management;
- the amendment to IAS 24 concerns the definition of "related party" to include the management entity that is the entity that provides, the reporting entity, services with key management personnel. This management entity must be included among the related parties of the reporting entity and it follows that it must meet the disclosure requirements of IAS 24 on related parties stating, besides the cost of services paid or payable to the management entity, also other transactions carried out with the same such as funding. The amendment also clarifies that if a company obtains key management personnel services from other entities, it will not be required to disclose the fees paid or payable by the management entity to these executives;
- Changes to IAS 16 and 38 clarify that in case of application of the revaluation model, the adjustment to the accumulated amortization and depreciation are not always proportional to the adjustment of the gross book value. In particular, to the recalculation of the value date, the adjustment of the carrying amount of the revalued value can happen in one of two ways: a) the gross carrying amount of the asset is adjusted so that it is consistent with the revaluation and the accumulated depreciation is adjusted so as to be equal to the difference between the gross carrying amount and the carrying amount of the asset after considering the accumulated impairment losses; b) accumulated depreciation is eliminated against the gross carrying amount of the asset.

Amendments to IFRS 11 – Joint Arrangements

On May 6, 2014 the IASB published "Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)". This document was endorsed by the European Union with Regulation n.2173 of November 24, 2015. The amendments to IFRS 11 provide new guidance on accounting for acquisitions of interests in jointly controlled assets constituting a business combination. In detail a joint operator who acquires an interest in a joint operation that represents a business, must follow the principles in IFRS 3 when consolidating it if these do not conflict with IFRS 11. This means that the assets and liabilities of the ' interest in a joint operation must be measured at fair value and, if present, must be detected goodwill or income from the acquisition on favorable prices. They are also to be reported in the income statement the acquisition cost and must provide all the disclosure required by IFRS 3.

Amendments to IAS 16 - Property, plant and equipment, and IAS 38 - Intangible assets

On May 12, 2014, the IASB published "Clarification of Acceptable Methods of Depreciation and

Amortisation (Amendments to IAS 16 and IAS 38)". This document was endorsed by the European Union with Regulation n.2231 of December 2, 2015. The amendments to IAS 16 clarify that an amortization method based on revenue generated by the asset (revenue-based method) is not deemed appropriate as it only reflects the revenue stream generated by that asset and not, the pattern of consumption of the economic benefits embodied in the asset. The same explanation was given with reference to IAS 38, nevertheless providing for the rare cases where the presumption of non correctness of a revenue-based amortization can be overcome.

Amendments to IAS 27 - Separate Financial Statements

On August 12, 2014 the IASB published "Equity Method in Separate Financial Statements (Amendments to IAS 27)". This document was endorsed by the European Union with n. 2441 Regulation of December 18, 2015. The amendments allow entities to apply the equity method, described in IAS 28 Investments in associates and joint ventures accounted for in their separate financial statements investments in subsidiaries, joint ventures and associates.

Annual cycle of improvements to IFRSs 2012-2014

On September 25, 2014 the IASB published "Annual Improvements to IFRSs: 2012-2014 Cycle". This document was endorsed by the European Union with n.2343 Regulation of December 15, 2015. The amendments, within the ordinary course of rationalization and clarification of international accounting standards, covering the following principles:

- the amendment to IFRS 5 clarifies that the change of classification of an asset (or disposal group) from held for sale to held for distribution to shareholders should not be considered a new disposal plan therefore the date classification should not change either;
- the amendment to IFRS 7 clarifies that there may be a continuing involvement with its disclosure obligations where this is provided for the payment of a commission to a vehicle carrying out the servicing of the transferred assets;
- the amendment to IAS 19 specifies that in case of use of the discount rate reported to the deep market for high quality corporate bonds, the market depth must be estimated on the basis of the currency in which the obligation is expressed and not the currency of the country where the obligation is located;
- the amendment to IAS 34 requires that the disclosure requirements for interim financial reports not present in the interim reports may be recalled through a reference to another document provided that it is available to users in the same terms of the interim financial statements (for example, any public report of the directors).

Amendments to IAS 1 - Presentation of Financial Statements

On December 18, 2014 the IASB published "Disclosure Initiative" (Amendments to IAS 1) ". This document was endorsed by the European Union with n.2406 Regulation of December 18, 2015. The amendments clarify some aspects regarding disclosure regarding: materiality (to be referred to the financial statements as a whole); disaggregation and subtotals; Notes structure (is reiterated flexibility but that's always been considered the understandability and comparability); investments accounted for at equity (the share of OCI should be separate as other OCI items). The initiative is part of the Disclosure Initiative project that aims to improve the presentation and disclosure of financial information in financial reports and to resolve some of the issues raised by operators.

Amendments to IFRS 10 - Consolidated financial statements; IFRS 12 - Disclosure of interests in other entities and IAS 28 - Investments in associates and joint ventures

On December 18, 2014 the IASB published "Investment Entities: Applying the Consolidation Exception" (Amendments to IFRS 10, IFRS 12 and IAS 28). This document was endorsed by the European Union with Regulation n.1703 of 22 September 2016. The amendment, which has resulted in some changes to IFRS 10-12 and IAS 28, , aims to set out the requirements for accounting for investment entities and to provide for exemptions in certain situations. The changes will apply from January 1, 2016 or later.

The adoption of these new standards, amendments and interpretations had no significant impact on the separate and consolidated financial statements of Italiaonline S.p.A..

3.2 Accounting policies, amendments and interpretations recently endorsed by the European Union

At the time of preparing these annual financial statements, the competent bodies of the European Union completed the approval process necessary for the adoption of accounting standards and amendments mentioned below. With reference to the standards applicable to the Group it has decided not to exercise the option that provides for the early adoption where permitted.
The possible impact that these standards, amendments and interpretations will have on the Company is being analyzed.

IFRS 15 – Revenue from Contracts with Customers and Amendments
On May 28, 2014, the IASB and the FASB have published, under the IFRS-US GAAP convergence program, IFRS 15 "Revenue from Contracts with Customers". This document was endorsed by the European Union with Regulation n.1905 of September 22, 2016. The standard is a unique and comprehensive framework for the recognition of revenue and sets out provisions to be applied to all contracts with customers (with the exception of contracts within the scope of standards on leases, on insurance contracts and financial instruments). IFRS 15 replaces the previous standards on revenue: from IAS 18 Revenue and IAS 11 Construction contracts, as well as IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of assets from customers and SIC-31 Revenue - barter transactions involving advertising services. The new model for the recognition of revenues under IFRS 15 (five step model) requires revenue to be recognized at the transfer of goods or services to the customer's control (and no longer to the substantial transfer of risks and rewards) and to the consideration which the entity expects to be entitled (so no more at fair value). The September 11, 2015, the IASB issued Amendment to IFRS 15 which has postponed the entry into force of the standard, starting at January 1, 2018. Early application is permitted however. In addition, on April 12, 2016, the IASB issued some clarifications regarding IFRS 15 Revenue from Contracts with Customers. The new standard is applicable to annual reporting periods beginning on or after January 1, 2018 or later.

The analysis activity by the company aimed to assess the impact of the application of IFRS 15 on the consolidated financial statements is in progress. A reliable estimate of the effects of its application will be available only on completion of this activity.

IFRS 15 must be applied retrospectively from January 1, 2018 through one of the following methods:
- Full retrospective method that requires restatement of all comparative periods presented in the financial statements;
- Simplified retrospective method which provides for the recognition of the cumulative effect of the first application of the standard as an adjustment to opening equity at January 1, 2018. The amounts of all the comparative periods presented in the financial statements remain unchanged. Adopting the simplified method still requires the provision of quantitative and qualitative information for each financial statements item impacted by the new standard.

The choice of the transition method is still being evaluated by the Italiaonline Group.
The main cases applicable to the consolidated financial statements of the Group Italiaonline on which the new standard will have an effect are described below:
- **Contracts containing different types of goods and / or services:** the new standard will require the precise identification of the so called *"separate performance obligations"* included in each contract and the subsequent allocation of the contract price on the basis of the *"relative fair value method"*, giving each *performance obligation* identified any discount provided by the contract, proportionally based on the *stand alone* sale price of each of them. The adoption of this method could result in a different allocation and temporal distribution of revenue, with particular reference to contracts that include both print services (whose revenue is recognised *"at a point in time"* when the lists are distributed) and web services (whose revenue is recognised over time that is, over the term of the contract);
- **Free services:** in contracts in which free services are provided, it will presumably be necessary to attribute a portion of the contract price to such services on the basis of the relative *fair value* method accounting for revenue when the services are provided to the customer;
- **Principal vs agent:** the revised standard requires

that when determining whether the company providing the goods / services is acting as *principal or agent*, with effects on gross or net presentation of revenue and related costs, the credit risk towards the end customer is no longer to be considered. Therefore, this amendment will require the need for an updated assessment of the existing contracts in order to identify any changes to the current accounting treatment;

– **Contractual costs:** the revised standard requires the recognition of "Current / non-current Assets " in order to detect the incremental costs incurred in obtaining a contract (e.g. Commissions) and costs incurred for its execution; these costs must be recognised in the income statement on a systematic basis, in keeping with the transfer timing of the goods / services to the customer. The identification of all the contractual costs, in order to assess the possible period of deferral to be taken for evaluation is in the course of assessment.

IFRS 9 – Financial instruments

On July 24, 2014 the IASB published the final version of IFRS 9 "Financial Instruments". This document was adopted by the European Union with Regulation n.2067 of November 22, 2016. The document includes the results of the IASB project aimed at replacing IAS 39 and exceeds all versions of IFRS 9 previously issued in classification and measurement, derecognition, impairment and hedge accounting. Among the main changes, please note that in terms of classification and evaluation must consider the business model used to manage financial and characteristics of cash flows of financial assets and liabilities. In addition, the standard introduces new aspects for the assessment of credit losses (expected credit losses) and a new hedge accounting model. The new standard must be applied from January 1, 2018.

The Italiaonline Group has not yet completed its analysis of the impact of the application of the provisions of IFRS 9 on the classification and measurement of financial assets, the impairment of financial instruments and hedge accounting.

3.3 Accounting policies, amendments and interpretations not yet endorsed by the European Union

At the time of preparing this annual report, the European Union had not yet completed the approval process necessary for the adoption of accounting standards and amendments mentioned below. The possible impact that these standards, amendments and interpretations will have on the financial statements of the Group is being analyzed.

IFRS 14 – Regulatory Deferral Accounts

On January 30, 2014 the IASB published IFRS 14 *"Regulatory Deferral Accounts"*, the interim standard related to the rate-regulated activities project. IFRS 14 permits, only to entities adopting IFRS for the first time, to continue to recognize the amounts relating to rate regulation in accordance with previous accounting standards adopted. In order to improve comparability with the entities that already apply IFRS that do not recognise these amounts, the standard requires that the effect of rate regulation should be presented separately from other items. IFRS 14 applies to financial statements for periods beginning on January 1, 2016 or later; Early application is permitted. However, it should be noted that to date the *European Commission* has decided to suspend the *Endorsement Process* pending the final accounting standard to be issued by the IASB.

Amendments to IFRS 10 – Consolidated financial statements and IAS 28 – Investments in associates and joint ventures

On September 11, 2014 the IASB published "*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture* (*Amendments to* IFRS 10 and IAS 28)", in order to resolve a conflict between IAS 28 and IFRS 10. Under IAS 28, the gain or loss resulting from the sale or contribution of a non-monetary *assets* to a *joint venture* or associate in exchange for a share in the capital of the latter is limited to the share held by other investors not involved in the transaction. In contrast, IFRS 10 requires recognition of the entire gain or loss in the event of loss of control, even if the entity will retain a non-controlling stake in the company, including the sale or contribution of a subsidiary to a *joint venture* or associate. The changes introduced provide that in a sale / contribution of *assets* or a subsidiary to a joint venture or associate, the share of profit or loss to be recognized in the financial statements of the assignor / transferor depends on whether the assets or the subsidiary sold / contributed constitute or not a business as defined by IFRS 3. In the event that the sold / contributed assets or the subsidiary represent a business, the entity shall recognize the profit or loss on the entire investment held; conversely, it shall

recognize the share of profit or loss on the stake still held by the entity that needs to be eliminated.
It is pointed out that in December 2015, the IASB issued an *Amendment* which differs indefinitely the entry into force of the amendments to IFRS 10 and IAS 28.

IFRS 16 – Leases
On January 13, 2016 the IASB published the new standard IFRS 16 Leases, which replaces IAS 17. IFRS 16 applies to financial statements for periods beginning on January 1, 2019 or later. The new principle actually eliminates the difference in the accounting of the operating and financial lease even in the presence of elements which allow to simplify the application and introduces the concept of control within the definition of a lease. In particular whether or not a contract constitutes a lease, IFRS 16 requires an assessment of whether or not the lessee has the right to control the use of a given activity for a specified period of time.
IFRS 16 is applicable retrospectively from 1 January 2019 by adopting, alternatively, one of the following methods:
• the *"full retrospective method"* which involves the restatement of all comparative financial statement periods;
• the *"simplified retrospective method"* with the cumulative recognition of the first application of the standard as an adjustment to opening equity for the year in which the standard is adopted, without therefore restating its comparative financial statement periods.

IFRS 16, from the point of view of the leasee, provides for all lease cost of contracts (without distinguishing between operating leases and finance leases) being registered in the balance sheet of a liability, represented by the present value of future lease payments, against the corresponding entry in the assets of the "right of use of the activity taken under lease". Lease contracts with a term equal to or less than 12 months and the lease of low value goods can be excluded from the application of IFRS 16.

Amendments to IAS 12 - Income tax
On January 19, 2016 the IASB published certain amendments to IAS 12 Income Tax. The document "Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)" aims to clarify how to account for deferred tax assets related to debt instruments measured at fair value. The changes apply to financial statements for periods beginning on January 1, 2017 onwards. Earlier application is permitted. The endorsement by the EU is expected in the second quarter of 2017.

Amendments to IAS 7 - Statement of Cash Flows
On January 29, 2016 the IASB published certain amendments to IAS 7 Statement of cash flows. The Disclosure Initiative Document (Amendments to IAS 7) aims to improve the presentation and disclosure of financial information in financial reports and to resolve some of the issues raised by operators. The amendments introduce new disclosure for changes in liabilities and assets arising from financing activities. The standard applies to financial statements for periods beginning on January 1, 2017 onwards. The endorsement by the EU is expected in the second quarter of 2017.

Amendments to IFRS 2 - Share-based payment
On June 20, 2016, the IASB issued certain amendments to IFRS 2 - "Share-based Payment." This document aims to clarify the accounting treatment of certain share-based payment transactions. The changes apply to financial statements for periods beginning on January 1, 2018 onwards. Early application is permitted. The endorsement by the EU is expected in the second half of 2017.

Annual cycle of improvements to IFRSs 2014-2016
On December 8, 2016, the IASB published the document "Annual Improvements to IFRSs Standards 2014-2016 Cycle ". The changes introduced, within the ordinary course of rationalization and clarification of international accounting standards, covering the following standards: IFRS 1 First-time adoption of international financial reporting standards, IFRS 12 Disclosure of interests in other entities and IAS 28 Investments in associates and joint ventures

Amendments to IAS 40 - Investment Property
On December 8, 2016, the IASB published certain amendments to IAS 40 - "Investment Property". The amendment clarifies the aspects related to the treatment of transfers to, and from real estate investments. This amendment applies to annual reporting periods beginning on or after 1 January 2018 or later; Early application is permitted. The endorsement by the EU is expected in the second half of 2017.

4. Accounting policies

Intangible assets

Intangible assets consist of identifiable and controllable non-monetary assets without physical substance, which are able to generate future economic benefits for the company. Intangible assets acquired separately as well as internally generated development costs are recognised at cost of acquisition and/or production cost, including expenses directly associated with preparing the asset for operations, net of accumulated amortisation and any impairment losses. Any interest expense accrued during the period of production or development of intangible assets acquired is considered part of the purchase cost where they require a substantial period of time before being ready for use. Intangible assets acquired in a business combination transaction are recognised at their fair values at the acquisition date.

Amortisation begins when the asset is available for use and is distributed systematically over its remaining useful life, i.e. based on its estimated useful life.

The useful life of intangible assets is recognised as finite or infinite.

Intangible assets with a finite useful life are amortised over their useful life and are subject to impairment testing whenever there are indications of possible impairment.

Intangible assets with an indefinite useful life refer to goodwill and company trademarks:

(a) Goodwill

Goodwill resulting from an acquisition or merger is initially measured as described in the "Business Combinations" section.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. It is tested for impairment annually, or more frequently if events or changes in circumstances indicate that an impairment loss may have occured as required by IAS 36.

(b) Trademarks

This item includes – among other things – the trademarks Libero, Virgilio, Seat Pagine Gialle and Seat Pagine Bianche. Said trademarks are classified as intangible assets with an indefinite useful life and, therefore, are initially recognised at cost and then tested at least once a year to identify any impairment losses ("impairment testing"), in accordance with IAS 36. It is noted that following the purchase price allocation (PPA) process completed in the first half of 2016, the Seat Pagine Gialle and Seat Pagine Bianche trademarks were classified as having an indefinite life.

Intangible assets produced internally, excluding development costs, are not capitalized and are recognized in the income statement for the year in which they are incurred.

The period and method of amortization applied are reviewed at the end of each financial year or more frequently if necessary.

In particular, the following intangible assets with finite useful life may be identified within the Group:

(c) Software and industrial patents

Software license costs, including the costs incurred to make the software ready for use, are amortized on a straight-line basis over the useful life (mainly in three years), while the costs associated with maintenance of software programs are expensed when incurred.

(d) Development costs

The costs related to research activities are recognized in the income statement as incurred, while development costs are recognized as intangible assets when the following conditions are satisfied:

- the project is clearly identified and the costs associated with it can be identified and measured reliably;
- the technical feasibility of the project has been demonstrated;
- the intention to complete the project has been demonstrated;
- there is a potential market or, in case of internal use, the intangible asset is usefulness is demonstrated for the production of intangible assets generated by the project;
- the technical and financial resources needed to complete the project are available.

The amortization of any development activities included under intangible assets reflects the useful life and starts from the date on which the outcome of the project is marketable. If in an identified internal project for the creation of an intangible asset, the research phase can not be distinguished from the development phase, the cost of this project is entirely expensed.

(e) Marketing-related activities

The Customer Relationship and Database are amortized on a straight line basis, over a period of between 4 years and 8 years, taking into account the asset's useful life.
Gains or losses arising from disposal of an intangible asset are determined as the difference between the disposal value and the carrying amount of the asset and are recognized in the income statement upon disposal.

Property, plant and equipment

Property, plant and equipment are recorded at acquisition cost, including directly attributable additional costs, and are shown net of depreciation and accumulated impairment losses.
Costs incurred after acquisition are capitalised only if they increase the future economic benefits of the asset to which they refer. All other costs are recognised in the income statement at the time they are incurred.
Costs incurred to maintain the efficiency of an asset are recognised in the income statement of the year in which they are incurred. Costs relating to the extension, modernisation or improvement of facilities that are owned or leased, are capitalised provided that they satisfy the requirements for being separately classified as an asset or part of an asset.
Land, including that pertaining to company buildings, is not depreciated.
Depreciation is calculated systematically based on rates considered to represent an appropriate distribution of the carrying amount of property, plant and equipment, according to their residual useful life.
The indicative useful life estimated by the Group for the various categories of property, plant and equipment is as follows:
Property: 33 years
Plant and equipment: 4 – 10 years
Other: 2.5 – 10 years
In regard to assets sold during the year, we proceed to the calculation of depreciation for the share relating to the availability period of the assets, except for assets purchased during the year.

Leased assets

Assets held via finance leases, pursuant to which all risks and benefits related to ownership of the asset are essentially transferred to the Group, are recorded as assets at their fair value or, if lower, the present value of all minimum payments due pursuant to the lease, including any sums to be paid for exercising a purchase option. The corresponding liability to the lessor is recognised under financial liabilities. Financial expense is allocated directly to the income statement.
With regard to the Turin real estate complex, the assets under finance leases are depreciated over a period that reflects their useful life. Leases pursuant to which the lessor essentially retains all risks and benefits related to ownership of the assets are classified as operating leases. Operating lease payments are recorded in the income statement on a straight-line basis for each financial year of the term of the lease.

Impairment of assets

At each reporting date, the group assesses whether there are any asset impairment indicators. If impairment indicators exist, or if an annual impairment test is required, the group estimates the recoverable amount of the asset in question. If the carrying amount of an asset is greater than its recoverable amount, the asset is written down and recognised at its recoverable amount. Impairment losses on continuing operations are recorded under the cost categories in line with the function of the impaired asset in the income statement.
Similarly, at each reporting date, the group assesses whether there is any indication that an impairment loss recognised in previous years for an asset other than goodwill may no longer exist or may have decreased. If there is any indication of this, the original amount, is reinstated net of amortisation/depreciation.
The recoverable amount is the higher of the fair value of an asset or cash-generating unit, net of costs to sell and its value in use and is determined by individual asset, unless it generates cash flows that are largely independent of those from other assets or groups of assets.
In determining the value in use, the Group discounts the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the specific risks of the asset.

Investments in associates

Investments in associates are included in the consolidated financial statements under the equity method, as required by "IAS 28– Investments in Associates and Joint Ventures" and by "IFRS 11– Joint Arrangements". An associates is a company in which the group holds at least 20% of the voting rights, or over which it exercises significant influence, but not control or joint control.
Under the equity method, the equity investment is recorded in the statement of financial position at cost,

plus any changes (subsequent to the acquisition) in the share of net assets of the associates attributable to the ownews of the parent. Goodwill relating to the associate is included in the carrying amount of the equity investment and is not subject to amortisation. After the initial recognition of an equity investment, the group determines whether it is necessary to recognise any impairment losses. The income statement reflects the share of the associate profit (loss) for the year attributable to the owners of the parent. If an associated company records adjustments directly attributable to equity, the group records its respective share of the adjustments and, where applicable, recognises this in the statement of changes in equity.
The annual reporting date for associates is the same as that of the group. The accounting standards used comply with those used by the group for transactions and events of the same nature and in similar circumstances.

Other investments
Other investments (other than those in subsidiaries and associates) are classified as non-current assets if the group intends to maintain them for more than 12 months or, otherwise, as current assets.
They are classified in the following categories at the time of acquisition:

- "available-for-sale financial assets", under either non-current or current assets;
- "assets at fair value through profit or loss", under current assets where held for trading.

Other investments classified as "available-for-sale financial assets" are measured at fair value. Changes in the value of these investments are recognised in an equity reserve through allocation to other comprehensive income (fair value reserve), which is transferred to the income statement at the time of the disposal or of an impairment deemed definitive.
Other unlisted investments classified as "available-for-sale financial assets" for which the fair value cannot be determined reliably are measured at cost adjusted by impairment losses recognised in the income statement, in accordance with the provisions of IAS 39 (Financial Instruments: Recognition and Measurement).
Impairment losses on other investments classified as "available-for-sale financial assets" shall not be subsequently reversed.
Changes in the value of other investments classified as "financial assets at fair value through profit or loss" are recognised directly in the income statement.

Financial assets
IAS 39 provides for the following types of financial instruments: financial assets at fair value through profit or loss, loans and receivables, investments held-to-maturity and available-for-sale assets. Initially all financial assets are recorded at fair value, plus any additional costs.
The group determines how to classify its financial assets after their initial recognition and, where appropriate and allowed, reviews this classification at the end of each period.
Financial assets include:

- *financial assets at fair value* through profit or loss are measured at fair value. Gains or losses on assets held for trading are recognised in the income statement;
- *investments held to maturity*: these are recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the investment is derecognised or impaired, as well as through the amortisation process;
- *loans and receivables are* measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process;
- *available-for-sale financial assets:* these are measured at fair value based on internal estimates, and the corresponding gains and losses are recorded in a separate item under equity until such assets are derecognised or until it is ascertained that they have been impaired. In either of these cases, the gains or losses accumulated up to that time in equity are recognised in the income statement.

Valuations are frequently carried out to check for objective evidence of impairment losses on a financial asset or group of assets. If there is objective evidence, the impairment loss is expensed in the income statement for the year.

Cash and cash equivalents
Cash and cash equivalents include cash and on-demand and short-term bank deposits with an original maturity of three months or less.

Loans and borrowings
Loans and borrowings are recorded at amortised cost.
Non-current loans and borrowings are recognised net of their additional transaction costs.

Inventories
Inventories are measured at the lower of the acquisition or production cost and the value inferred from market trends.
Specifically, these include:
– *raw materials*, which are measured at acquisition cost, including additional costs, calculated using the progressive weighted average cost method;
– *work in progress*, which is measured based on directly attributable costs, taking into account auxiliary production costs and the depreciation and amortisation of assets used;
– *contract work in progress*, comprising services not yet completed at the reporting date in relation to contracts for inseparable services that will be completed in the next 12 months, which are measured at production cost;
– *finished products*, comprising telephone directory products, which are measured at production cost and may be adjusted via a corresponding impairment loss in relation to the period of publication;
– *goods*, relating to the merchandising of products acquired for resale, which are measured at acquisition cost.

Trade receivables and other assets
Trade receivables arising from the sale of goods or services produced or marketed by the group, including those with a maturity of greater than 12 months, are included in current. They are recognised at the original invoice amount net of the allowance for impairment, accrued based on estimates of the risk of non-recoverable amounts at the end of the year.
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, which is the amount measured at initial recognition net of principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance) for impairment or evaluation of non-recoverability.
Impairment losses are recognised when there is objective evidence that the Group will not be able to recover the amount owed by the counterparty under the contract terms.
Objective evidence includes events such as:
a) significant financial difficulties of the debtor;
b) legal disputes with the debtor relating to the asset's payment;
c) the likelihood that the debtor will enter into bankruptcy or commence other financial restructuring procedures.

The amount of the impairment loss is measured as the difference between the carrying amount and the present value of future cash flows and recognised in the income statement. The non-recoverable receivables are removed from the statement of financial position through the allowance for impairment. If in subsequent years the reasons for the impairment loss no longer exist, the amount of the assets is restored up to the amount that would have resulted from valuation at amortised cost.

Provisions for risks and charges
These provisions are recognised when, pursuant to a legal or constructive obligation to a third party, it is likely that the group will have to use financial resources to fulfil its obligation, and when the amount of the obligation can be reliably estimated.
They can be broken down into:
– *provision for agent's termination indemnities;*
– provision for commercial risks;
– *provision for contractual risks and other operating risks;*
– *non-operating provision;*
– *provision for restructuring.*

Changes in estimates are reflected in the income statement in the year in which they occurred.
In the case of provisions for future risks - after 12 months - the liability, if significant, is discounted at a discount rate, before tax, which reflects current market assessments of the time value of money. The increase in provisions due to the passage of time is recognized as a financial expense.

Employee benefits
Pension plans
The group operates various types of defined-benefit and defined-contribution pension plans, in accordance with the conditions and local practices of the countries in which it operates. Defined-benefit pension plans are based on the expected remaining average working life of the employees paying for the plans and the remuneration they receive throughout a predetermined period of service.
Assets intended to fund defined-benefit and defined-contribution pension plans and the related annual cost recognised in the income statement are measured by independent actuaries using the projected unit credit method.
Actuarial gains and losses are immediately recognised in the year in which they occur, in the statement of

comprehensive income and in a dedicated “Actuarial reserve” under equity.
Accrued liabilities are recorded net of assets intended to fund their future disbursement.
Defined-contribution pension plan payments are recognised in the income statement as a cost, where applicable.

Employees’ leaving entitlement
The provision for employees’ leaving entitlement held by Italian companies, insofar as it continues to represent an obligation for the group, is considered to be a defined-benefit plan and is accounted for in the same way as other defined-benefit plans.

Share-based payment
The fair value is determined by an external valuer using a binomial model, not taking into account any conditions relating to the achievement of objectives (performance), but considering the conditions that influence the price of the Group (market conditions) shares. Changes in fair value after the grant date have no effect on the initial valuation. The cumulative costs recognized at the closing date of each accounting period are commensurate with the best available estimate of the number of equity instruments that will ultimately vest. The cost in the income statement for a years represents the change in cumulative expense recognized at the beginning and end of the year. The dilutive effect of outstanding options is possibly reflected in the calculation of diluted earnings per share.

Trade payables and other liabilities
Trade payables and other liabilities are stated at fair value and are measured at amortised cost using the effective interest rate.
Financial liabilities are recognised at amortised cost, which is the amount measured at initial recognition net of principal repayments, plus or minus the cumulative amortisation using the effective interest method on any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance) for impairment losses or non-recoverability.

Non-current assets held for sale and discontinued operations - disposal groups (IFRS 5)
Non-current assets held for sale and discontinued operations refer to business lines and assets (or groups of assets) sold or being disposed, whose carrying amount has been or will be recovered mainly through the sale thereof, rather than through continued use. Non-current assets held for sale are measured at the lower of carrying amount and fair value, less costs to sell.
In accordance with IFRS, the data relating to significant business lines (discontinued operations) are presented as follows:
- In two specific items of the statement of financial position as "Non-current assets held for sale and discontinued operations" and "Liabilities directly associated with non-current assets held for sale and discontinued operations";
- In a specific item of the income statement: "profit/(loss) from non-current assets held for sale and discontinued operations";
- In a specific item of the statement of cash flows, "Cash flows from non-current assets held for sale and discontinued operations".

The corresponding income statement and statement of cash flow amounts relating to the previous year, where present, are reclassified and presented separately for comparative purposes.
With regard to business lines considered not material (assets held for sale), the statement of financial position figures alone are presented separately in two specific items (“Non-current assets held for sale and discontinued operations” and “Liabilities directly associated with non-current assets held for sale and discontinued operations”); there was no need to restate the relevant comparative amounts.

Business combinations
Pursuant to IFRS 3, goodwill is recognised in the consolidated financial statements as at the date of acquisition of control of a business, and represents the excess of a) over b), where:
a) is the aggregate of:
- the amount paid (measured in accordance with IFRS 3, generally calculated based on fair value at the acquisition date);
- the amount of any non-controlling interest in the acquired entity, measured in proportion to the non-controlling interest in the identifiable net assets of the acquired entity, recognised at fair value;
- in the case of a business combination carried out in several stages, the fair value at the date of acquisition of control of the equity interest already held in the acquired company;

b) the fair value of the identifiable assets acquired, net of the identifiable liabilities assumed, measured as at the date of acquisition of control.

In agreement with the IFRS, the following is also called for:

- related costs associated with the business combination must be recognised in the consolidated income statement;
- in the case of a business combination carried out in stages, the acquirer must remeasure the value of the equity interest it previously held in the acquired entity at fair value at the date of acquisition of control, recognising the difference in the consolidated income statement.

Goodwill is classified as an intangible asset with an indefinite useful life and treated as described above.

Recognition of revenue

Revenue is recorded to the extent that the corresponding economic benefits are likely to be achieved by the group and the related amount may be reliably calculated. The following criteria must be met when allocating revenue to the income statement:

- *sale of goods:* the revenue is recognised when the group has transferred all significant risks and benefits associated with ownership of the asset to the buyer;
- *provision of services:*
    - *print revenue*, which relates to the publication of paper directories, is recognised in full at the time of publication;
    - *online* and *onvoice* revenue is recognised on a straight-line basis over the duration of the contract. The amount of advertising services that have already been invoiced and will be implemented after the reporting date are shown in the statement of financial position liabilities under "payables for services to be provided";
    - revenue from the sale of *"impressions"* is recognised by multiplying the fee each customer has paid for each thousand *impressions* (CPT or "cost per thousand") by the number of views of the advertisement (in thousands) in the reporting period; *impressions* are one of the ways in which *advertisers* buy advertising space to develop visibility and brand *awareness* on a particular site;
    - revenue from the sale of "timed" spaces is recognised on a straight-line basis over the term of the contract; with this type of contract the advertiser requests the exclusive display of its banner (not in rotation) for a specified period of time, regardless of the paid traffic;
    - revenue from the sale of "unique browsers with frequency cap" (also called "reaches") is recognised at the time of banner display; with this type of contract, the customer determines the frequency with which the same browser displays the same banner, in a given time slot or day of the week. With this type of contract, for example, it is possible to display advertising in a browser only upon a user's first access to the site;
    - revenue from "performance" campaigns is accounted for according to the campaign's performance during the period in question; in particular the campaign performances are determined ex post, based on visitor clicks made on the advertisement or the actions that are performed by the same as a result of having viewed the advertisement. In the first case, the performance is calculated based on the number of clicks (CPC or "cost per click") made by visitors, as the advertiser's goal is generally to re-route to the web page sponsored in the advertising. In the second case, however, the performance is based on the achievement of the advertiser's predetermined results, such as filling out a registration form (CPA or "cost per action"), requiring the carrying out of a complex activity by the visitor of the web page (or action).
- *interest:* is recorded as financial income following ascertainment of interest income, using the effective interest method;
- *dividends:* are recorded when shareholders are entitled to receive the payment.

Recognition of costs

Costs are recognised when they relate to goods and services purchased, consumed or allocated to the financial year on an accruals basis.

Financial income and expenses

Interest income and interest expense and other income and expenses are recognised and stated in accordance with the principle of accrual.

Income taxes

Current taxes

Current income taxes, which are recognised in the income statement, are accounted for based on the rates in force at the reporting date in the various countries in which the group operates.

Income taxes relating to items recorded directly in equity are allocated directly to equity and are accounted for using the tax rates in force.
Taxes not relating to income, such as real estate and capital taxes, are included in other operating costs.

Deferred taxes

Deferred taxes are calculated at the end of each period, using the so-called liability method on temporary differences on the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements at the end of the previous year.
Deferred tax liabilities are recognised for all taxable temporary differences resulting from the date of the last financial statements between the tax base for assets and liabilities and the amounts reported in the financial statements.
Deferred tax assets are recognised for all deductible temporary differences and for tax assets and liabilities carried forward to the extent that they are likely to be able to be recovered against future taxable income. Exceptions are made for deferred taxes arising from the initial recognition of goodwill or of an asset or liability in a non-business-combination transaction that does not have an impact on either the result for the financial year calculated for the financial statements or the result for the financial year calculated for tax purposes.
Taxable temporary differences associated with investments in subsidiaries and associates for which the relevant deferred tax liabilities are not recognised in the case where the reversal of the difference can be controlled and it is probable that it will not occur in the foreseeable future, are also excluded.
The amount of deferred tax assets recorded at the beginning of the reporting period is reviewed at the end of the reporting period and measured in consideration of the possibility to use such asset in the future. Unrecognised deferred tax assets are reviewed annually and recorded to the extent that it becomes likely that they will be used in the future.
Deferred tax assets and liabilities are calculated using the tax rates expected to be applicable, in the reporting periods in which the temporary differences will be realised or eliminated.
Current and deferred tax assets and liabilities are offset if the entity has a legally enforceable right to offset current tax assets with current tax liabilities and the deferred taxes relate to the same tax entity and the same tax authority.

Profit/(loss) per share

Profit/(loss) per ordinary share is calculated by dividing the group's profit or loss by the average number of ordinary shares outstanding during the reporting year.

Presentation of Accounting Data

In order to provide information that on one hand is consistent with the accounting policies governed by the IFRS, and on the other hand allows a consistent comparison for an adequate analysis of the group's performance, this annual financial report was prepared according to the following approach:

- In the Group Performance section, the comparative data were compiled based on a consolidated income statement and consolidated statement of cash flows statement, drawn up on a like for like basis, including the figures on financial position and performance of the Seat Group and the Italiaonline Group in 2015 (before the merger). The financial and economic figures at December 31, 2015 have been restated to reflect the accounting effects of purchase price allocation process from August 31, 2015. The data for the Seat Group have been adjusted to reflect the non-recurring effect that originated from the change of the criterion used to estimate revenue of the PagineBianche® offer, adopted as of January 1, 2015; resulting in a decrease of €9,868 thousand in revenue and €9,444 thousand in EBITDA. Consequently, the operating costs relating to such revenue of €424 thousand and the theoretical tax effect of €2,186 thousand were excluded. It should also be noted that the above adjustments have no impact on the terms of billing and collection to and from customers. The changes in question therefore have no effect on operating cash flows.
- In the section Consolidated Financial Statements the comparative figures refer to the financial performance of the Group Italiaonline which in 2015 included the profit or loss for the full year of Italiaonline SpA (pre-merger) and Moqu Group and starting from the acquisition, which took place, the profit or loss of the Seat Group for the last four months of 2015. The statement of financial position and income

statement balances at December 31, 2015 have been adjusted to reflect, at August 31, 2015, the accounting effects resulting from the Purchase Price Allocation process.
- In the section of Italiaonline SpA Financial Statements comparative figures for the year 2015 are those related to the separate Financial Statements of Seat Pagine Gialle SpA as at December 31, 2015.

As already mentioned in the Report on operations at September 30, 2016, it is confirmed that, in consequence of the implementation of integration activities between Italiaonline SpA and Seat Pagine Gialle SpA, the income statement for the year ended December 31, 2016 includes deferred income amounting to approximately 0.07% of revenue for the reporting year (0.7% of revenue for the nine months ended September 30, 2016). These corrections were made after the identification of non-material errors resulting from weaknesses reveal in administrative management processes and the resulting necessary process optimisations aimed at recognising revenue relating to the sale of digital advertising services of the merged company Italiaonline.
As a result of the above, the Company:
- has established an operational procedure governing the process "as is";
- initiated a process automation project aimed at structurally intervening on the above mentioned weaknesses, also in view of the future adoption of IFRS 15;
- defined and implemented additional controls to further ensure data correctness pending the completion of the project.

5. IFRS 3 - Business Combinations

On June 20, 2016 the merger of Italiaonline into Seat came into effect.

The merger was the last step in a process characterised by the acquisition of control over Seat by Italiaonline with the contribution of the controlling stake of Seat to Italiaonline, which took place on September 9, 2015 and the subsequent public tender offer.

The fair value measurement of the assets and liabilities of Seat acquired by Italiaonline was completed in late June 2016, in accordance with paragraph 45 of IFRS 3 - Business Combinations, which regulates the accounting for business combinations and which provides for a "measurement period" during which the company must conduct an initial provisional accounting for the acquisition, and complete the measurement subsequently, within 12 months from the date of acquisition.

5.1 Accounting treatment of the acquisition and related merger

The steps of the acquisition were as follows:

- on September 9, 2015 a capital increase was carried out for the contribution in relation to which the Avenue and GoldenTree Funds contributed their shareholdings in Seat to Italiaonline which amounted to approximately 53.87% of the share capital of Seat estimated at €0.0039 per share in the releasing of the capital increase in kind, nominally for €2,558 thousand, with a €132,459 thousand share premium. As an effect of the contribution, Libero, Avenue and GoldenTree Funds held, respectively, about 66.15%, 15.61%, and 18.24% of Italiaonline which, in turn, held about 54.34% of the Seat ordinary shares (equal to the sum of the contributed shares and the 299,990,000 Seat ordinary shares already held by Italiaonline before contrinuted as a result of purchases made in July 2015 for an amount of €1,170 thousand);
- on September 25, 2015, Italiaonline published the public tender offer document, for a total maximum of 29,348 million Seat ordinary shares, representing approximately 45.66% of the outstanding ordinary shares. The tender offer provided for a payment of €0.0039 "cum dividend" for each share tendered. According to the final results of the public tender offer, 16,639 million shares were tendered, equal to 25.89% of Seat's share capital, for a total amount of €64,892 thousand. At the end of the public tender offer, Italiaonline held 51,559 million ordinary shares in SEAT, equal to 80.23% of the share capital thereof.

Therefore, the acquisition price amounts to a total of €201,080 thousand corresponding to 51,558,863,664 shares worth at €0.0039 per share.

For the purposes of acquisition accounting, as shown in the following table, the fair value of the assets acquired and liabilities assumed and the related goodwill were determined as the difference between the offer price and the net amount of the assets acquired and liabilities assumed, measuring the equity portion attributable to non-controlling interests at fair value (so-called Full Goodwill).

(Euro thousand)

Offer price	201,080
Fair value of the equity portion attributable to non-controlling interest	49,563
Total amount of acquisition	250,643
Net *Fair value* of acquired assets and liabilities assumed at acquisition date	178,646
Goodwill	**71,997**

The measurement of net assets at fair value at the acquisition date had the following significant accounting effects:

- identification and evaluation of certain intangible assets (trademarks, database and customer relationships) for a total of € 12,318 thousand;
- determination of tax effects, where applicable, of the adjustments described above amounting to € 3,572 thousand;
- recognition of deferred tax assets of € 8,700 thousand related to the tax benefit of loss carry forwards that can be carried forward and used in the time frame of the 2016 to 2018 plan, on the assumption of their recoverability and viability based on available forecasts;
- recognition of a residual of goodwill set at approximately € 71,997 thousand;

The following table reports details of the fair value of assets acquired and liabilities assumed at the date of acquisition:

(Euro thousand)	CARRYING AMOUNTS	FAIR VALUE ADJUSTMENTS	PURCHASE PRICE ALLOCATION
Fair value of net assets acquired			
- Non-current assets	140,661	21,018	161,679
- *of which Database*	-	8,468	8,468
- *of which Customer Relationships*	22,811	3,850	26,661
- *of which Patents, concessions, trademarks and licences*	46,276		46,276
- *of which Other intangible assets*	43,252		43,252
- *of which Property, plant and equipment*	14,632		14,632
- *of which Other investments*	3,878		3,878
- *of which Deferred tax assets*	820	8,700	9,520
- Current assets	348,450		348,450
- Non-current liabilities	(72,316)	(3,572)	(75,888)
- *of which provision for Deferred taxation*	(20,691)	(3,572)	(24,263)
- *of which Non-current provisions for employees*	(13,492)		(13,492)
- *of which Non-current financial liabilities*	(8,285)		(8,285)
- Current liabilities	(255,595)		(255,595)
- *of which Trade paybales*	(89,675)		(89,675)
- *of which Payables for services to be provided and other current liabilities*	(117,358)		(117,358)
- *of which Current tax liabilities*	(7,971)		(7,971)
Net assets acquired	**161,200**	**17,446**	**178,646**
Total amount of acquisition			250,643
Goodwill			**71,997**

The Purchase Price Allocation was performed at the reference date of 31 August 2015, corresponding to the date of acquisition (September 9, 2015) of control over Seat Group by Italiaonline S.p.A..

6. Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life amount to € 250,720 thousand at December 31, 2016 and refer to: *i)* € 71,997 thousand to goodwill generated in the acquisition of the Seat Group *ii)* € 9,317 thousand to goodwill for the acquisition of Matrix, *iii)* €169,406 thousand relating to the Virgilio (€ 53,000 thousand), Libero (€ 70,262 thousand), PagineBianche® (€ 15,285 thousand) and PagineGialle® (€ 30,859 thousand) trademarks.

7. Impairment testing

This paragraph describes the criteria used in and the results of impairment testing conducted on intangible assets pursuant to IAS 36.
At the reporting date the Parent tested the recoverability of the carrying amounts of the trademarks with an indefinite useful life and the goodwill (overall € 250,720 thousand, with the assistance of an independent expert in order to perform the impairment test.
At the Group level, there were some indications of possible impairment losses on assets:

1. a market price lower than carrying amount of net equity. This indicator, although significant, must always be evaluated considering the market situation as a whole and of the limited number of IOL floating shares treated on the market.
2. the trend of sales of a group for the year 2016 is lower than expected in the 2016-2018 plan. This indicator is however mitigated by achieving a total return, in the final balance, higher than expected to plan for 2016. It has to be noted that, as a result of the integration process resulting from the acquisition of Seat Pagine Gialle Group, the CGU identified for this purpose comprises the operating activities of the Parent as a whole as it manages the trademarks together and the cash flow generated by each trademark cannot be separated. The test was conducted on consolidated amounts, taking into consideration the fact that the subsidiaries, have primarily intra-group amounts that are not material with respect to the Italiaonline Group total.

Impairment tests are governed by IAS 36, which provides for two different forms of recoverable amount: value in use and fair value less cost of disposal. Under IAS 36, paragraph 18, the "Recoverable amount" as "the fair value of an asset or a CGU is the higher of its fair value, less costs of disposal and its value in use".
In this case, the recoverable amount as at December 31, 2016, as it was not possible to identify the fair value of assets subject to impairment analysis, was estimated using amounts based on value in use, considering the cash flows from operations calculated using the best information available at the time of the estimate and based on the updated 2017-2019 business Plan approved by the Company board.
The cash flows used were normalized by the effect of the actions of improvement included in the business Plan to reflect the actual flow of the GCU in its current condition (IAS 36.14),in particular as envisaged in terms of personnel reorganization.

The discounting rate (WACC) was calculated using the unlevered cost of equity (Ke), given the company's lack of debt, estimated on the basis of the Capital Asset Pricing Model (CAPM). The WACC thus obtained amounts to 12.25% (pre-tax WACC 16.6%).
The terminal value was calculated on a perpetual basis, assuming a growth rate of zero (g=0) and a cash flow from operations based on the last year of the business Plan (2019).
The value in use was compared with net operating invested capital, with a surplus of about 29%.

The Company also performed a sensitivity analysis of the model, changing the above parameters to test its robustness and validity using different assumptions.
In particular the discounting rate WACC and the growth rate (g) was increased/decreased by one percentage point with an estimated reduction of the cash flows based on the business plan (-10%).
No impairment losses on assets arose in the scenarios considered.

The analysis of the base scenario and the alternative scenarios estimated by changing the main parameters of the impairment test showed that the carrying amount of the Company's trademarks and goodwill is recoverable.

The WACC, growth rate and percentage of cash flows from operations that would individually make the CGU's recoverable amount equal to the reporting date carrying amount are set out below:

(euro/thousand)	BASE SCENARIO	WACC	GROWTH RATE	OPERATING CASH FLOWS
WACC	12,25%	**15,31%**	12,25%	12,25%
Tasso di crescita "g"	0,00%	0,00%	**(4,6%)**	0,00%
Flussi di cassa operativi	100%	100%	100%	**77,2%**

With reference to intangible assets with a finite life, including the customer relationships and databases (totalling € 26,983 thousands), IAS 36 requires that impairment testing be carried out only where necessary, that is, when there is a triggering event. To this end, the external and internal sources of information referred to in paragraphs 12-14 of IAS 36 are examined in order to assess whether there are indications of any impairment losses.

Therefore some operating parameters were examined (in particular the trend of the number of customers and the maintenance investment in the database) in order to assess whether there are indications of any impairment losses.

Due to the foregoing, there are no specific events or circumstances that would lead one to assume an impairment loss on such intangible assets and, therefore, there was no need to estimate their recoverable amount.

8. Intangible assets with a finite useful life

Intangible assets with a finite useful life totalled €66,605 thousand as at December 31, 2016 and can be broken down as follows:

	YEAR 2016					YEAR 2016
(euro/thousand)	CUSTOMER RELATIONSHIP AND DATABASE	SOFTWARE	PATENTS, ONCESSIONS, TRADEMARKS AND LICENCES	OTHER INTANGIBLE ASSETS	TOTAL	TOTAL
Restated opening balance	**32,993**	**48,555**	**111**	**11,701**	**93,360**	**18,505**
- Investments	-	16,444	222	4,387	21,053	*19,802*
- Purchases	-	*10,832*	*222*	*1,958*	*13,012*	*12,544*
- Capitalized costs	-	*5,612*	-	*2,429*	*8,041*	*7,258*
- Amortization	(6,010)	(34,634)	(302)	(1,928)	(42,874)	(21,843)
- Impairment losses	-	(1,750)	(302)	(3,239)	(5,291)	(364)
- Change in consolidation scope (*)	-	60	372	(12)	420	*77,264*
- Changes		7,358	41	(7,462)	(63)	(4)
Closing balance	**26,983**	**36,033**	**142**	**3,447**	**66,605**	**93,360**
of which:						
Cost	*33,954*	*191,786*	*278*	*3,509*	*229,527*	*324,105*
Accumulated amortization	*(6,971)*	*(155,753)*	*(136)*	*(62)*	*(162,922)*	*(230,745)*

(*) This includes in 2016 data referring to 12.54 service and in 2015 the change in consolidation scope of Seat Group and Moqu Group

Intangible assets with a finite useful life consist of:

- *Customer Relationship and Database*", of € 26,983 thousand at December 31, 2016, relating to assets called Customer Relationships for € 21,737 thousand and Database for € 5,246 thousand. In 2016, this item decreased as a result of the amount of amortisation for the year, which came to €6,010 thousand.
- *Software*, for €36,033 thousand at December 31, 2016 which includes the costs for purchases from third parties and the internal implementation of programmes owned and used under licence mainly to improve the algorithms used by search engines and to support new commercial offers regarding Internet & Mobile services. During 2016, the item decreased by amortisation of € 34,634 thousand, but investments were made for € 16,444 thousand, of which € 5,612 thousand related to personnel expense, to support, in particular, the new commercial offers on the Internet & Mobile platforms in Italiaonline SpA.

– *patents, concessions, trademarks and licences*, amounted to € 142 thousand at December 31, 2016 (€ 111 thousand at December 31, 2015);

– *other intangible assets*, amounting to € 3,447 thousand at December 31, 2016 (€11,701 thousand at December 31, 2015), refer primarily to software projects in progress. The 2016 figures include an adjustment of € 3,995 thousand of Consodata to reflect the lower value of disposal assets.

Capital expenditure amounting to € 23,155 thousand, relates to the following areas of activity:

- Italiaonline segment: € 20,514 thousand in 2016 of which € 4,304 thousand related to Italiaonline personnel expense for:
  - improvements to the Web and mobile delivery systems, particularly for real-time updating of the contents and their publication, for the improvement of search algorithms and for the identification of new graphic-functional solutions for the company's web portals;
  - improvements to Web products mainly related to the optimisation of the graphic concept for use in mobiles, to developments of new range sites for improvements to offers for Customised Large Clients;
  - commercial and publishing improvements to upgrade the systems and adapt them to new product offers;
  - purchase of software and licences;
- Consodata SpA: € 2,565 thousand in the year 2016 (of which €1,301 thousand for personnel expense) for the development of software platforms, the enrichment of the database and the purchase of databases.

(migliaia di euro)	**YEAR 2016**
Customer Database and Relationship	13% - 25%
Software	20 - 100%
Patents, concessions, trademarks and licences	20 - 100%
Other intangible asssets	**10 - 33%**

9. Property, plant and equipment

Property, plant and equipment amounted to € 8,654 thousand at December 31, 2016. They are shown net of accumulated depreciation of € 38,754 thousand at the reporting date, whose impact on the gross amount is equal to 81.75%.
These are broken down as follows:

(euro/thousand)	YEAR 2016 PROPERTY	YEAR 2016 PLANT AND EQUIPMENT	YEAR 2016 OTHER ITEM OF PROPERTY, PLANT AND EQUIPMENT	YEAR 2016 TOTAL	YEAR 2015 TOTAL
Opening balance	**2,158**	**1,137**	**8,457**	**11,752**	**5,257**
- Investments	48	31	2,023	2,102	1,765
- Depreciation and impairment losses	(583)	(439)	(4.112)	(5,134)	(3,025)
- Change in consolidation scope (*)	-	-	-	-	*7,760*
- Disposals and other changes	1	(91)	24	(66)	(5)
Closing balance	**1,624**	**638**	**6,392**	**8,654**	**11,752**
of which:					
Cost	*5,248*	*1,485*	*40,675*	*47,408*	*56,243*
Accumulated amortization	*(3,624)*	*(847)*	*(34,283)*	*(38,754)*	*(44,491)*

(*) This includes in 2015 the change in consolidation scope of Seat Group and Moqu Group

Property, plant and equipment include:
- *property* of € 1,624 thousand at December 31, 2016 (€ 2,158 thousand at December 31, 2015). During 2016 the assets were depreciated by € 583 thousand;
- *plant and equipment* of € 638 thousand at 31 December 2016 (€ 1,137 thousand at 31 December 2015). This item decreased during the year, mainly as a result of depreciation, by € 438 thousand.
- *other items of property, plant and equipment* of € 6,392 thousand at December 31, 2016 (€ 8,457 thousand at December 31, 2015), including € 3,881 thousand related to IT equipment and systems. The item decreased during the year mainly due to the depreciation charge of € 3,954 thousand. Investments during the year amounted to €2,023 thousand, of which €1,977 thousand of Italiaonline S.p.A. mainly related to the technological upgrading of the sales area under the new business model.

The accumulated depreciation (€38,754 thousand at 31 December, 2016) is considered to be adequate, for each category of property, plant and equipment, to cover the depreciation of the assets in relation to their estimated residual useful life.

The following table gives an overview of the depreciation rates used:

(euro/thousand)	YEAR 2016
Property	3 - 48%
Plant and equipment	10 - 46%
Other items of property, plant and equipment	10 - 50%

10. Leased assets

On February 23, 2017 Italiaonline SpA signed deeds for the sale of the two remaining finance leases, related to the buildings of the branch of Turin, in place with Mediocredito Italiano S.p.A. to Engineering Ingegneria Informatica SpA.

The items relating to the real estate subject of the contracts totalling to € 5,859 thousand at 31 December 2016 including the value of the fixed plant, also financed, have been reclassified as non-current net assets held for sale and discontinued operations.

(euro/thousand)	YEAR 2016					YEAR 2015
	LEASED LAND	LEASED PROPERTY	LEASED PLANT	OTHER LEASED ASSETS	TOTAL	TOTAL
Opening balance	**1.547**	**3.915**	**957**	**209**	**6.628**	**-**
- Depreciation and impairment losses	-	(294)	(319)	(157)	(770)	(256)
- Disposals and other changes	-	1	-	-	1	(1)
- Contabilizzazione Held for sale	(1.547)	(3.622)	(638)	(52)	(5.859)	-
- Change in consolidation scope (*)	-	-	-	-	-	6.885
Closing balance	**-**	**-**	**-**	**-**	**-**	**6.628**
of which:						
Cost	-	-	-	-	-	*7.062*
Accumulated amortization	-	-	-	-	-	*(434)*

(*) This includes the change in consolidation scope of Seat Group.

11. Other investments

This item includes the fair value measurement of 16.24% of the investment held by Italiaonline SpA in Telegate AG for € 2,111 thousand which, pursuant to IAS 39, is an available for sale financial asset measured in accordance with level 1 (listed market price) in the fair value hierarchy. The adjustment of the investment at fair value at December 31, 2016 resulted in an impairment loss of € 1,458 thousand.

12. Other non-current financial assets

Other non-current financial assets at 31 December, 2016 totalled € 3,469 thousand (€ 2,358 thousand at December 31, 2015) and specifically include loans to employees for € 2,875 thousand, issued at market rates for transactions of this nature.

13. Inventories

The amount of inventories can be broken down as follows:

(euro/thousand)	YEAR 2016					YEAR 2015
	RAW MATERIAL, SUPPLIERS AND CONSUMABLES	MERCHANDISING PRODUCTS	WORK IN PROGRESS AND SEMI-FINISHED GOODS	FINISHED GOODS	TOTAL	TOTAL
Opening balance	**2,134**	**2**	**1,477**	**176**	**3,789**	**-**
Increase (decrease)	(1,100)	(2)	(198)	3	(1,297)	(2,587)
(Accrual to) Release of the provision for the write-down of inventory	-	-	-	(22)	(22)	-
Accounting to D.O./ Held for sale (*)	(3)	-	(105)	(155)	(263)	-
Change in consolidation scope (**)	-	-	-	-	-	6,377
Other changes	-	-	2	1	3	(1)
Closing balance	**1,031**	**-**	**1,176**	**3**	**2,210**	**3,789**

(*) This includes the accounting to Held for Sale of Consodata.
(**) This includes the change in consolidation scope of Seat Group.

Inventories at December 31, 2016 amounted to € 2,210 thousand (€ 3,789 thousand at December 31, 2015); raw materials, consumables and supplies include inventories related to the print products of Italiaonline S.p.A. and products for resale include goods for merchandising activities.

14. Trade receivables

(euro/thousand)	YEAR 2016			YEAR 2015
	TRADE RECEIVABLES	ALLOWANCE FOR IMPAIRMENT TRADE RECEIVABLES	CARRYING AMOUNT	NET VALUE
Opening balance	**265,560**	**(68,490)**	**197,070**	**39,264**
Accruals	-	(13,726)	(13,726)	(7,741)
Utilization	-	36,300	36,300	16,911
Held for sale (*)	(7,853)	3,196	(4,657)	-
Other changes	(52,097)	100	(51,997)	(266)
Change in consolidation scope (**)	(1,693)	489	(1,204)	148,902
Closing balance	**203,917**	**(42,131)**	**161,786**	**197,070**

(*) This includes the accounting to Held for Sale of Consodata.
(**) This includes the deconsolidation of Europages Group on 2016 and the change in consolidation scope of Seat Group and Moqu Group on 2015.

Trade receivables, net of the allowance for impairment amounted to € 161,786 thousand at December 31, 2016.
The allowance for impairment amounted to € 42,131 thousand at December 31, 2016 (€ 68,490 thousand at December 31, 2015), entirely relating to Italiaonline SpA, and is considered sufficient to cover estimated losses for customer insolvency.
During 2016 the allowance was used directly as a result of unrecoverable amounts, for € 36,300 thousand (including € 36,105 thousand relating to Italiaonline SpA) without affecting profit or loss and was reinstated with an accrual of € 13,726 thousand, which allows the maintenance of an adequate rate of coverage of past due receivables, by maintaining close attention to the quality of sales and credit management to customers.
The decrease in trade receivables reflects the reclassification of Consodata SpA balances as available for sale assets (€ 7,853 thousand), the deconsolidation of the Europages Group (€ 1,693 thousand) and billing and collection dynamics linked to the performance of the business (€ 52,097 thousand). For a more detailed analysis of the Group's credit risk, see paragraph 20 of these Explanatory Notes.

15. Other assets (current and non-current)

Other assets (current and non-current) amounted to € 63,737 thousand at December 31, 2016 (€ 52,930 thousand at December 31, 2015), detailed as follows:

(euro/thousand)	At 31.12.2016	At 31.12.2015	CHANGE
Advances on sales commissions and other receivables due from agents	21,702	21,830	(128)
Prepaid expenses	6,624	11,031	(4,407)
Advances to suppliers	534	5,766	(5,232)
Other receivables	11,317	7,471	3,846
Total other current assets	**40,177**	**46,098**	**(5,921)**
Other non-current assets	**23,560**	**6,832**	**16,728**
Total other current assets and non-current assets	**63,737**	**52,930**	**10,807**

Specifically:
- the *advances on sales commissions and other assets* due from agents amounted to € 21,702 thousand as of December 31, 2016 (€ 21,830 thousand as of December 31, 2015) and are reported net of accumulated depreciation for an amount totalling € 11,630 thousand at December 31, 2016 (€ 11,261 thousand at December 31, 2015);
- *prepaid expenses amounted* to € 6,624 thousand at December 31, 2016 (€ 11,031 thousand at December 31, 2015); the item includes the deferral of direct production costs with the same time periods with which the corresponding revenue is recognised in the income statement;
- the *advance payments to suppliers,* totalling € 534 thousand as of December 31, 2016 (€ 5,766 thousand as of December 31, 2015);
- the *other* of € 11,317 thousand at December 31, 2016 (€ 7,471 thousand at December 31, 2015) include amount due from the disposal of the 12.54 service for € 1,000 thousand, amount due from INPS for € 3,121 thousand, guarantee deposits for € 545 thousand and assets of € 2,912 thousand which arose as a result of the provisional payment made pending judgement with reference to the notice of assessment issued by the Tax Office which claims the failure to apply, for the years between 2009 and 2012, the withholding tax on interest paid to the Royal Bank of Scotland (Milan branch) within the so-called "Senior" funding;

– the *other non-current assets* of € 23,560 thousand at December 31, 2016 are related to: i) € 4,518 thousand to the assets for the reimbursement of the additional IRES paid for tax years up to 2012 for not deducting IRAP on personnel and similar expense in the 2013 financial statements according to official interpretations available; ii) € 18,543 thousand to IRES, including interest, emerging from the national tax consolidation of the Italiaonline group reported in previous tax periods requesed for reimbursement by the parent company last year by submitting the CNM model (Consolidato Nazionale Mondiale) 2014.

16. Equity

Equity is broken down as follows:

(euro/thousand)	At 31.12.2016	At 31.12.2015	CHANGE
Share capital	20,000	7,558	12,442
Share premium reserve	117,217	207,628	(90,411)
Legal reserve	4,000	884	3,116
Actuarial reserve	(1,691)	337	(2,028)
Other reserves	205,161	75,013	130,148
Profit (loss) for the year	22,650	4,052	18,598
Profit (loss) for the year	**367,337**	**295,472**	**71,865**
Share capital and reserves	-	50,860	(50,860)
Profit (loss) for the year	-	(1,407)	1,407
Total equity attributable to non-controlling interests	**-**	**49,453**	**(49,453)**
Total equity	**367,337**	**344,925**	**22,412**

Equity at December 31, 2016 reflects the effects of the merger of Italiaonline S.p.A. into the Company finalised June 20, 2016 with retroactive accounting and tax effect from January 1, 2016.

Share capital

Amounted to € 20,000 thousand at December 31, 2016.

As of December 31, 2016, the share capital consisted of 114,761,225 ordinary shares and 6,803 savings shares.

The number and categories of shares currently forming the share capital result from the completion of transactions approved and decisions made by the parent's shareholders in their Extraordinary General Meetings of March 8, 2016 and May 12, 2016 (registered with the Turin Register of Companies, respectively, on March 11, 2016 and June 6, 2016):

1. the issue of 50,479,717 new ordinary shares (already grouped) with no par value, issued as part of the merger of Italiaonline S.p.A. into the parent to service the exchange ratio, without a concomitant increase in its share capital; and
2. grouping of the parent's ordinary shares on the basis of a ratio of one new ordinary share (ISIN IT0005187940 and coupon no.1) per 1,000 existing ordinary shares (ISIN IT0005070633 and coupon no.1), after cancelling, for the sole purpose of allowing the overall transaction, of 424 ordinary shares owned by a shareholder who has made them available, without, however, proceeding in the absence of a par value, with the reduction of the share capital; such cancellation was necessary solely for the purpose of allowing the entire transaction.

With reference to the share capital the amount of € 13,741 thousand is subject to taxation upon distribution Deferred tax liabilities have not been accounted for on this amount, as Italiaonline S.p.A. is not planning to repay the capital.

Share premium reserve
Amounts to € 117,217 thousand at December 31, 2016.
The share premium reserve is to be considered fully subject to taxation in case of distribution as a result of the realignment made in 2005 between the carrying amount and the tax base of the customer data base, pursuant to Law no 342/2000.

Legal reserve
Amounted to € 4,000 thousand at December 31, 2016.
The reserve in question is to be considered subject to taxation in case of distribution to the extent of € 1,499 thousand pursuant to Art. 109 TUIR (Income Tax Code), as well as to the extent of € 2,501 thousand as a result of the realignment made in 2005 pursuant to Law 342/2000.

Actuarial reserve
The actuarial reserve at December 31, 2016 was a negative € 1,691 thousand (€ 337 thousand at December 31, 2015) and included the effect of recording actuarial gains (losses) on defined-benefit plans (for Italian companies, the employees' leaving entitlement held by the company) due to their recognition in the financial statements pursuant to IAS 19, paragraph 93A.
For more details on how these amounts were determined, see paragraph 21 of these Explanatory Notes.

Other reserves
Other reserves show a balance of € 205,161 thousand at December 31, 2016 and refer to:
- *Purchase Price Allocation Reserve* amounting to € 17,446 thousand, recorded following the allocation to the assets and liabilities of the respective fair value called "Purchase Cost", net of the related tax effect;
- *Reserve for stock options* equal to € 1,396 thousand;
- *Other reserves and retained earnings (losses) carried forward* amounted to € 186,319 thousand; this item includes € 49,580 thousand for the effects related to the acquisition of Seat's minority interests following the merger. For accounting purposes, the merger qualifies as a purchase of additional shares of holdings in a company over which it already has control. In these consolidated financial statements, these transactions are shown as "transactions between shareholders" pursuant to IFRS 10, paragraph 23. Therefore, any difference between the purchase cost and the related share of consolidated equity is directly accounted for in equity. In this situation, the purchase in question is paid for through the issue of new shares, and therefore, in accounting terms, only results in a reclassification of the share of equity acquired from non-controlling interests to equity attributable to the owners of the parent.

It noted that € 21,463 thousand included in this reserve is to be considered subject to taxation in case of distribution.

17. Other comprehensive income (expense)

(euro/thousand)	YEAR 2016	YEAR 2015 RESTATED
Other comprehensive income (expense) that will not be reclassified sub sequently to profit (loss)		
Net actuarial gain (loss)	(1,197)	770
Tax effect of net actuarial gain (loss)	329	(172)
Other changes of the year	-	-
Total other comprehensive income (expense) that will not be reclassified subsequently to profit (loss):	(868)	598
Other comprehensive income (expense) that will be reclassified to profit (loss):		
Profit (loss) from tanslation of foreign operations	-	(11)
Profit (loss) from fair value measurement of AFS securities and investments		
Profit (loss) from the fair value measurement of warrants	-	6,333
Other changes of the year	-	-
Total other comprehensive income (expense) that will be reclassified subsequently to profit (loss)	-	6,322
Total other comprehensive income (expense) net of tax effect	**(868)**	**6,920**

18. Profit/(loss) per share

Profit (loss) per share is calculated by dividing profit or loss by the average number of outstanding shares throughout the year.

(euro/thousand)		AT 12.31.2016	AT 12.31.2015
Number of Italiaonline S.p.A. shares.		114,768,028	58,528,045
- ordinary shares	*n.*	*114,761,225*	*58,528,045*
- saving shares	*n.*	*6,803*	
Shares outstanding (*)		*114,761,257*	*58,528,045*
Profit (loss) for the year	€/thousand	22,650	4,052
Profit (loss) per share	€	0.197	0,069

(*) Figure refers to the number of shares outstanding following the completion of the merger

Moreover, the profit (loss) per share is reported below also considering the shares granted under the stock option plan of the parent (3,026,892).

(euro/thousand)		AT 06.30.2016	AT 06.30.2015
Number of Italiaonline S.p.A. shares	n.	117,788,149	59,532,469
Profit (loss) per share	€	0.2037	0.068

19. Net financial indebtedness

The net financial indebtedness at December 31, 2016 was € 122,117 thousand (€ 74,557 thousand at December 31, 2015).
As at December 31, 2016, the net financial indebtedness was structured as follows:

(euro/thousand)		AT 12.31.2016	AT 12.31.2015	CHANGE
A	Cash and cash equivalents	121,566	123,566	(2,000)
B	Other cash and cash equivalents	-	-	-
C	Trading securities	-	-	-
D=(A+B+C)	**Liquidity**	**121,566**	**123,566**	**(2,000)**
E.1	**Current financial receivables due from third parties**	**610**	**785**	**(175)**
E.2	**Current financial receivables due from related parties**	**-**	**-**	**-**
F	Current bank debt	-	-	-
G	Current portion of non-current debt	-	1.118	(1,118)
H.1	Other current financial debt due to third parties	59	40,878	(40,819)
H.2	Other current financial debt due to related parties	-	**-**	**-**
I=(F+G+H)	**Current financial debt**	**59**	**41,996**	**(41,937)**
J=(I-E-D)	**Net current financial indebtedness**	**(122,117)**	**(82,355)**	**(39,762)**
K	Non-current bank debt	**-**	-	-
L	Bond issues	**-**	-	**-**
M.1	Other non-current loans due to third parties	**-**	7,798	(7,798)
M.2	Other non-current loans due to related parties	**-**	**-**	**-**
N=(K+L+M)	**Non-current financial debt**	**-**	**7,798**	**(7,798)**
O=(J+N)	**Net financial indebtedness (ESMA)**	**(122,117)**	**(74,557)**	**(47,560)**

The change in net financial indebtedness respect to at 31 December 2015 was mainly due to the repayment on June 20, 2016 of the liability arising from the loan agreement, entered into for the purpose of partial payment of the purchase price for the mandatory public offer for the ordinary shares of Seat, amounting to Euro 41,195 thousand, including interest.
In addition on February 23, 2017 Italiaonline SpA signed the deeds for the sale of the two remaining finance leases, related to the buildings of the branch of Turin, in place with Mediocredito Italiano SpA to the company Engineering Ingegneria Informatica SpA.. Therefore, the remaining financial liability at 31 December 2016, amounting to € 9,287 thousand and recorded in the financial statements for € 7,985 thousand was reclassified under liabilities directly associated with non-current assets held for sale and discontinued operations.
A description of the items which constitute the net financial position is provided below:

Non-current financial debt

At December 31, 2016 these amounted to € 7,798 thousand and referred to the two remaining finance leases (effective December 2008) relating to the purchase of the property complex in Turin. As indicated above the residual amount of the non current portion at December 31, 2016 amounting to € 6,824 thousand was reclassified under liabilities directly associated with non-current assets held for sale and discontinued operations.

Current financial debt

At December 31, 2016 these amounted to € 59 thousand (€ 41,996 thousand at December 31, 2015), detailed as follows:

(euro/thousand)	AT 12.31.2016	AT 12.31.2015	CHANGE
Current portion of non-current financial debt	-	1,118	(1,118)
Other current financial debt to third parties	59	40,878	(40,819)
Current financial debt	**59**	**41,996**	**(41,937)**

At December 31, 2016, the current portion of the two remaining finance leases amounting to € 1,161 thousand was reclassified under liabilities directly associated with non-current assets held for sale and discontinued operations.
Other current financial debt due to third parties included, as of December 31, 2015, € 40,878 thousand of debt assumed under the loan agreement with Banca Imi S.p.A., repaid on June 20, 2016 in advance of the contractual deadline of August 5, 2016.

Current financial receivables

Current financial receivables amounted to €610 thousand as of December 31, 2016 (€785 thousand as of December 31, 2015) and mainly refer to loan assets amounting to € 519 thousand (€ 637 thousand as of December 31, 2015) and € 91 thousand in loans to employees (€ 148 thousand as of December 31, 2015).

Cash and cash equivalents

Cash and cash equivalents amounted to € 121,566 thousand at December 31, 2016 (€ 123,566 thousand at December 31, 2015) and mainly refer to the parent Italiaonline S.p.A. (€ 120,738 thousand).
It is reported that approximately 1.96% of cash is subject to constraint / security, following the previous composition proceedings.

20. Information on financial risks

Risk associated with financial debt

Given the financial resources as at December 31, 2016 there are no risks connected with financial debt, also taking into account that on February 23, 2017 Italiaonline SpA signed deeds for the sale of the two remaining finance lease contracts in place with Mediocredito Italiano SpA. to the company Engineering Ingegneria Informatica S.p.A..

Credit risk

Italiaonline group's business is characterised by the presence of a large number of customers in the SME segment (small medium enterprises) who have suffered from the crisis period and for which the recovery was not started or consolidated in all business segments of our target market. This market environment which includes the complexities generated by the large number of transactions, led the company to implement a structured credit management, which uses a behavioral scoring process for each contract proposal and a timely and progressive credit collection process with the use of internal teams and external partners, first with a series of telephone calls, followed with a quality collection network distributed throughout Italy that knows our customers and our products, and finally with legal action against customers who still have not paid the amount due after one year.
The monitoring of the collection thought advances and guarantees collected in the process of creating a contract and through the incentive to forms of payment such as SEPA Direct Debit (SDD), now 78% of sales to SMEs (+2% per annum), which allows our company to manage better the dynamics of receipts at due dates.
The Company has also updated the softwares used for the evaluation of scoring and the management of the credit collection process, investing in upgrading previous legacy systems and implementing software integrated between the two main activities.
The amount of trade receivables of Italiaonline Group at December 31, 2016 amounted to approximately € 162 million (approximately € 197 million at December 31, 2015), almost entirely due to the Parent Italiaonline S.p.A., which in late 2016 had

approximately 230,000 customers spread all over the Italy consisting mainly of small and medium-sized enterprises.
The amount of overdue trade receivables of the Group at December 31, 2016 amounted to approximately € 68 million (Euro 111 million at December 31, 2015) with an average coverage percentage of the allowance for impairment amounting to about 62%, in line with prior year and deemed adequate. The monitoring at an early stage and the credit collection process described above has led the company to gradually decrease overdue trade receivables compared to total receivables, first macroscopic indicator of credit quality.
Exposure to credit risk - represented in the financial statements as the allowance for impairment - is measured using a statistical model, based on customer segmentation in function on territorial criteria and days outstanding, which reflects the group's historical experience in collecting receivables make a prevision on the balance of receivables at 31 December.
At December 31, 2016 the allowance for impairment at Group level amounted to € 42.1 million (€ 68.5 million at December 31, 2015), down because, despite their utilisation, the valuation of receivables outstanding at December 31, 2015 was qualitatively better, due to the reduction of the overdue outstanding time period and gradual improvement of receipts on the due date.

Financial instruments

The assets and liabilities at December 31, 2016 according to IAS 39 and on the basis of IFRS 7 indications, are recognised at cost with the exception of the shareholding held by Italiaonline S.p.A. in Telegate AG, which under IAS 39 represents an available-for-sale financial asset. The fair value is based on listed market prices (level 1).

21. Non-current provisions for employees

Italianonline group companies provide post-employment benefits to their active and retired former employees, both directly and through contributions to external funds. Employee benefits are usually based on remuneration and length of service.
Group companies provide post-employment benefits through defined-contribution and/or defined-benefit plans.
Under defined-contribution plans, the group pays contributions to public or private insurers pursuant to statutory or contractual obligations, or on a voluntary basis. The group fulfils all its obligations by paying these contributions. The cost for the year is accrued based on the employee's service and is recorded in the income statement (€ 4,118 thousand in 2016).
Defined-benefit plans are either unfunded, as in the case of employees' leaving entitlement, or fully funded by the contributions paid by the group and its employees to a legally separate entity or fund that pays out the employee benefits.

The table below shows the changes in the various types of plans in place during 2016

(euro/thousand)	YEAR 2016 NET LIABILITES FOR DEFINED BENEFIT PLANS	YEAR 2016 RESERVE FOR LEAVING ENTITLEMENT	YEAR 2016 DEFINED CONTRIBUTION PLANS	YEAR 2016 TOTAL	YEAR 2015 TOTAL
Opening balance	**208**	**17,000**	**1,185**	**18,393**	**5,779**
Accruals		760	4,118	4,878	2,568
Contributions	-	-	*1,104*	*1,104*	*(993)*
Benefits paid	-	*(640)*	*(4,388)*	*(5,028)*	*(1,535)*
Discounting interest	-	281	-	281	210
Actuarial losses (gains) recognised in equity	-	1,197	-	1,197	(1,219)
Change in consolidation scope (*)	(208)	123	279	194	13,360
Held for sale recognition (**)	-	(834)	(168)	(1,002)	-
Foreign exchange adjustments and other changes	-	(55)	(947)	(1,002)	223
Closing balance	-	**17,832**	**1,183**	**19,015**	**18,393**

(*) This includes in 2016 data relanting to the deconsolidation of Europages Group and data referring to 12.54 service and in 2015 the change in consolidation scope of Seat Group and Moqu Group.

(**) This includes the accounting to Held for Sale of Consodata.

The figures for pension plans, liabilities to employees and related costs in the income statement, were determined based on valuations carried out by an independent expert using the projected unit credit method, in accordance with the provisions of IAS 19.

Net liabilities for defined-benefit pension plans
Following the deconsolidation of the Europages Group balances, net *liabilities for defined benefit plans* were zeroed at December 31, 2016. At December 31, 2015 the net liabilities for defined-benefit plans, amounting to € 208 thousand, were recognised net of assets used to finance these plans.

Employees' leaving entitlement share remaining in the business
Employees' leaving entitlement pay, amounting to € 17,832 thousand at December 31, 2016 (€ 17,000 thousand at December 31, 2015), was measured (being considered a defined-benefit plan) according to the indications contained in IAS 19 revised.
Following the entry into effect of the supplementary pension reform (Legislative Decree No. 252 of December 5, 2005), the structure of employees' leaving entitlement, as of January 1, 2007, changed from a defined-benefit plan to a defined-contribution plan. Consequently, the liability recorded in the financial statements represents the defined-benefit plan liability – valued based on IAS 19 criteria – for employees for service up to December 31, 2006.
In addition, during 2016 were recognised changes in equity of € 1,197 thousand (€ 868 net of the tax effect), of which € 888 thousand is attributable to the Parent Italiaonline SpA. In application of IAS 19, paragraph 93A, such profits are recorded, net of the related tax effects, directly in the statement of comprehensive income.

(euro/thousand)	AT 12.31.2016	AT 12.31.2015
A. Change in defined benefit obligations		
1. Opening definded benefit obligations	17,000	5,019
2. Current service cost	760	178
3. Financial expense	281	210
4. Benefits paid by plan/company	(640)	(607)
5. Other changes and change in consolidation scope	(766)	13,419
6. Changes recognised in equity (OIC effect)	1,197	(1,219)
a. Effects due to changes of demographic assumptions	-	-
b. Effects due to changes of financial assumptions	334	-
c. Effects due to changes of actuarial assumptions	1,053	-
c. Effects due to changes of actuarial experience	(190)	-
7. Curtailment	-	-
Closing benefit obligations	17,832	17,000
B. Reconciliation of assets and liabilities recognised in the statement of financial position		
Plans that are fully unfunded plans that are wholly or partly funded		
1. Present value of defined-benefit unfunded obligations at the end of the period	17,832	17,000
2. Other changes		
Net liabilities recognised in the statement of financial position	17,832	17,000
Amounts in the statement of financial position		
1. Liabilities	17,832	17,000
2. Assets		
C. Cost component		
Amounts recognised in the income statement		
1. Current service costs	760	178
2. Interest expense	281	210
Total cost recognised in the income statement		
D. Main actuarial assumptions		
Weighted-average assumptions to determine benefit obligation		
1. Discount rate	1.31%	2.12%
2. Rate of inflation	1.50%	1.50%
3. Annual increase rate of the employees' leaving entitlement	2.63%	n.s.
E. Past experience of actuarial (gains) and losses		
a. Amount (*)	n.s.	n.s.
b. Percentage of plan liabilities at the reporting date	n.s.	n.s.

(euro/thousand)	AT 12.31.2016	AL 12.31.2015
F. Sensitivity analysis - benefit obligation evaluation based on eassumptionsvents below		
1. Discount rate		
a. Discount rate -0,25%	*17,323*	*n.s.*
a. Discount rate +0,25%	*17,914*	*n.s.*
2. Rate of inflation		
a. Rate of inflation -0,25%	*18,078*	*n.s.*
b. Rate of inflation +0,25%	*17,171*	*n.s.*
3. Turnover rate		
a. Turnover rate -1%	*17,759*	*n.s.*
b. Turnover rate +1%	*17,490*	*n.s.*
4. Weighted-average duration of benefit obligation (years)		
- ITALIAONLINE S.p.A.	*10.4*	*10.66*
- DLS	*21*	*14.03*
G. Expected cash flow for next year		
1. Contributions for the next year		
- ITALIAONLINE S.p.A.	*-*	*n.s.*
- DLS	*795*	*n.s.*
2. Expected payments of total performances		
Year 1	*1,346*	*885*
Year 2	*1,036*	*650*
Year 3	*1,059*	*706*
Year 4	*978*	*740*
Year 5	*1,044*	*634*

(*) This is the amount of actuarial gains/ (losses) from applying the previous year's actuarial assumptions to the current workforce.

22. Other non-current liabilities

Other non-current liabilities amounting to € 31,540 thousand at December 31, 2016 (€ 33,531 thousand at December 31, 2015), are detailed as follows:

(euro/thousand)	YEAR 2016					YEAR 2015
	PROVISION FOR SALE AGENTS' TERMINATION BENEFITS	OTHER NON-CURRENT OPERATING LIABLITIES	PROVISION FOR RESTRUCTURING	OTHER NON-OPERATING LIABILITIES	TOTAL	TOTAL
Opening balance	**18,771**	**1,619**	**12,877**	**264**	**33,531**	**1,006**
Accruals	972	-	11,187	-	12,159	4,078
Utilizations/repayments	(1,114)	(537)	-	-	(1,651)	(1,503)
Discounting losses (gains)	980	-	-	-	980	61
Change in consolidation scope (*)	-	-	-	(14)	(14)	29,848
Held for sale recognition (**)	(418)	-	-	-	(418)	-
Other changes	92	(12)	(12,877)	(250)	(13,047)	41
Closing balance	**19,283**	**1,070**	**11,187**	**-**	**31,540**	**33,531**

(*) This includes in 2016 data relanting to the deconsolidation of Europages Group and in 2015 the change in consolidation scope of Seat Group and Moqu Group.

(**) This includes the accounting to Held for Sale of Consodata.

As at December 31, 2016, non-current provisions were discounted, taking into consideration expected future cash flows, using the pre-tax discount rate that reflects the current market assestment of the time value of money in relation to time. The increase due to the passage of time and changes in the applied discount rate was recorded as a financial expense (€ 980 thousand).

The *provision for agents' termination benefits* represents the amount due to active sales agents for benefits owed to them in the event of termination of the agency relationship, as provided for by current regulations. This provision at December 31, 2016 amounted to € 19,283 thousand (€ 18,771 thousand at December 31, 2015) and increased in the year by € 512 thousand.

The provision for restructuring, non-current portion, at December 31, 2016 amounted to € 11,187 thousand allocated as a result of a newly started personnel reorganisation plan (for more information see Paragraph "Industrial relations" in the section "Other information" in the Report on Operations"). This provision should be considered in conjunction with the current portion of provision for the corporate restructuring reserve.

23. Provisions for risks and current charges (operating and non-operating)

These are broken down as follows:

(euro/thousand)	YEAR 2016				YEAR 2015
	PROVISION FOR COMMERCIAL RISKS	PROVISION FOR CONTRACTUAL AND OTHER OPERATING RISKS	NON-OPERATING PROVISION	TOTAL	TOTAL
Opening balance	**5,437**	**9,483**	**21,128**	**36,048**	**3,344**
Accruals	1,208	4,717	12,255	18,180	(2,610)
Utilizations	(1,681)	(1,862)	(5,927)	(9,470)	(3,755)
Revision of estimates	-	(445)	(23,596)	(24,041)	201
Change in consolidation scope (*)	-	(7)	-	(7)	39,362
Other changes	(1)	(12)	13,101	13,088	(494)
Closing balance	**4,963**	**11,874**	**16,961**	**33,798**	**36,048**

(*) This includes in 2016 data relanting to the deconsolidation of Europages Group and in 2015 the change in consolidation scope of Seat Group and Moqu Group.

Provisions for risks and current charges at 31 December, 2016 amounted to € 33,798 thousand (€ 36,048 thousand at December 31, 2015) and consist of:

- the *provision for commercial risks*, of €4,963 thousand at December 31, 2016 (€ 5,437 thousand at December 31, 2015), is commensurate with possible charges for incomplete compliance of contractual obligations;
- the *provision for contractual and other operating risks*, of €11,874 thousand (€ 9,483 thousand at December 31, 2015), includes € 5,059 thousand for legal disputes (€ 5,391 thousand at December 31, 2015) and € 3,359 thousand for pending litigation with agents and employees (€ 2,793 thousand at December 31, 2015);
  the non-operating provisions - current portion
- amount to € 16,961 thousand at December 31, 2016 (€ 21,128 thousand at December 31, 2015). They include *(i)* € 12,071 thousand for *the provisions for restructuring* - current portion reflecting the allocation amounting to € 12,105 thousand as a result of a newly started personnel reorganisation plan (for more information see Paragraph "Industrial relations" in the section "Other information" in the Report on Operations"). This provision should be considered in conjunction with the *provision for restructuring* non-current portion. *(ii)* € 3,051 thousand of *the restructuring provision for the sales network*, used in the course of 2016 by € 294 thousand; *(iii)* € 750 thousand, unchanged from December 31, 2015, for the risks provision quantified taking into account the applicable provisions and the reasonable possibility of reaching an agreement with the TPR (*the Pension Regulator*) and the trustee of the TDL Fund with respect to the financial support to be provided in favour of the TDL Fund, bearing in mind the winding-up proceedings applied.

24. Trade payables and other current liabilities

Trade payables and other current liabilities are broken down as follows:

(euro/thousand)	AT 12.31.2016	AT 12.31.2015	CHANGE
Payables to suppliers	66,845	93,182	(26,337)
Payables due to agents	17,139	20,265	(3,126)
Payables due to employees	21,299	17,253	4,046
Payables due to social security institutions	5,158	6,592	(1,434)
Payables due to other	586	421	165
Total trade payables	**111,027**	**137,713**	**(26,686)**
Liabilities for services to be provided	98,795	107,872	(9,077)
Advances from customers	3,855	1,707	2,148
Other current liabilities	7,757	7,042	715
Total liabilities for services to be provided and other current liabilities	**110,407**	**116,621**	**(6,214)**

All trade payables have a maturity of less than 12 months.
Specifically:
- *payables to suppliers*, of € 66,845 thousand at December 31, 2016 (€ 93,182 thousand at December 31, 2015) include to € 66,357 thousand relating to Italiaonline SpA;
- *payables to agents*, of € 17,139 thousand (€ 20,265 thousand at December 31, 2015), are considered in conjunction with the item "commission advances" recognised in "other current assets" amounting to € 21,702 thousand (€ 21,830 thousand at December 31, 2015;
- *liabilities for services to be* provided amounted to € 98,795 thousand (€ 107,872 thousand at December 31, 2015); the item includes the advance invoicing of advertising services for printed directories as well as the deferral of revenue arising from the provision of *web* and *voice* services on a straight-line basis over the contractually agreed period for the online and *on-voice* services.

25. Revenue from sales and services

Revenue from sales and services amounted to € 389,476 thousand in 2016, of which € 372,986 thousand was attributable to revenue of the ITALIAONLINE segment (which includes the results of Italiaonline SpA, Moqu and Digital Local Services). For a in-depth analysis of the performance, please refer to the Report on Operations in the section Performance by Business Area since, as stated in the figures presented in these Notes, the 2015 financial year revenue included the profit (loss) for the full year of Italiaonline SpA (before the merger) and the subsidiary Moqu as well as the profit (loss) of the Seat group for the last four months of 2015 i.e. from the date of completion of the acquisition.

26. Other operating costs and revenue

26.1 Other income

Other income totalled € 4,030 thousand in 2016 (€ 3,428 thousand in the previous year). The item includes €1,590 thousand relating to the recovery of costs from third parties (mainly administrative, legal and postal costs) and € 1,863 thousand relating to other income.

26.2 Costs of materials

The cost of materials amounted to € 13,939 thousand in 2016 (€ 8,602 thousand in 2015). These primarily include € 11,800 thousand for paper consumption.

26.3 Costs for external services

The costs for external services in 2016 amounted to € 192,130 thousand (€ 116,424 thousand in the previous year). External services costs in 2016 specifically include:

– *commissions and other agent costs* of € 48,533 thousand, directly related to increased sales (€ 33,673 thousand in 2015);
– *consulting and professional services costs* of €14,668 thousand (€ 8,719 thousand in 2015);
– *web publisher fees* amounting to € 38,378 thousand related to the management of new web offers aimed at increasing web traffic (€ 17,613 thousand in 2015);
– *rental costs and use of third party assets* amounted to € 21,486 thousand (€ 11,074 thousand in 2015);
– *costs for outbound call centre services* totalled € 6,789 thousand (€ 2,773 thousand in 2015);
– *the advertising expenses* equal to € 1,344 thousand (€ 3,351 thousand in 2015).

26.4 Personnel expense

Personnel expense in 2016 amounted to € 99,782 thousand (€ 47,687 thousand in 2015).
The Group workforce – including directors, project workers and interns – consisted of 1,916 people as at December 31, 2016 (2,230 people as at December 31, 2015). The active Group workforce, net of personnel under government-sponsored layoff schemes ("Cigs a zero ore") was 1,611 people as at December 31, 2016, and 2,095 people as at December 31, 2015. The full time equivalent (FTE) in 2016 was 1,794 people.

26.5 Allowance for impairiment losses

Allowance for impairiment losses are broken down as follows:

(euro/thousand)	YEAR 2016	YEAR 2015	CHANGE ABSOLUTE	CHANGE %
Allowance for impairment	13,726	7,741	5,985	77.3
Realise of allowance for impairment	(104)	(81)	(23)	(28.4)
Write-down (Realise) of other operating assets	1,097	1,759	(662)	(37.6)
Other write-down	175	-	175	n.s.
Total allowances for impairment-losses	**14,894**	**9,419**	**5,475**	**58.1**

26.6 Accruals to provisions for risks and charges, net

(euro/thousand)	YEAR 2016	YEAR 2015	CHANGE ABSOLUTE	CHANGE %
Provisions for commercial risks	1,208	389	819	n.s.
Provisions for contractual risks and other operating charges	4,659	302	4,357	n.s.
Reversal of provision for riscks and current operating charges	*(445)*	*207*	*(652)*	*n.s.*
Total provisions to risks and charges, net	**5,422**	**898**	**4,524**	**n.s.**

For further details, see Note 23 of these Notes.

26.7 Net non-recurring charges

The non-recurring charges came to € 9,356 thousand (€ 9,922 thousand in 2015) and include, in particular:

- € 4,475 thousand mainly related to strategic consultancy, of which € 3,284 thousand was incurred for the merger;
- € 2,142 thousand mainly related to costs of the reorganization of the structure;
- €1,679 thousand related to expenses incurred for the re-branding of the parent.

26.8 Net restructuring income (charges)

Net restructuring income amounts to € 252 thousand in 2016 (charges of € 281 thousand in the previous year) and include the effects of streamlining in Italiaonline S.p.A. and Consodata S.p.A.

27. Financial income and expense

27.1 Financial expense

Financial expense of € 2,486 thousand in 2016 (€ 394 thousand in 2015) is detailed below:

(euro/thousand)	YEAR 2016	YEAR 2015	CHANGE	
			ABSOLUTE	%
Interest expense on lease liabilities	229	88	141	n.s.
Foreign exchange losses	44	(202)	246	n.s.
Other financial expense	2,213	508	1,705	n.s.
Total financial expense	**2,486**	**394**	**2,092**	**n.s.**

Interest expense on lease liabilities amounted to € 229 thousand which relates to interest expense on amounts due to Mediocredito Italiano S.p.A. for finance leases.

The other financial expense includes:

- € 562 thousand for interest on the debt, recognised and measured at amortised cost, taken on with Banca IMI S.p.A. pursuant to the loan agreement for the purpose of partial payment of the consideration for Seat ordinary shares tendered in the public tender offer;
- € 1,601 thousand of interest expense related mainly to the discounting severance of employee's leaving entitlement.

27.2 Financial income

Financial income in 2016 amounted to € 2,555 thousand (€ 644 thousand in the previous year) including € 623 thousand for interest income arising from the use of short-term liquidity in the banking system at market rates and € 1,342 thousand related to the dividend distributed by Emittente Titoli SpA as per shareholders' resolution of April 20 ,2016.

28. Impairment losses on investments and losses on the disposal of investments

Impairment losses on investments on the disposal of investments amounted to € 1,499 thousand in 2016 (€ 6,624 thousand in 2015). The item includes € 1,458 thousand in 2016 for the effects of lower fair value of the 16.24% investment held by Italiaonline SpA in Telegate AG as the company, in accordance with IAS 39, considered in the prolonged decline in stock market values as an objective evidence of impairment.

29. Income taxes

The *Income taxes* for 2016 shows a positive balance of € 23,341 thousand (positive for € 11,399 thousand in 2015), they are as follows

(euro/thousand)	YEAR 2016	YEAR 2015	CHANGE	
			ABSOLUTE	%
Current income taxes	(1,393)	(713)	(680)	(95.4)
Provision (reversal) of deferred tax assets	21,617	667	20,950	n.s.
(Provision) reversal of deferred tax liabilities	2,512	10,871	(8,359)	(76.9)
Income taxes referred to the previous year	605	574	31	5.4
Total income taxes for the year	**23,341**	**11,399**	**11,942**	**n.s.**

Current income taxes for the year amounted to € 1,393 thousand, € 713 thousand in 2015 primarily related to Irap.
The provision for deferred tax assets of € 21,617 thousand (€ 667 thousand in 2015), mainly due to Italiaonline S.p.A., refers in particular to the change in the previous for risks and to the recoverability evaluations of the tax losses carried forward indefinitely and non-deductible interest expenses as par art. 96 of the Consolidated Income Tax Law in the time horizon of the business plan available.

With reference to Italiaonline S.p.A. it is noted that, for cumulative tax losses carried forward indefinitely amounting to approximately € 209 million, deferred tax assets were recognized for the portion expected to be recovered amounting to € 28 million.
The reconciliation of the income taxes reported in the financial statements and the theoretical income taxes resulting from the application of the tax rates in force in Italy to pre-tax loss for the year ended December 31, 2016 is as follows:

(euro/thousand)	**YEAR 2016**
Profit (loss) before income taxes	**(691)**
Current income taxes calculated with theorical tax rate (31,40%)	**217**
Tax effects on non-deductable expenses for IRAP purposes (personnel expenses, interest income and expenses, etc.)	(5,150)
Deferred tax adjustment due to rate change	(1,301)
Benefits tax losses not recognized in previous years	604
Non-deductible interest expense previous years	15,401
Deferred tax assets non entered	20,587
IRES Tax effect due to the reduction of liabilities for composition with creditors procedure debt	16
Permanent differences and other movements	(7,033)
Total income taxes for the year	**23,341**

The permanent differences (€ 7,033 thousand in 2016) are mainly attributable to the deduction of part of the interest expense that was not deducted in previous tax years pursuant to Article 96 of the Consolidated Income Tax Law (€ 13,791 thousand) and for the tax effect on tax losses of the year, for which deferred tax assets were not recognised, which for Italiaonline S.p.A. amounted to € 14.214 thousand.

On August 3, 2016, the Tax Office provided a positive response to the request made in relation to carrying forward the excess interest expense in the amount of approximately € 650 million. The request had been submitted on February,11 2016 in order to suspend the application of anti-avoidance rules that limited the carry forward of interest expense as a result of the merger of Seat Pagine Gialle S.p.A. and Italiaonline SpA. In this regard it is noted that, at the end of the year, interest expense carryforward amount to approximately € 599 milion and deferred tax assets amounted to roughly € 15 million were recognised calculated on EBITDA (referred to in art. 96) which is expected to realised before the plan's horizon available today, allowing the deduction for tax purposes in the future a portion of interest expense reported in the previous tax year amounting to approximately € 64 milion.

Please see the section "Administrative, Judicial and arbitration procedures" of the Report on Operations for the dispute with the Italian Tax Autority - Lombardy Regional Office ("DRE") related to tax assessment notices for the failure to apply a withholding tax on interest paid to Royal Bank of Scotland (Milan branch) under the so-called "Senior Loans".

Net deferred tax assets and liabilities

Net deferred tax assets and liabilities are described in the table below:

(euro/thousand)	AT 12.31.2015 RESTATED	CHANGES DURING THE PERIOD		AT 12.31.2016
		INCOME TAXES ACCOUNTED FOR THE INCOME STATEMENT	INCOME TAXES ACCOUNTED FOR EQUITY	
Deferred tax assets				
Tax losses	9,647	(2,253)	-	7,394
Allowance for impairment	17,610	(7,637)	-	9,973
Reserves for contractual risks	16,376	(1,812)	-	14,564
Deferred tax assets entered this year	(24,828)	19,484	-	(5.344)
Interest expense	-	15,401	-	15,401
Provision for employees	290	(407)	319	202
Goodwill [(1)]	2,941	(872)	-	2,069
Other	1,996	(287)	-	1,709
Total deferred tax assets	**24,032**	**21,617**	**319**	**45,968**
Deferred tax liabilities				
Data Base	(2,269)	618	-	(1,651)
Customer Relationship	(7,349)	1,289		(6,060)
Brands	(49,348)	344		(49,004)
Provision for employees	68	-	10	78
Other	1,295	261	-	1.556
Total deferred tax liabilities	**(57,603)**	**2,512**	**10**	**(55,081)**
Total	**(33,571)**	**24,129**	**329**	**(9,113)**
Shown in the statement of financial position:				
Deferred tax assets	*191*			*152*
Deferred tax liabilities	*(33,762)*			*(9,267)*

(1) It is not referred to Goodwill accounted in the Financial Statement at December 31, 2016.

Current tax assets

Current tax assets amounted to € 7,215 thousand at December 31, 2016 (€ 26,598 thousand at December 31, 2015) and are detailed as follows

(euro/thousand)	AT 12.31.2016	AT 12.31.2015	CHANGE
Income tax assets	6,845	25,001	(18,156)
Other tax assets	370	1,597	(1,227)
Total current tax assets	**7,215**	**26,598**	**(19,383)**

The amount of € 18,543 thousand in IRES assets, including interest, emerging from the national tax consolidation scheme of Italiaonline group at December 31, 2015 reported in previous tax years required to be refunded last year by the parent company through the presentation of the 2014 CNM (Consolidato Nazionale Mondiale) form has been reclassified to Other non-current assets.

Current tax liabilities

Current tax liabilities amounted to € 4,260 thousand as of December 31, 2016 (€4,926 thousand at December 31, 2015) and are detailed as follows

(euro/thousand)	AT 12.31.2016	AT 12.31.2015	CHANGE
Income tax liabilities	759	279	480
Other tax liabilities	3,501	4,647	(1.146)
Total current tax liabilities	**4,260**	**4,926**	**(666)**

Other tax liabilities mainly refer to VAT liabilities and withholding taxes on employees, and external consultants.

30. Long-term incentive schemes with share-based payments

The stock option plan issued by Parent is structured in two *tranches*, Tranche A and Tranche B, whose performance periods *correspond* to:

- for Tranche A, the period between 1 January 2014 and December 31, 2016 (790,168 existing rights);
- for Tranche B, for the period between 1 January 2016 and December 31, 2018 (2,236,724).

Each *tranche* of the stock option plan consists of a *vesting period* of 36 months and a further period during which the beneficiary may exercise the options (**"Exercise Period"**), which begins on the first day following the end of the vesting period and ends:

- for Tranche A, on December 31, 2020;
- for Tranche B, on December 31, 2022;

beyond these dates, unexercised options will expire. The options can be exercised individually by the beneficiaries in the course of the Exercise Period except during *blackout* periods.

This multi-year time horizon is defined in line with the strategic planning cycle of the Company, with the aim of focusing the beneficiary managers on creating medium to long term value and the need to put in place tools *which will sustain retention* over a multi-year period.

The stock option plan is intended to benefit:

- regarding Tranche A, those managers employed at Italiaonline on December 15, 2014, identified by the Italiaonline board of directors and confirmed on January 20, 2016 by the group's board of directors, as being among those holding organisational positions of significant importance or otherwise considered worthy of being given incentives and/or worthy of retention. On conclusion of the merger, these *managers* shall be confirmed as employees of the company resulting from the merger;
- regarding Tranche B, managers and executive directors that will be identified by the Company's board of directors, subject to consultation with the appointments and remuneration committee, including those who hold organisational positions of significant importance to the company or its subsidiaries, or otherwise deemed worthy of being given incentives and/or worthy of retention.

The full vesting of the stock option rights for each tranche is subject to the achievement of at least 85% of a *performance target*, represented by:

- Tranche A: *target* of Cumulative EBITDA for 2014-2016 consisting of the following elements: Italiaonline EBITDA for the years 2014 and 2015 and EBITDA of the post-merger company for 2016.
- Tranche B: *target* of cumulative EBITDA for 2016 - 2018 consisting of the post-merger company EBITDA for the financial years 2016, 2017 and 2018.

In case of failure to reach the minimum level of *performance*, no stock option entitlements will be applicable.

For Tranche B a *lock-up clause* applies to the effect that 25% of the shares subscribed and/

or purchased through exercise of stock options by key management personnel with strategic responsibilities identified in the annual remuneration report, may not be transferred until the 24th month from the date of subscription and/or purchase. For key management personnel who also qualify as executive directors, this term shall be deemed to be deferred until the expiry of their term of office, whichever occurs later.
The stock option allocation plan is set up as an "equity-settled" plan: the relevant cost at 31 December, 2016 is approximately € 606 thousand, classified under personnel expense with a specific balancing-entry in equity.
For the purpose of calculating the *fair value* of the *stock options* plan a valuation was carried out reflecting the characteristics of "no arbitrage" and "risk-neutral framework" common to the fundamental option pricing models (such as the binomial model, *Black and Scholes*, etc.).
The assumptions regarding the parameters used in the calculation of *fair value*, all based on conservative assumptions, are, with regard to volatility, the average historical volatility of a panel of *comparables* (international) considered by the directors to be representative of the business and the company's characteristics.

Non-current assets discontinued operations / assets held for sale and related liabilities.

31. Non-current assets held for sale / discontinued operations and related liabilities

The assets and liabilities related to Consodata SpA, following the will to dispose of this investment, and given the non-materiality of amounts in relation to those of the Italiaonline Group, were classified as "Net non-current assets held for sale" and so the related figures at 31 December 2016 are shown separately in the statement of financial position.
On August 4, 2016 Italiaonline SpA is entire investment Europages SA was sold to PP Medical Solutions II GmbH, a subsidiary of the private equity fund Paragon Partners.
In addition, on February 23, 2017 Italiaonline SpA signed deeds for the sale of the two remaining finance leases, related to the buildings of the branch of Turin, in place with Mediocredito Italiano SpA to Engineering Ingegneria Informatica SpA Therefore, the items relating to outstanding debt at December 31, 2016 and the portion of recognised real estate assets relating to the contracts have been reclassified consistently in non-current net assets held for sale.
In line with the provisions of IFRS 5 the assets and liabilities related to Europages (before they were sold), Consodata and the finance leases have been measured at the lower of their carrying amount and the respective fair value. This measurement resulted in impairment losses on assets, for activities related to Europages for € 685 thousand and € 7,629 thousand for Consodata.
Finally, on July 1, the sale of the 12.54 service business unit to Contacta S.p.A., a company belonging to the Covisian Group, came into effect in accordance with the decision of the Italian Antitrust Authority (AGCM), concerning the sale of the 12.54 number as part of the acquisition process of the Seat Group by Italiaonline. On December 31, 2015 the assets and liabilities of the business unit of the 12.54 service were reclassified as non-current net assets held for sale.

Non-current assets held for sale and discontinued operations and related liabilities are detailed in the following table

(euro/thousand)	AS AT DECEMBER 31, 2016 CONSODATA S.p.A.	AS AT DECEMBER 31, 2016 LEASING	AT 31.12.2016	AT 12.31.2015 12.54 SERVICE
Intangible assets with a finite useful life	-	-	-	2,525
Lease assets	-	5,859	5,859	-
Inventaries	263	-	263	-
Trade receivables	4,653	-	4,653	-
Current tax assets	237	-	237	-
Other current assets	753	-	753	-
Cash and cash equivalents	36	-	36	-
Non-current assets held for sale and discontinued operations	**5,942**	**5,859**	**11,801**	**2,525**
Non-current provisions for personnel	1,002	-	1,002	205
Other non-current liabilities	414	-	414	-
Non current financial liabilities	-	6,824	6,824	-
Current financial liabilities	-	1,160	1,160	-
Trade payables	3,492	-	3,492	-
Liabilities for services to be provided and other current liabilities	743	-	743	-
Current tax liabilities	291	-	291	-
Liabilities directly associated with non - current assets held for sale and discontinued operations	**5,942**	**7,984**	**13,926**	**205**

32. Related-party transactions

With reference to the provisions contained in IAS 24 and in accordance with CONSOB regulation No. 17221 of March 12, 2010, the impact of related-party transactions of the group on the financial position at December 31, 2016 and the results of operations for the year then ended are summarised below.
The effects of intra-group transactions between consolidated companies have been eliminated in the consolidated financial statements.

Transactions carried out by group companies with related parties, including intra-group transactions, fall within the ordinary course of business and are settled at market conditions or based on specific regulatory provisions. There were no atypical and/or unusual transactions, potential conflicts of interest, changes or developments in the related party transactions described in the latest approved financial statements that have had a material effect on the financial position or results of the Group.

Income statement

(euro/thousand)	YEAR 2016	PARENT COMPANY	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Revenue from sales and services	389,476	-	-	51	-	51
Other income	4,031	-	-	-	551	551
Costs of external services	(192,130)	-	-	-	(5,329)	(5,329)
Personnel expenses	(99,782)	-	-	-	(3,115)	(3,115)
Other operating costs	(3,393)	-	-	-	(3)	(3)

(*) Directors, statutory auditors, key management personnel

(euro/thousand)	YEAR 2015	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Revenue from sales and services	216,301	-	-	108	623	731
Other income and revenues	3,428	-	-	-	8	8
Costs of external services	(116,424)	-	-	-	3,790	3,790
Financial income	2,555	-	-	-	4	4

(*) Directors, statutory auditors, key management personnel

Statement of financial position

(euro/thousand)	AT DECEMBER 31, 2016	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*))	TOTAL RELATED PARTIES
Assets						
Other non-current financial assets	3,469	-	-	168	-	168
Trade receivables	161,786	-	-	34	12	46
Other current assets	40,177	90	-	-	595	685
Liabilities						
Trade payables	111,027	-	-	-	2,875	2,875
Liabilities for services to be provided and other current liabilities	110,407	-	-	-	242	242

(*) Directors, statutory auditors, key management personnel

(euro/thousand)	AT DECEMBER 31, 2016	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Assets						
Other non-current financial assets	2,358	-	-	168	-	168
Trade receivables	197,070	-	-	85	-	85
Other current assets	46,098	90	-	-	347	437
Liabilities						
Trade payables	137,713	-	-	-	3,249	3,249
Liabilities for services to be provided and other current liabilities	116,621	-	-	-	1,000	1,000

(*) Directors, statutory auditors, key management personnel

Statement of cash flows

(euro/thousand)	YEAR 2016	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Cash flows from operating activities	60,443	-	-	102	(9,285)	(9,183)
Cash flows from investing activities	(23,512)	-	-	-	-	-
Cash flows from financing activities	(39,931)	-	-	-	-	-
Cash flows from non-current assets held for sale and discontinued operations	1,000	-	-	-	-	-
Cash flows of the year	**(2,000)**	**0**	**-**	**102**	**(9,285)**	**(9,183)**

(*) Directors, statutory auditors, key management personnel

(euro/thousand)	YEAR 2015	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Cash flows from operating activities	28,679	-	-	108	4,686	4,794
Cash flows from investing activities	(227,417)	-	-	-	-	-
Cash flows from financing activities	293,645	-	-	-	-	-
Cash flows from non-current assets held for sale and discontinued operations	-	-	-	-	-	-
Cash flows of the year	**94,907**	**-**	**-**	**108**	**4,686**	**4,794**

(*) Directors, statutory auditors, key management personnel

33. Information related to Consob Communication no. DEM/6064293 of July 28, 2006

Pursuant to Consob Communication no. DEM/6064293 of July 28, 2006, information is set out below regarding the impact of non-recurring significant events and transactions, on the financial position and results of operations of the Italiaonline group.

(euro/thousand)	EQUITY	PROFIT (LOSS) FOR THE YEAR	NET FINANCIAL POSITION	CASH FLOWS (*)
Carrying amount	367,337	22,650	122,117	(2,000)
Net non-recurring and restructuring costs *of which*	(9,104)	(9,104)	(17,234)	(17,234)
- *Consulting for merger project*	*(3,285)*	*(3,285)*	*(3,449)*	*(3,449)*
- *Rebranding costs*	*(1,679)*	*(1,679)*	*(1,831)*	*(1,831)*
- *Net restructuring charges*	-	-	*(5,633)*	*(5,633)*
- *Moqu Earn-out*			*(1,000)*	*(1,000)*
Impact %	**-2.5%**	**-40.2%**	**-14.1%**	**n.s.**

(*) Cash flows refer to the increase (decrease) in cash and cash equivalents during the year

34. Other information

Summary of fees to the auditing firm and the entities belonging to its network.

Under Article. 149 duodecies of the Consob Issuer Regulations (Resolution no. 11971/1999 and subsequent amendments), the following table shows the 2016 the fees charged for audit services to ItaliaOnLine Group companies by KPMG and the entities belonging to its network.

(euro/thousand)	YEAR 2016
KPMG S.p.A.	
Italiaonline S.p.A.	
- Audit	209
- Services for the purposes of certification	72
Total	**281**
Subsidiaries	
- Audit	12
- Audit of KPMG network	8
Total	**20**
Susidiaries audited by PWC	
- Audit	78
Total	**78**

List of investments included in the consolidated financial statements on a line-by-line basis (Consob Communication DEM/6064293 of July 28, 2006) / Table 1

COMPANY (BUSINESS)	REGISTERED OFFICE	SHARE CAPITAL		ORDINARY SHARES HELD		% HELD BY ITALIAONLINE
				%	BY	
ITALIAONLINE S.p.A.	Assago (Itay)	Euro	20,000,000			
SUBSIDIARIES						
Moqu Adv S.r.l. (managing advertising campaigns and related services on web)	Assago (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Moqu Adv Ireland limited (online advertising)	Dublin (Ireland)	Euro	1	100.00	Moqu S.r.l.	
Couponing Italia S.r.l. in liquidazione (e-commerce)	Milan (Italy)	Euro	100,000	100.00	Italiaonline S.p.A.	100.00
CONSODATA S.p.A. (direct marketing services, database creatin, management and distribution)	Rome (Italy)	Euro	2,446,330	100.00	Italiaonline S.p.A.	100.00
PRONTOSEAT S.r.l. (call center services)	Turin (Italy)	Euro	10,500	100.00	Italiaonline S.p.A.	100.00
TELEGATE HOLDING GmbH (holding)	Monaco (Germany)	Euro	26,100	100.00	Italiaonline S.p.A.	100.00
Digital Local Services ADRIATICO 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services ADRIATICO 2 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services ADRIATICO 3 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services BERGAMO 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services BERGAMO 2 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services BRESCIA 1 S.r.l. in liquidazione (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services BRESCIA 2 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services BOLOGNA 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services BOLOGNA 2 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services BOLZANO 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services CALABRIA 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services CALABRIA 2 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services CAMPANIA 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services CAMPANIA 2 S.r.l. in liquidazione (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00

COMPANY (BUSINESS)	REGISTERED OFFICE	SHARE CAPITAL		ORDINARY SHARES HELD %	BY	% HELD BY ITALIAONLINE
Digital Local Services CAMPANIA 3 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services COMO 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services CUNEO 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services EMILIA 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services EMILIA 2 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services EMILIA 3 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services FIRENZE 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services FIRENZE 2 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services FIRENZE 3 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services FRIULI 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services GENOVA 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services LAZIO 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services LAZIO 2 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services LAZIO 3 S.r.l. in liquidazione (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services LIGURIA 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services LIGURIA 2 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services LOMBARDIA 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services LOMBARDIA 2 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services LOMBARDIA 3 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services MILANO 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services MILANO 2 S.r.l. in liquidazione (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services MILANO 3 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00

COMPANY (BUSINESS)	REGISTERED OFFICE	SHARE CAPITAL		ORDINARY SHARES HELD		% HELD BY ITALIAONLINE
				%	BY	
Digital Local Services NAPOLI 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services NAPOLI 2 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services PIEMONTE 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services PIEMONTE 2 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services PUGLIA 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services PUGLIA 2 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services PUGLIA 3 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services PUGLIA 4 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services ROMA 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services ROMA 2 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services ROMA 3 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services ROMAGNA 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services ROMAGNA 2 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services SARDEGNA 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services SARDEGNA 2 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services SICILIA 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services SICILIA 2 S.r.l. in liquidazione (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services SICILIA 3 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services SICILIA 4 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services SICILIA 5 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services SICILIA 6 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services SONDRIO LECCO 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00

COMPANY (BUSINESS)	REGISTERED OFFICE	SHARE CAPITAL		ORDINARY SHARES HELD		% HELD BY ITALIAONLINE
				%	BY	
Digital Local Services TURIN 1 S.r.l. in liquidazione (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services TURIN 2 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services TURIN 3 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services Turin 4 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services TOSCANA 1 S.r.l. in liquidazione (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services TOSCANA 2 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services TRENTO 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services UMBRIA 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services VARESE 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services VENETO 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services VENETO 2 S.r.l. in liquidazione (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services VENETO 3 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services VENETO 4 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services VENETO 5 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services VENEZIA 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services VERONA 1 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00

List of investments accounted for using the equity method (Consob Communication DEM/6064293 of July 28, 2006)

(euro/thousand)	CURRENCY	EQUITY (1)	PROFIT (LOSS) FOR THE YEAR (1)	HELD BY ITALIAONLINE S.P.A.	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT
GOLDFIVE	Euro	390	(480)	20,00	(18)

Certification of the consolidated financial statements pursuant to Article 81-ter of Consob Regulation No. 11971 of 14 May 1999, as amended

1. The undersigned, Antonio Converti, in his capacity as Chief Executive Officer, and Gabriella Fabotti, as Chief Financial Officer of Italionline S.p.A., hereby certify, taking into account the provisions of Article 154-bis, paragraphs 3 and 4 of Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures for the preparation of the consolidated financial statements, deemed to be adequate in relation to the characteristics of the business, were effectively applied during 2016.

2. The administrative and accounting procedures for the preparation of the consolidated financial statements as at December 31, 2016 were subjected during the year to a critical review in order to evaluate their suitability and how effectively they had been applied. No anomalies emerged as a result of this verification.

3. The following is also certified:
   3.1. The consolidated financial statements at December 31, 2016:
      - were prepared in compliance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (International Financial Reporting Standards – IFRS), and with the implementing provisions of Article 9 of Legislative Decree No. 38 of 28 February 2005;
      - correspond to the results contained in the books and the accounting entries;
      - are able to provide a true and accurate representation of the assets and liabilities, results and cash flows of the Company and of all companies included in its consolidation scope.

   3.2. The report on operations includes a reliable analysis of performance and operating results, as well as of the position of the Company and all its consolidated entities, together with a description of the main uncertainties and risks to which they are exposed.

Milan, March 15, 2017

Chief Executive Officer	Chief Financial Officer
Antonio Converti	Gabriella Fabotti

KPMG

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Italiaonline S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Italiaonline Group (the "group"), which comprise the statement of financial position as at 31 December 2016, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and a notes thereto.

Directors' responsibility for the consolidated financial statements

The parent's directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report and certain information presented in the report on corporate governance and ownership structure with the consolidated financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in the report on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the parent's directors, with the consolidated financial statements. In our opinion, the directors' report and the information presented in the report on corporate governance and ownership structure referred to above are consistent with the consolidated financial statements of the Italiaonline Group as at and for the year ended 31 December 2016.

Milan, 5 April 2017

KPMG S.p.A.

(signed on the original)

Francesco Spadaro
Director of Audit

Connection

SEPARATE FINANCIAL STATEMENTS OF ITALIAONLINE S.P.A.

Statement of financial position of Italiaonline S.p.A. at 31 December 2016

Attivo

(euro thousand)		AT 12.31.2016	AT 12.31.2015	CHANGE	NOTE
Non-current assets					
Intangible assets with an indefinite useful life		250,720	-	250,720	(8)
Intangible assets with a finite useful life		66,603	106,684	(40,081)	(9)
Property, plant and equipment		7,255	5,068	2,187	(10)
Leased assets		-	6,628	(6,628)	(11)
Other investments		5,435	10,350	(4,915)	(12)
Other non-current financial assets		3,469	2,145	1,324	(13)
Deferred tax assets, net		-	-	-	(30)
Other non-current assets		23,155	6,182	16,973	(16)
Total non-current assets	**(A)**	**356,637**	**137,057**	**219,580**	
Current assets					
Inventories		2,210	3,508	(1,298)	(14)
Trade receivables		161,635	154,205	7,430	(15)
Current tax assets		5,932	23,804	(17,872)	(30)
Other current assets		45,230	45,132	98	(16)
Current financial assets		929	6,812	(5,883)	(20)
Cash and cash equivalents		120,738	113,039	7,699	(20)
Total current assets	**(B)**	**336,674**	**346,500**	**(9,826)**	
Non-current assets held for sale and discontinued operations	**(C)**	**5,859**	**-**	**5,859**	**(32)**
Total assets	**(A+B+C)**	**699,170**	**483,557**	**215,613**	

Liabilities

(euro thousand)		AT 12.31.2016	AT 12.31.2015	CHANGE	NOTE
Equity of the Group					
Share capital		20,000	20,000	-	(17)
Share premium reserve		117,217	117,155	62	(17)
Legal reserve		4,000	4,000	-	(17)
Actuarial reserve		(1,443)	(679)	(764)	(17)
Stock option reserves		1,396	-	1,396	(17)
Purchase Price Allocation reserve		17,446	-	17,446	(17)
Other reserves		178,932	3,731	175,201	(17)
Retained earning (losses) carried forward		-	37,441	(37,441)	
Profit (loss) for the year		28,211	(27,114)	55,325	
Total equity	**(A)**	**365,759**	**154,534**	**211,225**	
Non-current liabilities					
Non-current financial liabilities		-	7,798	(7,798)	(20)
Non-current provision for employees		16,314	11,314	5,000	(22)
Net deferred tax liabilities		9,267	10,100	(833)	(30)
Other non-current liabilities		32,285	33,096	(811)	(23)
Total non-current liabilities	**(B)**	**57,866**	**62,308**	**(4,442)**	
Current liabilities					
Current loans and borrowings		11,657	16,153	(4,496)	(20)
Trade payables		108,335	102,983	5,352	(25)
Liabilities for services to be provided and other current liabilities		110,843	111,188	(345)	(25)
Provision for risks and current charges		33,570	34,187	(617)	(24)
Current tax liabilities		3,156	2,204	952	(30)
Total current liabilities	**(C)**	**267,561**	**266,715**	**846**	
Liabilities directly associated with non-current assets held for sale and discontinued operations	**(D)**	**7,984**	**-**	**7,984**	(32)
Total liabilities	**(B+C+D)**	**333,411**	**329,023**	**4,388**	
Total liabilities and equity	**(A+B+C+D)**	**699,170**	**483,557**	**215,613**	

Income Statement of Italiaonline S.p.A. for 2016

(euro thousand)	YEAR 2016	YEAR 2015	NOTE
Sales of goods	1,587	3,719	(26)
Provision of services	367,789	352,819	(26)
Revenue from sales and services	**369,376**	**356,538**	**(26)**
Other income	16,739	20,002	(27)
Total revenue	**386,115**	**376,540**	
Costs of materials	(13,887)	(17,816)	(27)
Costs for external services	(216,220)	(253,406)	(27)
Personnel expense	(71,752)	(58,253)	*(27)*
Allowances for impairment losses	(11,055)	(18,200)	(27)
Accruals to provisions for risks and charges, net	(5,518)	(1,896)	(27)
Other operating expenses	(3,008)	(1,982)	*(27)*
Operating income before amortization, depreciation, non-recurring and restructuring costs, net	**64,675**	**24,987**	
Amortization, depreciation and impairment losses	(43,873)	(38,876)	(9,10,11)
Non-recurring income (charges), net	(8,700)	24,439	(27)
Restructuring income (changes), net	294	(32,302)	(27)
Operating profit (loss)	12,396	(21,752)	
Financial expense	(9,846)	(14,295)	(28)
Financial income	7,656	1,705	(28)
Net income from execution of composition with creditors procedure	59	5,887	(28)
Impairment losses on investments	(6,117)	(9,802)	(29)
Profit (loss) before income taxes	**4,148**	**(38,257)**	
Income taxes	24,063	10,921	(30)
Profit (loss) on continuing operations	**28,211**	**(27,336)**	
Profit (loss) from non-current assets held for sale and discontinued operations	-	222	(32)
Profit (loss)for the year	**28,211**	**(27,114)**	

(*) December 2015 data have been restated to reflect, at August 31, 2015, the accounting effects resulting from the Purchase Price Allocation process.

		AT 12.31.2016	AT 12.31.2015
Number of Italiaonline S.p.A. shares		114,768,028	64,267,622,142
- ordinary shares		*114,761,225*	*64,267,615,339*
- saving shares		*6,803*	*6,803*
weighted average shares outsdanding		114,761,257	64,267,622,142
Profit (loss) for the year	€/thousand	28,211	(27,114)
Profit (loss) par share	**€**	**0.24582**	**(0.00042)**
Profit (loss) diluited par share	€	0.2395	n.a.

Statement of comprehensive income of Italiaonline S.p.A. for 2016

(euro thousand)	**YEAR 2016**	**YEAR 2015**
Profit (loss) for the year	**28,211**	**(27,114)**
Other comprehensive income (expense) that will not be reclassified subsequently to profit or loss:		
Actuarial gains (losses)	*(764)*	*712*
Total other comprehensive income (expense) that will not be reclassified subsequently to profit or loss	(764)	712
Other comprehensive income (expense) that will be reclassified subsequently to profit or loss:		
Profit (loss) from fair-value measurement of securities and investments AFS	-	
Profit (loss) from the fair value measurement of warrant	-	*4,715*
Total other comprehensive income (expense) that will be reclassified subsequently to profit or loss	-	4,676
Total other comprehensive income (expense), net of tax effect	**(764)**	**5,388**
Total comprehensive income (expense) for the year	**27,447**	**(21,726)**

Statement of cash flow of Italiaonline S.p.A. for 2016

(euro thousand)		YEAR 2016	YEAR 2015	CHANGE
Cash flows from operating activities				
Operating result		12,396	(21,752)	34,148
Amortization, depreciation and write-down		43,873	38,876	4,997
Stock option		606	-	606
(Gain) loss on disposal of non-current assets		(21)	(8)	(13)
Change in working capital		(8,724)	15,622	(24,346)
Income taxes paid		(369)	(4,151)	3,782
Change in non-current liabilities and other changes		10,698	10,725	(27)
Cash flows generated by operating activities	**(A)**	**58,459**	**39,312**	**19,147**
Cash flows from investing activities				
Purchase of intangible assets with finite useful life		(18,173)	(26,198)	8,025
Purchase of property, plant and equipment		(1,997)	(817)	(1,180)
Other investments		(2,017)	(5,365)	3,348
Proceeds from disposal of non-current assets		1,748	24	1,724
Cash flows used in investing activities	**(B)**	**(20,439)**	**(32,356)**	**11,917**
Cash flows from financing activities				
Repayment of non-current loans		(1,118)	(2,127)	1,009
Paid/collected interest and financial income/expense, net		6,455	902	5,553
Change in other financial asset and liabilities		(45,233)	106	(45,339)
Warrant		62	-	62
Cash flows used in financing activities	**(C)**	**(39,834)**	**(1,119)**	**(38,715)**
Cash flows from non-current assets held for sale and discontinued operations	**(D)**	**1,000**	**-**	**1,000**
Cash flows of the year	**(A+B+C+D)**	**(814)**	**5,837**	**(6,651)**
Opening Cash and cash equivalents		**113,039**	**107,202**	**5,837**
Cash and cash equivalent from merger		**8,514**		**8,514**
Closing Cash and cash equivalents		**120,738**	**113,039**	**7,699**

Statement of changes in equity of Italiaonline S.p.A. in 2016

(euro thousand)	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	LEGAL RESERVE	RESERVE FOR ACTUARIAL GAINS (LOSSES	OTHER RESERVES	MERGER DEFICIT	OTHER RESERVES	RETAINED EARNING (LOSSES)	RESERVE FOR PPA	RESERVE FOR STOCK OPTIONS	PROFIT (LOSS) FOR THE YEAR	TOTAL
At 12.31.2015	**20,000**	**117,155**	**4,000**	**(679)**	**-**	**-**	**3,731**	**37,441**	**-**	**-**	**(27,114)**	**154,534**
Allocation of previous year profit (loss)	-	-	-	-	-	-	-	(27,114)	-	-	27,114	-
Warrant	-	62	-	-	-	-	-	-	-	-	-	62
Merger	-	-	-	-	178,972	-	-	-	-	-	-	178,972
Purchase Price Allocation	-	-	-	-	-	-	-	-	17,446	-	-	17,446
Other moviments	-	-	-	-	-	-	(3,771)	(10,327)	-	1,396	-	(12,702)
Other comprehensive profit (loss) for the year	-	-	-	(764)	-	-	-	-	-	-	28,211	27,447
At 12.31.2016	**20,000**	**117,217**	**4,000**	**(1,443)**	**178,972**	**-**	**(40)**	**-**	**17,446**	**1,396**	**28,211**	**365,759**

Statement of changes in equity of Italiaonline S.p.A. in 2015

(euro thousand)	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	LEGAL RESERVE	RESERVE FOR ACTUARIAL GAINS (LOSSES	OTHER RESERVES	MERGER DEFICIT	OTHER RESERVES	RETAINED EARNING (LOSSES)	RESERVE FOR PPA	RESERVE FOR STOCK OPTIONS	PROFIT (LOSS) FOR THE YEAR	TOTAL
At 12.31.2014	**20,000**	**117,155**	**4,000**	**(1,392)**	**-**	**(1,340,610)**	**(984)**	**(12,204)**	**-**	**-**	**1,390,295**	**176,260**
Allocation of previous year profit (loss)	-	-	-	-	-	-	-		-	-	(1,390,295)	-
Other comprehensive profit (loss) for the year	-	-	-	713	-	-	4,715	(40)	-	-	(27,114)	(21,726)
At 12.31.2015	**20,000**	**117,155**	**4,000**	**(679)**	**-**	**(1,340,610)**	**3,731**	**1,378,051**	**-**	**-**	**(27,114)**	**154,534**

Notes to the separate financial statements

1. Corporate information

Italionline SpA. is a public company listed on the Stock Exchange of Milan, whose duration shall be determined as provided in the Articles of Association until December 31, 2100.
The Company is based in Assago Via del Bosco Rinnovato 8, and has a share capital of € 20,000 thousand.
The Company's financial year ends on December 31 every year. These financial statements refer to the year of January 1 - December 31, 2016.
Italiaonline provides web marketing and digital advertising services, including advertising campaign management and lead generation through social networks and search engines. It is also the leading operator in the Italian market for printed and online telephone directories. The company serves small and medium-sized enterprises, which are the backbone of the Italian economy, as well as large companies.
The Group's main activities are described in the Report on Operations, under the heading "Performance by Business Area".

2. Basis for preparation

The separate financial statements of Italiaonline S.p.A. have been prepared in accordance with the provisions of Legislative Decree No. 38 of February 28, 2005, applying International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union, including all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), and in compliance with the applicable Consob regulations.
Italiaonline SpA adopted the IFRS in compliance with European Regulation (EC) No. 1606 of July 19, 2002.
The separate financial statements were prepared on the basis of the historical cost principle, except for Other Investments, which were measured at fair value.

The financial statement formats adopted are consistent with those of IAS 1. Specifically:

- *the statement of financial position* was prepared by classifying assets and liabilities as "current/non-current" and showing "non-current assets/liabilities which are held for sale and discontinued operations" as two separate items, as required by IFRS 5;
- *the income statement was prepared by classifying operating costs by nature, as this is* considered the best way to present the Company's activities and complies with internal reporting methods. In addition, the profit (loss) from continuing operations is separated from "profit (loss) net from non-current assets held for sale and discontinued operations" as required by IFRS 5. As required by Consob resolution No. 15519 of July 27, 2006 in the context of the income statement by nature, income and charges from non-recurring transactions were specifically identified, highlighting their impact on the operating profit (loss).

Non-recurring income and charges include those which, by their nature, do not occur continuously in the normal course of operations, such as:

- company restructuring costs;
- non-recurring and highly strategic consultancy (relating mainly to identifying and implementing solutions for company and/or financial restructuring);
- costs linked to directors and department manager's end of office entitlement.

- the *statement of comprehensive income* shows the cost and/or revenue items not yet recognised in the income statement and with effect on equity at the reporting year;
- the *statement of cash flows was* prepared by recognising cash flows from operating activities

according to the "indirect method," as allowed by IAS 7, showing cash flows from operating, investing and financing activities separately from those from non-current assets held for sale and discontinued operations.
Cash and cash equivalents in the financial statements include cash, cheques, bank overdrafts and short-term securities which are readily convertible into cash.
Cash flows from operating activities are presented after adjusting the operating profit or loss for the year for the effects of: non-cash transactions; any deferment or accrual for past or future operating receipts or payments; items of income or expenditure associated with investing or financing cash flows or which relate to non-current assets held for sale and discontinued operations.

– The *statement of changes in equity shows* the changes which took place in equity items in relation to:
  – allocation of the Company's profit of the for the year;
  – the breakdown for the comprehensive income/(expense);
  – the effect of errors or possible changes in accounting policies.

The data is shown in euros and all figures have been rounded off to the nearest thousand, unless otherwise indicated.
Publication of the separated financial statements at December 31, 2016 of Italiaonline S.p.A. was authorised by resolution of the Board of Directors of March 15, 2017.
However, final approval of the separate financial statement of Italiaonline S.p.A. is the responsibility of the Shareholders' Meeting.
On the basis of the provisions of Article 3, paragraph 2 of the Presidential Decree dated December 10, 2008, Italiaonline S.p.A. is not required to submit the financial statements in XBRL format, as it is listed on a regulated market.

2.1 Assessment of the company's viability as a going concern

The 2016 annual financial report was prepared on the assumption of the continuation of the company's activity, since there is a reasonable expectation that Italiaonline SpA will continue to operate in the foreseeable future (and in any case for a timespan of more than twelve months).

2. Discretionary assessments and accounting estimates

Pursuant to IFRS, when preparing financial statements and corresponding explanatory notes, the management must make estimates and assumptions that affect the amounts for revenue, costs, and assets and liabilities in the financial statements, as well as the information on contingent assets and liabilities as at the reporting date. The actual results may differ from these estimates.
The estimates are used to measure the provisions for risks on receivables and errors, amortisation and depreciation, impairment losses, employee benefits, taxes, restructuring provisions and other accruals and provisions for risks.
The estimates and assumptions are periodically reviewed, and the effects of any change are immediately reflected in the income statement.
These valuations and estimates must be considered together with the accounting policies described in more detail in Note 4.

3. Accounting standards not yet applicable and / or recently endorsed by the European Commission

Please refer to the relevant paragraph of the Explanatory Notes to the Consolidated Financial Statements of December 31, 2016 and supplement with the following:

- IAS 27 (Separate Financial Statements) - The equity method in separate financial statements (amendment) allows entities to use the equity method when measuring investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments should be applied retrospectively from January 1, 2016 in accordance with IAS 8 - Accounting policies, changes in accounting estimates and errors. Earlier application is permitted.

4. Accounting policies

See the relevant section of the Explanatory notes to the Consolidated financial statements of December 31, 2016, except for the measurement criteria which relate to "Equity investments" which are illustrated below.

Investments

Equity investments in subsidiaries, associates and joint ventures are measured at acquisition cost, in accordance with IAS 27. The positive differences between the carrying amount and the corresponding amount of equity at current value, which arises from the purchase of equity investments in said companies, are included in the value of the investments themselves.
The recoverability of such equity investments is verified at least once a year by comparing the investment´s carrying amount with its recoverable amount, which is the larger of the investment's fair value, net of costs, of disposal and its value in use. This is to identify any impairment losses which would then be recognised in the income statement under, "impairment loss on equity investments", at the time of calculation.
If the portion of these impairment losses pertaining to the Company exceeds the carrying amount of the equity investment, the value of the equity investment is reduced to zero and the relevant portion of any further impairment losses is recorded in the "provision for risks and charges related to equity investments", if the Company has the obligation to cover such impairment charges.
The cost of equity investments in foreign companies is converted into euros at the exchange rates in force on the acquisition and subscription date.

Other investments

Other investments (other than those in subsidiaries, associates and joint ventures) are classified as non-current assets if the Company intends to maintain them for more than 12 months or, otherwise, as current assets.
They are classified in the following categories at the time of acquisition:

- "available for sale financial assets", under either non-current or current assets;
- "assets at fair value through profit or loss", under current assets where held for trading.

Other investments classified as "available-for-sale financial assets" are measured at fair value. Changes in the value of these investments are recognised in an equity reserve through allocation to other comprehensive income (fair value reserve), which is transferred to the income statement at the time of the disposal or of an impairment deemed definitive.

Other unlisted investments classified as "available-for-sale financial assets" for which the fair value cannot be determined reliably are measured at cost adjusted by impairment losses recognised in the income statement, in accordance with the provisions of IAS 39 (Financial Instruments: Recognition and Measurement).

Impairment losses on other investments classified as "available-for-sale financial assets" shall not be subsequently reversed.

Changes in the value of other investments classified as "financial assets at fair value through profit or loss" are recognised directly in the income statement.

5. Presentation of Accounting Data

In order to provide information that on one hand is consistent with the accounting policies governed by the IFRS, and on the other hand allows a consistent comparison for an adequate analysis of the company's performance, this annual financial report was prepared according to the following approach.

- In the section of the Group performance the comparative figures have been compiled on the basis of a income statement drawn up on a like-for-like basis, including 2015 figures of Seat Pagine Gialle SpA and Italiaonline SpA (pre-merger). The financial and economic figures at December 31, 2015 have been restated to reflect the accounting effects of purchase price allocation process from August 31, 2015. Furthermore the data for Seat Pagine Gialle SpA have been adjusted to reflect the non-recurring effect that originated from the change of the criterion used to estimate revenue of the PagineBianche® offer, adopted as of January 1, 2015, resulting in a decrease of €9,868 thousand in revenue and €9,444 thousand in EBITDA. Consequently, the operating costs relating to such revenue of €424 thousand and the theoretical tax effect of €2,186 thousand were excluded. It should also be noted that the above adjustments have no impact on the terms of billing and collection to and from customers. The changes in question therefore have no effect on operating cash flows.

The statement of financial position at December 31, 2015 has been restated to reflect, at August 31, 2015, the accounting effects *resulting from the Purchase Price Allocation process.*

- In this section of Italiaonline S.p.A. Financial Statements, comparative figures for 2015 are those related to the Financial Statements of Seat Pagine Gialle SpA as at 31 December 2015.

As already mentioned in the Report on operations at September 30, 2016, it is confirmed that, in consequence of the implementation of integration activities between Italiaonline SpA and Seat Pagine Gialle SpA, the income statement for the year ended December 31, 2016 includes deferred income amounting to approximately 0.07% of revenue for the reporting year (0.7% of revenue for the nine months ended September 30, 2016). These corrections were made after the identification of non-material errors resulting from weaknesses in administrative management processes and the resulting necessary process optimisations aimed at recognising revenue relating to the sale of *digital advertising* services of the merged company Italiaonline.

As a result of the above, the Company:

- has established an operational procedure governing the process "as is";
- initiated a process automation project aimed at structurally intervening on the above mentioned weaknesses, also in view of the future adoption of IFRS 15;
- defined and implemented additional controls to further ensure data correctness pending the completion of the project.

6. Recognition of the merger of Seat Pagine Gialle SpA and Italiaonline SpA

On June 20, 2016 the merger of Italiaonline into Seat came into effect.
The merger was the last step in a process characterised by the acquisition of control over Seat by Italiaonline with the contribution of the controlling stake of Seat to Italiaonline, which took place on September 9, 2015 and the subsequent public tender offer.
The fair value measurement of the assets and liabilities of Seat acquired by Italiaonline was completed in late June 2016, in accordance with paragraph 45 of IFRS 3 - Business Combinations, which regulates the accounting for business combinations and which provides for a "measurement period " during which the company must conduct an initial provisional accounting for the acquisition, and complete the measurement subsequently, within 12 months from the date of acquisition.

The steps of the acquisition were as follows:

- on September 9, 2015 a capital increase was carried out for the contribution in relation to which the Avenue and GoldenTree Funds contributed their shareholdings in Seat to Italiaonline which amounted to approximately 53.87% of the share capital of Seat estimated at € 0.0039 per share in the releasing of the capital increase in kind, nominally for € 2,558 thousand, with a € 132,459 thousand share premium. As an effect of the contribution, Libero, Avenue and GoldenTree Funds held, respectively, about 66.15%, 15.61%, and 18.24% of Italiaonline which, in turn, held about 54.34% of the Seat ordinary shares (equal to the sum of the shares contributed and the 299,990,000 Seat ordinary shares already held by Italiaonline before contributed as a result of purchases made in July 2015 for an amount of € 1,170 thousand);
- on September 25, 2015, Italiaonline published the public tender offer document, for a total maximum of 29,348 million Seat ordinary shares, representing approximately 45.66% of the outstanding ordinary shares. The tender offer provided for a payment of € 0.0039 "*cum dividend*" for each share tendered. According to the final results of the public tender offer, 16,639 million shares were tendered, equal to 25.89% of Seat's share capital, for a total amount of € 64,892 thousand. At the end of the public tender offer, Italiaonline held 51,559 million ordinary shares in SEAT, equal to 80.23% of the share capital thereof.

Therefore, the acquisition price amounts to a total of € 201,080 thousand corresponding to 51,558,863,664 shares worth at € 0.0039 per share.
For the purposes of acquisition accounting, as shown in the following table, the *fair value* of the assets acquired and liabilities assumed and the related goodwill were determined as the difference between the offer price and the net amount of the assets acquired and liabilities, assumed measuring the equity portion attributable to non-controlling interests at *fair value* (so-called *Full Goodwill*).

(euro thousand)	
Offer price	201,080
Fair value of the equity portion attributable to non-controlling interests	49,563
Total amount of acquisition	250,643
Net Fair value of acquired assets and liabilities assumed at acquisition date	178,646
Goodwill	**71,997**

The measurement of net assets at *fair value* the acquisition date had the following significant accounting effects:
- identification and evaluation of certain intangible assets (trademarks, database and customer relationships) for a total of € 12,318 thousand;
- determination of tax effects, where applicable, of the adjustments described above amounting to € 3,572 thousand;
- recognition of deferred tax assets of € 8,700 thousand related to the tax benefit of loss carry forwards that can be carried forward and used in the time frame of the 2016 to 2018 plan, on the assumption of their recoverability and viability based on available forecasts;
- recognition of a residual of *goodwill* set at approximately € 71,997 thousand;

The *Purchase Price Allocation* was performed at the reference date of August 31, 2015, corresponding to the date of acquisition (September 9, 2015) of the Seat Group control by Italiaonline SpA; the accounting effects have been reflected on the merger date, June 20, 2016.

7. Impairment test

Impairment testing the separate financial statements is performed on the carrying amount of recognised equity investments by comparing the equity side value of each investment with its *carrying amount*.
The *equity value* of the various investments was estimated by determing their asset side value using the *Discounted Cash Flow* method and then adding / subtracting any *surplus Assets / Liabilities* and the Net Financial Position.
Based on the findings of the test, non impairment losses on equity investments were recognised.
Impairment testing related to intangible assets with indefinite and definite useful is disclosed in the Notes to the Consolidated Financial Statements.

8. Intangible assets with an indefinite useful life

	YEAR 2016			YEAR 2015
(euro thousand)	GODWILL	OTHER INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE	TOTAL	TOTAL
Opening balance	**-**	**-**	**-**	**-**
Merger	9,317	123,262	132,579	-
Increase	71,997	-	71,997	-
Purchase Price Allocation effect	-	1,282	1,282	-
Other changes - Reclassification from Intangible assets with a finite useful life	-	44,862	44,862	-
Closing balance	**81,314**	**169,406**	**250,720**	**-**

Intangible assets with an indefinite useful life amount to € 250,720 thousand at December 31, 2016 and comprise to: *i)* € 71,997 thousand relating to goodwill generated in the acquisition by Italiaonline of the Seat Group *ii)* € 9,317 thousand relating to the acquisition of Matrix, *iii)* €169,406 thousand relating to the Libero (€ 70,262 thousand), Virgilio (€ 53,000 thousand), PagineGialle® (€ 30,859 thousand) and PagineBianche® (€ 15,285 thousand) trademarks.

9. Intangible assets with a finite useful life

(euro thousand)	YEAR 2016 MARKETING RELATED ASSETS	YEAR 2016 SOFTWARE	YEAR 2016 OTHER INTANGIBLE ASSETS	YEAR 2016 TOTAL	YEAR 2015 TOTAL
Opening balance	**21,176**	**35,409**	**50,099**	**106,684**	**115,027**
- Merger	-	11,195	2,687	13,882	-
- PPA	11,035	-	-	11,035	-
- Investments	-	14,948	3,225	18,173	26,198
- *Purchases*	-	10,645	1,289	11,934	22,848
- *Capitalization of personnel expense*	-	4,303	1,936	6,239	3,350
- Disposals	-	-	-	-	-
- Amortization and impairment losses	(5,228)	(32,939)	(498)	(38,665)	(34,539)
- Other changes - Reclassification from Intangible assets with an indefinite useful life	-	-	(44,862)	(44,862)	
- Other changes	-	7,418	(7,062)	356	(2)
Closing balance	**26,983**	**36,031**	**3,589**	**66,603**	**106,684**
of which:					
Cost	*33,954*	*189,788*	*3,785*	*227,527*	*369,292*
Accumulated amortization	*(6,971)*	*(153,757)*	*(196)*	*(160,924)*	*(262,608)*

Intangible assets with a finite useful life consist of:

– *Marketing related assets*, of € 26,983 thousand at December 31, 2016 (€ 21,176 thousand at December 31, 2015), relating to the assets called Customer Relationships for € 21,737 thousand and Database for € 5,246 thousand.
– *Software*, for €36,031 thousand at December 31, 2016 (€ 35,409 thousand at December 31, 2015) which includes the costs for purchases from third parties and the internal implementation of programmes owned and used under licence mainly to improve the algorithms used by search engines and to support new commercial offers regarding Internet & *Mobile* services. During 2016, the item decreased by amortisation of € 32,939 thousand, but investments were made for € 14,948 thousand (of which € 4,303 thousand related to capitalization of labour costs) to support, in particular, the new commercial offers on Italiaonline S.p.A.' s Internet & *Mobile* platforms.
– *Other intangible assets,* amounting to €3,589 thousand at December 31, 2016 (€50,099 thousand at December 31, 2015), refer primarily to software projects in progress. At December 31, 2015 this caption included € 44,862 thousand relating to the PagineBianche® and Yellow Pages® trademarks reclassified as intangible assets with an indefinite useful life.

The *capital expenditure* amounting to € 18,173 thousand, relates to the following areas of activity:

- improvements to Web and mobile delivery systems, particularly for real-time updating of the contents and their publication, for the improvement of search algorithms and for the identification of new graphic-functional solutions for the Company's web portals (€ 2,570 thousand);
- improvements to Web products mainly related to the optimisation of the graphic concept for use in mobiles and developments of new range sites for improvements on offers for Customised Large Clients (€ 2,488 thousand);
- commercial and publishing improvements to upgrade the systems and adapt them to new product offers (€ 2,431 thousand);

- purchase of software and licences (€ 2,554 thousand);

The following table gives an overview of the amortisation rates used:

(euro/thousand)	YEAR 2016
Marketing related assets	13-25 %
Software	20-100 %
Patents, concessions, trademarks and licences	20-100 %
Other intangible assets	10-33 %

% impact of accumulated depreciation

10. Property, plant and equipment

These are broken down as follows:

	YEAR 2016				YEAR 2015
(euro/thosand)	PROPERTY	PLANT AND EQUIPMENT	OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT	TOTAL	TOTAL
Opening Balance	**60**	**1,014**	**3,994**	**5,068**	**7,884**
- Merger	944	9	3,734	4,687	-
- Investments	-	20	1,977	1,997	817
- Disposals	-	(89)	(36)	(125)	(66)
- Depreciation and impairment losses	(261)	(407)	(3,769)	(4,437)	(3,567)
- Other changes	-	-	65	65	-
Closing balance	**743**	**547**	**5,965**	**7,255**	**5,068**
of which:					
Cost	*3,263*	*1,152*	*39,467*	*43,882*	*53,729*
Accumulated depreciation	*(2,520)*	*(605)*	*(33,502)*	*(36,627)*	*(48,661)*

Property, plant and equipment include:

– *property* of € 743 thousand at December 31, 2016 (€ 60 thousand at December 31, 2015), mainly related to leasehold improvements carried out by the merged Italiaonline leased property and whose value at December 31, 2015 was equal to € 944 thousand;
– *plant and equipment* of € 547 thousand at December 31, 2016 (€ 1,014 thousand at December 31, 2015). These refer to electrical systems, air-conditioning and telephone exchanges and leasehold improvements;
– *other items of property, plant and equipment* of € 5,965 thousand at December 31, 2016 (€ 3,994 thousand at December 31, 2015), mainly including € 3,869 thousand related to IT equipment and systems , € 1,540 thousand related to tangible assets in progress and € 477 thousand to furniture and fixtures. Investments for the year amounted to € 1,977 thousand, mainly related to the technological upgrading of the Data Center.

Accumulated depreciation (€ 36,627 thousand at December 31, 2016) is considered to be adequate, for each category of property, plant and equipment, to cover the depreciation of the assets in relation to their estimated residual useful life.

The following table gives an overview of the depreciation rates used:

(euro/thousand)	YEAR 2016
Property	3-48%
Plant and equipment	10-46%
Other items of property, plant and equipment	10-50%

% impact of accumulated depreciation

11. Leased assets

(euro / thousand)	YEAR 2016					YEAR 2015
	LEASED LAND	LEASED PROPERTY	LEASED PLANT	OTHER LEASED ASSETS	TOTAL	TOTAL
Opening balance	**1,547**	**3,915**	**957**	**209**	**6,628**	**24,777**
- Disposals	-	-	-	-	-	-
- Depreciation and impairment losses	-	(294)	(319)	*(157)*	*(770)*	*(770)*
- Merger	-	-	-	-	-	-
- Reclassification to Discontinued Operations	(1,547)	(3,621)	(638)	(52)	(5,858)	-
- Other changes	-	-	-	-	-	(17,379)
Closing balance	**-**	**-**	**-**	**-**	**-**	**6,628**
of which:						
Cost	-	-	-	-	-	*17,505*
Accumulated depreciation	-	-	-	-	-	*(10,877)*

On February 23, 2017 Italiaonline SpA signed deeds for the sale of the two remaining finance leases, related to the buildings of the branch of Turin, in place with Mediocredito Italiano S.p.A., to Engineering Ingegneria Informatica S.p.A..
The carrying amount of real estate relating to the contracts at December 31, 2016 totalling € 5,859 thousand, including the value of the fixed plant, also financed, has been reclassified as non-current assets held for sale and discontinued operations.
Other changes of € 17,379 thousand at December 31, 2015 included the impact related to the termination of 5 of the 7 real estate leases as per article 169-bis of the Bankruptcy Act following the authorization of the Court of Turin with a ruling issued on July 9, 2014.

12. Investments

Equity investments in subsidiaries, associates and joint ventures amounted to € 5,435 thousand on December 31, 2016.
The following table shows details of the equity investments and the changes over the reporting year:

(euro/ thousand)	AT 12.31.2015				CHANGE					AT 12.31.2016		
	% OWNERSHIP	COSTS	ALLOWANCE FOR IMPAIRMENT LOSSES	TOTAL	PURCHASES	CONVERTION OF LOAN ASSET IN INVESTMENT	CONTRIBUTION IN KIND	IMPAIRMENT LOSSES FOR FAIR VALUE MEASUREMENT	TOTAL	COSTS	ALLOWANCE FOR IMPAIRMENT LOSSES	TOTAL
Subsidiaries		**6,782**	**-**	**6,782**	**10**	**900**	**210**	**(4,659)**	**(3,539)**	**3,243**	**-**	**3,243**
Europages S.A.	98,37%	-	-	-	-		-	-	-	-	-	-
Digital Local Services S.r.l.	100,00%	2,123	-	2,123	10	-	-	-	10	2,133	-	2,133
Coopuning Italia S.r.l.	100,00%	-	-	-	-	-	-	-	-	-	-	-
Prontoseat S.r.l.	100,00%	-	-	-	-	-	-	-	-	-	-	-
Moqu Adv S.p.A.	100,00%	-	-	-	-	900	210	-	1,110	1,110	-	1,110
Telegate Holding GmbH	100,00%	4,659	-	4,659	-	-	-	(4,659)	(4,659)	-	-	-
Other equity investments		**3,568**	-	**3,568**	**-**	**-**	**-**	**(1,458)**	**(1,458)**	**2,110**	**-**	**2,110**
11 88 0 Solutions GmbH	**16,24%**	3,568	-	3,568	**-**	**-**	**-**	**(1,458)**	**(1,458)**	**2,110**	**-**	**2,110**
Associates		-	-	-	**-**	**-**	**82**	**-**	**82**	**82**	**-**	**82**
Gold Five S.r.l.		-	-	-	**-**	**-**	**82**		**82**	**82**	**-**	**82**
Total equity investments		**10,350**	-	**10,350**	**10**	**900**	**292**	**(6,117)**	**(4,915)**	**5,435**	**-**	**5,435**

The changes over the reporting year mainly concern:
- the conversion of the loan asset from to Moqu in a € 900 thousand investment;
- the € 4,659 thousand impairment loss on the interest held by Italiaonline SpA in Telegate GmbH in order to align it to its the estimated realisable value;
- the lower fair value of the shareholding of 16.24% held by Italiaonline SpA in Telegate AG as the Company identified in the prolonged decline in stock market values an indicator of *impairment*, recognising the impairment loss in the income statement with reference to the share price at December 31, 2016, considered indicative of a valuation situation now stable, in accordance with IAS 39. This investment is a available for sale financial asset which is assessed by reference to level 1 (listed market) of the hierarchy of fair value.

13. Other non-current financial assets

Other non-current financial assets at December 31, 2016 totalled € 3,469 thousand (€ 2,145 thousand at December 31, 2015) and specifically include loans to employees for € 2,875 thousand, issued at market rates for transactions of this nature.

14. Inventories

These are broken down as follows:

	YEAR 2016				YEAR 2015
(euro thousand)	RAW MATERIALS, SUPPLIERS AND CONSUMABLES	WORK IN PROGRESS AND SEMI-FINISHED GOODS	FINISHED GOODS	TOTAL	TOTAL
Opening balance	**2,131**	**1,374**	**3**	**3,508**	**3,599**
Increase (decrease)	(1,100)	(198)	-	(1,298)	(91)
Merger	-	-	-	-	-
Closing balance	**1,031**	**1,176**	**3**	**2,210**	**3,508**

The measurement of the raw materials in stock average weighted cost is broadly in line with their current values. Raw materials, consumables and supplies include inventories related to print products.

The reduction of raw materials in stock is due to the decision to use suppliers for printing smartbooks which will buy the paper directly.
The work in progress include the already processed advertising items for future Smartbook editions.

15. Trade receivables

These are broken down as follows:

(euro thousand)	YEAR 2016 TRADE RECEIVABLES	ALLOWANCE FOR IMPARIMENT	TRADE RECEIVABLES FROM SUBSIDIARIES	TRADE RECEIVABLES FROM ASSOCIATES	TRADE RECEIVABLES FROM PARENTS	CARRYNG AMOUNT	YEAR 2015 CARRYNG AMOUNT
Opening balance	**205,568**	**(51,738)**	**375**	**-**	**-**	**154,205**	**177,398**
Accruals	-	(10,033)	-	-	-	(10,033)	(16,948)
Utilization	(36,105)	36,105	-	-	-	-	40,469
Release to profit or loss	-	66	-	-	-	66	172
Merger	48,657	(16,531)	-	66	-	32,192	-
Other changes	(14,482)	-	(371)	(32)	90	(14,795)	(46,886)
Closing balance	**203,638**	**(42,131)**	**4**	**34**	**90**	**161,635**	**154,205**

Trade receivables amounted to € 161,635 thousand on December 31, 2016 and included € 350 thousand for past due receivables for more than 12 months.
The *allowance for impairment* is deemed sufficient to cover estimated losses; during 2016 the allowance was used directly as a result of unrecoverable amounts, for € 36,105 thousand and was reinstated with an accrual of € 10,033 thousand, which allowed maintenance of an adequate rate of coverage of past due receivables, by maintaining close attention to the quality of sales and management of amounts due from customers.
For a more detailed analysis of the credit risk, see Note 20 of the Consolidated Financial Statements.

16. Other assets (current and non-current)

These are broken down as follows:

(euro thousand)	AT 12.31.2016	AT 12.31.2015	CHANGE
Current asset			
Advances on sales commissions and other receivables from agents	21,702	19,120	2,582
Other receivables from subsidiaries	5,318	5,680	(362)
Prepaid expenses	6,577	9,258	(2,681)
Advances to suppliers	530	5,503	(4,973)
Other receivables	11,103	5,571	5,532
Total other current assets	**45,230**	**45,132**	**98**
Other non-current assets	**23,155**	**6,182**	**16,973**
Total other current assets and non-current assets	**68,385**	**51,314**	**17,071**

Specifically:

- *advances on sales commissions and other amounts due from agents* amounted to €21,702 thousand as of December 31, 2016 (€19,120 thousand as of December 31, 2015) and are reported net of the related allowance for impairment for an amount totalling € 11,630 thousand at December 31, 2016 (€ 1,987 thousand at December 31, 2015);
- *other amounts due from subsidiaries* amounted to € 5,318 thousand at December 31, 2016 (€ 5,680 thousand at December 31, 2015); they refer for € 4,628 from the Digital Local Services relating mainly to the recovery of costs for seconded personnel.
- prepaid expenses amounted to € 6,577 thousand at December 31, 2016 (€ 9,258 thousand at December 31, 2015); the item includes the deferral of direct production costs with the same time periods with which the corresponding revenue is recognised in the income statement;
- other of € 11,103 thousand at December 31, 2016 (€ 5,571 thousand at December 31, 2015) include amounts due from INPS for € 3,121 thousand, from the sale of the 12.54 service for € 1,000 thousand, guarantee deposits for € 545 thousand and assets of € 2,912 thousand which arose as a result of the provisional payment made pending judgement with reference to the notice of assessment issued by the national Tax Authority (Agenzia delle Entrate) which claims the failure to apply withholding taxes – over the years 2009 to 2012 - to interest paid to the Royal Bank of Scotland (Milan branch) under the so-called "*Senior*" funding scheme;
- *other non-current assets* of € 23,155 thousand at December 31, 2016 are mainly related to: *i)* € 4,518 thousand tax assets for the refund of the surplus corporation tax (IRES) paid for tax years prior to 2012 due to the failure to deduct regional production tax (IRAP) relative to personnel and similar expense recognized in 2013 in accordance with the available official interpretations; *ii)* € 18,543 thousand corporation tax (IRES) asset, including interest, subject to a refund request by the parent submitted in the 2014 Global National Consolidation form (Consolidato Nazionale Mondiale).

17. Equity

Equity is broken down as follows:

(euro thousand)		AT 12.31.2016	AT 12.31.2015	CHANGE
Share capital		20,000	20,000	-
Additional paid-in capital	A,B,C	117,217	117,155	62
Legal reserve	B	4,000	4,000	-
Purchase Price Allocation Reserve	B	17,446	-	17,446
Retained earnings (losses) carried forward	A,B,C	-	37,441	(37,441)
Actuarial reserve	B	(1,443)	(679)	(764)
Stock option reserve	B	1,396	-	1,396
Other reserves	A,B,C	178,932*	3,731	175,201
Profit (loss) for the year		28,211	(27,114)	55,325
Total equity		**365,759**	**154,534**	**211,225**

A: Reserve available for capital increase
B: Reserve available for covering losses
C: Reserve available for distribution to shareholders

(*) this amount included the surplus resulting from the merger € 178,973 thousand not available for an amount of € 71,997 thousand related to the goodwill

Share capital

Amounted to € 20,000 thousand at December 31, 2016 and is divided into 114,761,225 ordinary shares and 6,803 savings shares, without par value.

The number and categories of shares currently forming the share capital result from the completion of transactions approved and decisions made by the Company's shareholders in their Extraordinary General Meetings of March 8, 2016 and May 12, 2016 (registered with the Turin Register of Companies, respectively, on March 11, 2016 and June 6, 2016):

1. the issue of 50,479,717 new ordinary shares (already grouped) no par value, issued as part of the merger of Italiaonline S.p.A. into the Company to service the exchange ratio, without a concomitant increase in its share capital; and
2. grouping of the company's ordinary shares on the basis of a ratio of one new ordinary share (ISIN IT0005187940 and coupon no.1) per 1,000 existing ordinary shares (ISIN IT0005070633 and coupon no.1), after cancelling, for the sole purpose of allowing the overall transaction, 424 ordinary shares owned by a shareholder who has made them available, without, however, proceeding in the absence of a par value, with the reduction of the share capital; such cancellation was necessary solely for the purpose of allowing the entire transaction.

With reference to the share capital the amount of € 13,741 thousand is subject to taxation upon distribution Deferred tax liabilities have not been accounted for on this amount, as Italiaonline S.p.A. is not planning to repay the capital.

Share premium reserve

This amounted to € 117,155 thousand at December 31, 2016, unchanged from December 31, 2015; the share premium reserve is to be considered fully subject to taxation in case of distribution as a result of the realignment in 2005 between the accounting value and the tax base of the Customer Data Base, according to Law no. 342/2000.

Deferred tax liabilities were not calculated since the Company is not planning to distribute the share premium reserve.

Legal reserve

This amounted to € 4,000 thousand at December 31, 2016; this reserve is fully subject to taxation in case of distribution as a result of the realignment in 2005 between the accounting value and the tax value of the Customer Data Base, according to Law no. 342/2000

Actuarial reserve

The actuarial reserve shows a negative balance of € 1,443 thousand at December, 31 2016 (€ 679 thousand at December 31, 2015) and includes the net effect of recognising the portion of actuarial gains (losses) on employees' leaving entitlement which remained with the company, following their recognition in the financial statements in accordance with IAS 19, paragraph 93A.

For more details on how these amounts were determined, see item 22 "Non-current provisions for employees ".

Stock option reserve

This amounted to € 1,396 thousand and reflects the stock option plan approved by the Company structured in two *tranches*, A and B, whose periods of performance are:

- for Tranche A, the period between 1 January 2014 and December, 31 2016;
- for Tranche B, for the period between January 1, 2016 and December, 31 2018.

For more details, please refer to item 30 of Notes to the Consolidated financial statements.

Purchase Price Allocation reserve

It amounted to € 17,446 thousand, recorded following the allocation to the assets and liabilities of Seat Pagine Gialle S.p.A. of the respective fair value called "Purchase Cost", net of tax effects.

Other reserves

This item amounted to € 178,932 thousand at December 31, 2016 and mainly relate to the reserve arising on the merger between Seat Pagine Gialle S.p.A. and ItaliaOnLine S.p.A.. It is noted that part of this reserve, amounting to € 21,463 thousand, is subject to taxation upon distribution.

18. Other comprehensive income (expense)

For comments on individual items please refer to the previous point 17 of these Explanatory Notes.

(euro thousand)	YEAR 2016	YEAR 2015
Other comprehensive income (expense) that will not be reclassified subsequently to profit or loss:		
Actuarial gains (losses)	(1,008)	984
Tax effect of actuarial gain (loss)	244	(271)
Total other comprehensive income (expense) that will not be reclassified subsequently to profit or loss	(764)	712
Other comprehensive income (expense) that will be reclassified subsequently to profit or loss		
Profit (loss) from fair-value measurement of securities and AFS investments		(40)
Profit (loss) from the fair-value of warrants	(3,771)	4,716
Total other comprehensive income (expense) that will be reclassified subsequently to profit or loss	(3,771)	4,676
Total other comprehensive income (expense), net of tax effect	**(4,535)**	**5,388**

19. Profit/(loss) per share

Profit (loss) per share is calculated by dividing profit or loss by the average number of outstanding shares throughout the year.

(euro/million)		AT 12.31.2016	AT 12.31.2015
Number of Italiaonline S.p.A. shares		114,768,028	64,267,622,142
- ordinary shares		*114,761,225*	*64,267,615,339*
- saving shares		*6,803*	*6,803*
weighted average shares outstanding		114,761,257	64,267,622,142
Profit (loss) for the year	€/thosand	28,211	(27,114)
Profit (loss) per share	€	**0.24582**	**(0.00042)**
Diluted profit (loss) per share	€	0.2395	n.a.

Moreover, the profit (loss) per share is reported below considering also the shares granted under the stock option plan amounting to 3,026,892.

(euro/million)		AT 12.31.2016	AT 12.31.2015
Number of Italiaonline S.p.A.	*n.*	117,788,149	59,532,469
Profit (loss) per share	€	0.2037	0.068

20. Net financial indebtedness

The net financial indebtedness at December 31, 2016 was positive at € 110,010 thousand (positive at € 95,900 thousand at December 31, 2015).

(euro/thousand)		At 12.31.2016	At 12.31.2015	CHANGE
A	Cash and cash equivalents	120,738	113,039	7,699
B	Other cash and cash equivalents	-	-	-
C	Trading securities	-	-	-
D=(A+B+C)	**Liquidity**	**120,738**	**113,039**	**7,699**
E.1	**Current financial receivables from third parties**	**610**	**717**	**(107)**
E.2	**Current financial receivables from related parties**	**319**	**6,095**	**(5,776)**
F	Current bank debt	-	-	-
G	Current portion of non-current debt	-	1,118	(1,118)
H.1	Other current financial debt due to third parties	6	6	-
H.2	Other current financial debt due to related parties	11,651	15,029	(3,378)
I=(F+G+H)	**Current financial debt**	**11,657**	**16,153**	**(4,496)**
J=(I-E-D)	**Net current financial indebtedness**	**(110,010)**	**(103,698)**	**(6,312)**
K	Non-current bank debt	-	-	-
L	Bond issues	-	-	-
M.1	Other non-current loans due to third parties	-	7,798	(7,798)
M.2	Other non-current loans due to related parties	-	-	-
N=(K+L+M)	**Non-current financial debt**	**-**	**7,798**	**(7,798)**
O=(J+N)	**Net financial indebtedness (ESMA)**	**(110,010)**	**(95,900)**	**(14,110)**

The change in net financial indebtedness respect to December 31, 2015 was mainly due to the repayment on June 20, 2016 of the liability arising from the loan agreement, entered into for the purpose of partial payment of the purchase price for the mandatory public offer for the ordinary shares of Seat, amounting to Euro 41,195 thousand, including interest.

In addition on February 23, 2017 Italiaonline SpA signed the deeds for the sale of the two remaining finance leases, related to the buildings of the branch of Turin, in place with Mediocredito Italiano SpA to the company Engineering Ingegneria Informatica SpA. Therefore, the remaining financial liability at December 31, 2016, amounting to € 9,287 thousand and recorded in the financial statements for € 7,985 thousand was reclassified under liabilities directly associated with non-current assets held for sale and discontinued operations.

A description of the items which constitute the net financial position is provided below:

Non-current financial debt

At December 31, 2016 these amounted to € 7,798 thousand and referred to the two remaining finance leases (effective December 2008) relating to the purchase of the property complex in Turin. As indicated above the residual amount of € 7,985 thousand at December 31, 2016 was reclassified under liabilities directly associated with non-current assets held for sale and discontinued operations.

Current financial debt

These amounted to € 11,657 thousand at December 31, 2016 (€ 16,153 thousand at December 31, 2015) and are broken down as follows:

(euro/thousand)	At 12.31.2016	At 12.31.2015	CHANGE
Current portion of non-current debt	-	1,118	(1,118)
Other current financial debt to third parties	6	6	-
Other current financial debt to related parties	11,651	15,029	(3,378)
Current financial debt	**11,657**	**16,153**	**(4,496)**

Other current financial debt due to related parties amounting to € 11,651 thousand at December 31, 2016 (€ 15,029 thousand at December 31, 2015) refer entirely to amounts due to the Digital Local Services Srl.

At December 31, 2016, the current portion of the two remaining finance leases amounting to € 1,161 thousand was under liabilities directly associated with non-current assets held for sale and discontinued operations.

Current financial receivables

(euro/thousand)	At 12.31.2016	At 12.31.2015	CHANGE
Current financial receivables from third parties	610	717	(107)
Current financial receivables from related parties	319	6,095	(5,776)
Current financial assets	**929**	**6,812**	**(5,883)**

Current financial receivables amounted to € 929 thousand (€ 6,812 thousand at December 31, 2015) and mainly refer to receivables from third parties for € 610 thousand (of which € 520 thousand related to a previous transaction of securitisation of receivables of Italiaonline SpA). At December 31, the loan asset from Consodata S.p.A. amounting to € 7,457 thousand was considered unrecoverable and thus written off.

Cash and cash equivalents

Cash and cash equivalents amounted to € 120,738 thousand at December 31, 2016 (€ 113,039 thousand at December 31, 2015), they are as follows:

(euro/thousand)	At 12.31.2016	At 12.31.2015	CHANGE
Cash equivalent	119,215	111,760	7,455
Trading securities	628	1,261	(633)
Cash	895	18	877
Liquidity	**120,738**	**113,039**	**7,699**

It is reported that approximately 1.96% of cash and cash equivalents is subject to bonds/guarantees, related to the composition with creditor procedure.

21. Information on financial risks

Risk associated with financial debt

Given the financial resources as at December 31, 2016 there are no risks connected with financial debt, also taking into account that on February 23, 2017 Italiaonline SpA signed deeds for the sale of the two remaining finance lease contracts in place with Mediocredito Italiano SpA. to the company Engineering Ingegneria Informatica SpA

Please see point 20 of the explanatory notes to the consolidated financial statements for a detailed description on the credit risk.

22. Non-current provisions for employees

These are broken down as follows:

(euro thousand)	YEAR 2016 EMPLOYEES' LEAVING ENTITLEMENT	YEAR 2016 DEFINED CONTRIBUTION PLANS	YEAR 2016 TOTAL	YEAR 2015 TOTAL
Balance at beginning of the year	**10,274**	**1,040**	**11,314**	**13,054**
Provisions	-	3,575	3,575	2,663
Contributions	-	1,104	1,104	860
Benefits paid/received	(438)	(3,905)	(4,343)	(5,645)
Discounting losses	230	-	230	*209*
Actuarial losses (gains) recognised to equity	888	-	888	(983)
Merger	4,099	184	4,283	-
Other movements	118	(855)	(737)	1,156
Balance at end of the year	**15,171**	**1.143**	**16,314**	**11,314**

The employees' leaving entitlement,- *amount remaining in the company* of € 15,171 thousand (€ 10,274 thousand at December 31, 2015) was assessed by an independent actuary by using the projected unit credit method in accordance with IAS 19 *revised*.

Following the reform of the supplementary pensions system introduced by Legislative Decree No. 252 of December 5, 2005, this continues to constitute an obligation for the Company, since it is considered to be a defined-benefit plan.

As in previous years, the portion of the employees' leaving entitlement subsequently paid into supplementary pension funds was considered a *defined-contribution plan*, since the Company's obligation towards the employee terminates upon payment of the portions accrued into the pension funds. Payments of portions of the employees' leaving entitlement accrued to the treasury fund managed by the national social security institution (INPS) were also accounted for as payments to a defined-contribution plan, since the Company is not obligated to make any further payments other than those provided for by the Ministerial Decree of January 30, 2007, if the fund does not hold sufficient assets to grant the benefit to the employee.

(euro thousand)	At 12.31.2016	At 12.31.2015
A. Change in defined benefit obligations		
1. Opening definded benefit obligations	10,274	12,150
2. Current service cost	-	
3. Financial expense	230	209
4. Benefits paid by plan/company	(438)	(1.910)
5. Other changes	(88)	808
6. Changes recognised in equity (OIC effect)	889	(983)
a. Effects due to changes of demographic assumptions	-	-
b. Effects due to changes of financial assumptions	*1,060*	*(721)*
c. Effects due to changes of actuarial assumptions	*(171)*	*(262)*
Closing defined benefit obligations	10,867	10,274
B. Reconciliation of assets and liabilities recognised in the statement of financial position		
Plans that are fully unfunded plans that are wholly or partly funded		
1. Present value of defined-benefit unfunded obligations at the end of the period	15,171	10,274
Net liablity recognised in the statement of financial position	15,171	10,274
Amounts in the statement of financial position:		
1. Liabilities	15,171	10,274
2. Assets	-	-
C. Cost component		
Amounts recognised in the income statement		
1. Current service costs	-	-
2. Interest expense	230	209
Total cost recognised in the income statement	230	209
D. Main actuarial ssumptions		
Weighted-average assumptions to determine benefit obligation		
1. Discount rate	1.31%	2.00%
2. Rate inflation	1.50%	1.50%
F. Sensitivity analysis - benefit obligation evaluation based on assumptions below		
1. Discount rate		
a. Discount rate - 0,25 basis points	15,554	10,565
b. Discount rate + 0,25 basis points	14,409	9,991
2. Rate of inflation	10.4	11.1
G. Expected cash flow for next year		
1. Expected payments of total performances		
Year 1	879	396
Year 2	882	328
Year 3	885	328
Year 4	782	314
Year 5	820	338

[1] This is the amount of actuarial gains/ (losses) from applying the previous year's actuarial assumptions to the current workforce.

23. Other non-current liabilities

Other non-current liabilities of € 32,285 thousand (€ 33,096 thousand at 31 December 2015) are broken down as follows:

(euro thousand)	YEAR 2016 PROVISION FOR SALE AGENTS' TERMINATION BENEFITS	PROVISION FOR RESTRUCTURING EXPENSES	OTHER NON-OPERATING LIABILITIES	OTHER OPERATING LIABILITIES	TOTAL	YEAR 2015 TOTAL
Opening balance	**17,605**	**12,877**	**995**	**1,619**	**33,096**	**27,018**
Accruals	945	11.187	-	-	12,132	14,456
Utilizations/repayrments	(1,064)	-	-	(537)	(1,601)	(2,556)
Discounting losses (gains)	978	-	-	-	978	(252)
Merger	725	-	-	-	725	-
Other changes	94	(12,877)	(250)	(12)	(13,045)	(5,570)
Closing balance	**19,283**	**11,187**	**745**	**1,070**	**32,285**	**33,096**

The provision for agents´ termination, which totalled €19,283 thousand, represents the amount due at the end of the year to active sales agents for benefits due to them in the event of termination of the agency contract, as provided for by current regulations.

The *provision for restructuring*, non-current portion at December 31, 2016 amounted to € 11,187 thousand set up as a result of new personnel reorganization plan (for more information see Paragraph "Industrial relations" in the section "Other information" in the Report on Operations). This provision should be considered in conjunction with the reorganization current portion of the provision for corporate restructuring.

The balance of the provision was discounted, taking into consideration expected future cash flows, using the pre-tax discount rate that reflects the current market assessment of the time value of money.

Other non-operating liabilities amounting to € 745 thousand principally refer to amounts due to Prontoseat S.r.l. and Consodata S.p.A. These were generated as part of the tax consolidation scheme following the request for a refund of the excess corporation tax (IRES) paid for tax periods prior to 2012; this had resulted from the failure to deduct regional production tax (IRAP) relating to staff and similar expenses. These are comparable with the tax receivables mentioned under point 16 of these Notes.

24. Provisions for risks and current charges (operating and non-operating)

These are broken down as follows

(euro thousand)	YEAR 2016				YEAR 2015
	PROVISION FOR COMMERCIAL RISKS	PROVISION FOR CONTRACTUAL AND OTHER OPERATING RISKS	NON-OPERATING PROVISION	TOTAL	TOTAL
Opening balance	5,437	**7,562**	**21,188**	**34,187**	**26,356**
Accruals	1,208	4,687	12,192	18,087	22,175
Utilizations	(1,682)	(1,792)	(5,740)	(9,214)	(11,612)
Reversal	-	(377)	(23,538)	(23,915)	(386)
Merger	-	1,680	-	1,680	-
Other changes	-	(12)	12,757	12.745	(2,346)
Closing balance	**4,963**	**11,748**	**16,859**	**33.570**	**34,187**

Specifically:

- the *provision for commercial risks*, of € 4,963 thousand, is commensurate with possible charges for incomplete compliance of contractual obligations;
- the *provision for contractual and other operating risks*, of € 11,748 thousand (€ 7,562 thousand at December 31, 2015) includes € 5,043 thousand for litigation in progress and € 3,359 thousand for disputes with agents and employees. Specifically, the reserve for legal disputes includes the assessment for the risk of having to pay out a contribution to the Communications Regulator (AGCOM) for the period 2006-2010. For more details please see the section "Administrative, legal and arbitration procedures" of the Report on Operations.
- the *non-operating provision* - current portion - amount to € 16,859 thousand at December 31, 2016 (€ 21,188 thousand at December 31, 2015). They include *(i)* € 12,040 thousand for the provision for restructuring - current portion reflecting the allocation amounting to € 12,039 thousand as a result of a newly started personnel reorganisation plan (for more information see Paragraph "Industrial relations" in the section "Other information" in the Report on Operations"). This provision should be considered in conjunction with the provision for corporate restructuring non-current portion; *(ii)* € 3.051 thousand of the restructuring provision for the sales network, used in 2016 for an amount of € 294 thousand; (iii) € 750 thousand, unchanged from December 31, 2015, for the risks provision quantified taking into account the applicable provisions and the reasonable possibility of reaching an agreement with the TPR (the Pension Regulator) and the trustee of the TDL Fund with respect to the financial support to be provided in favour of the TDL Fund, taking into account the liquidation applied.

25. Trade payables and other current liabilities

Trade payables and other current liabilities are broken down as follows:

(euro thousand)	At 12.31.2016	At 12.31.2015	CHANGE
Payables to suppliers	66,357	61,801	4,556
Payables due to agents	17,139	19,430	(2,291)
Payables due to other	2,496	3,683	
Payables due to employees	17,949	12,966	4,983
Payables due to social security institutions	4,394	3,728	666
Payables due to parent companies	-	1,375	(1,375)
Total trade payables	**108,335**	**102,983**	**5,352**
Liabilities for services to be provided	98,796	104,650	(5,854)
Advances from customers	3,855	1,627	2,228
Other current liabilities	8,192	4,911	3,281
Total liabilities for services to be provided and other current liabilities	**110,843**	**111,188**	**(345)**

All *trade payables* have a due date of less than 12 months.

Payables to suppliers, of € 66,357 thousand (€ 61,801 thousand at December 31, 2015) represent a total increase of € 4,556 thousand.

Payables to agents, of € 17,139 thousand (€ 19,430 thousand at December 31, 2015), are considered in conjunction with the item " advances on sale commissions" recorded in "other current assets" amounting to € 21,702 thousand at December 31, 2016 (€ 19,120 thousand at December 31, 2015).

Liabilities for services to be provided and other current liabilities of € 110,843 thousand (€ 111,188 thousand at December 31, 2015) include € 98,796 thousand for advanced billing advertising services of printed directory and the deferral of revenue from the delivery of web and voice services on a straight-line basis over the contractually agreed period for the on-line and on-voice services.

26. Revenue from sales and services

Revenue from sales and services totalled € 369,376 thousand (€ 356,538 thousand in 2015; for an adequate analysis of revenue, please refer to the " Reporton Operations, paragraph Economic and Financial performance by Business Area - Digital Italia ").

27. Other operating costs and revenue

27.1 Other income

Other income of € 16,739 thousand (€ 20,002 thousand during 2015 fiscal year) includes: € 8,143 thousand for the recovery of costs incurred by Italiaonline S.p.A. for seconded staff (subsequently recharged to Group companies); € 2,585 thousand mainly for the recovery of administrative, legal and postal costs, of which € 597 thousand was from companies of the Group; and € 5,951 thousand of other income for administrative and EDP services, of which € 4,188 thousand was from subsidiaries (including € 3,996 thousand from Digital Local Services and € 192 thousand from Consodata S.p.A.).

27.2 Costs of materials

Costs for materials amounted to € 13,887 thousand in 2016 (€ 17,816 thousand in 2015). The item referred in particular to € 11,800 thousand for paper consumption and € 1,156 thousand for goods and products for resale, for the purchase of customised items used in merchandising activities.

27.3 Costs for external services

The costs for external services in 2016 amounted to € 216,220 thousand (€ 253,406 thousand in 2015); they relate in particular to:

- *commissions and other agent costs*, of € 77,365 thousand;
- *commissions to web publishers*, of € 37,462 as part of the management of new web deals aimed to increase web traffic;
- consulting and professional services costs of €14,220 thousand;
- *inbound call centre services* of € 4,427 thousand refer to the services 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE® services
- rental costs and use of third party assets amounted to €18,258 thousand.

27.4 Personnel expense

Personnel expense amounted to € 71,752 thousand in 2016 (€ 58,253 thousand in 2015) corresponding to an average workforce of 1,058 people and a workforce including directors, project workers and intern of 1,217 people at December 31, 2016.

27.5 Allowances for impairment losses

(euro thousand)	YEAR 2016	YEAR 2015	CHANGE %	
			ABSOLUTE	%
Allowance for doubtful trade receivables	10,033	16,948	(6,915)	(40.8)
Realise of allowance for doubtful trade receivables	(70)	(172)	102	59.3
Write-down (Realise) of other operating assets	1,092	1,597	(505)	(31.6)
Reversal of impairment losses on other operating assets	-	(173)	173	100.0
Total allowances for impairment losses	**11,055**	**18,200**	**(7,145)**	**(39.3)**

27.6 Accruals to provisions for risks and charges, net

(euro thousand)	YEAR 2016	YEAR 2015	CHANGE %	
			ABSOLUTE	%
Provisions for commercial risk	1,208	1,952	(744)	(38.1)
Provisions for risks and other operating charges	4,687	323	4,364	n.s.
Reversal of provisions for risks and and other operating changes	(377)	(379)	2	0.5
Total accurals to provisions for risks and charges, net	**5,518**	**1,896**	**3,622**	**n.s.**

For more information please see the item 24 of t Notes.

27.7 Other operating expenses

Other operating expenses amounted to € 3,008 thousand (€ 1,982 thousand in 2015). They mainly included € 2,231 thousand for indirect and operating taxes and € 188 thousand for membership fees.

27.8 Oneri netti di natura non ricorrente

Net non-recurring charges amounted to € 8,700 thousand in 2016 (income of € 24,439 thousand in 2015).

The charges mainly refer to:

- € 4,475 thousand mainly related to strategic consultancy, of which € 3,284 thousand was incurred for the merger;
- € 2,142 thousand mainly related to costs of the reorganization of the structure;
- € 1,679 thousand related to expenses incurred for the re-branding of the Company.

In 2015 this item included non-recurring income of € 30,000 thousand relating to the amount paid to former directors of Seat Pagine Gialle S.p.A. in respect of the settlement arising from the outcome of the liability action.

27.9 Net restructuring income (charges)

Net restructuring income amounts show a positive balance to € 294 thousand in 2016 (charges of € 32,302 thousand in the previous year) and includes the effects of streamlining in Italiaonline S.p.A..

28. Financial income and expense

28.1 Financial expense

Financial expense amounted to € 9,846 thousand in 2016 (€ 14,295 thousand in 2015). It includes:

- € 7,457 thousand for the impairment loss on the financial receivable from Consodata S.p.A. since it was considered unrecoverable and thus written off.
- €562 thousand for interest on the debt, recognised and measured at amortised cost, taken on with Banca IMI S.p.A. pursuant to the loan agreement for the purpose of partial payment of the consideration for Seat ordinary shares tendered in the public tender offer;
- € 1,549 thousand of interest expense related mainly to the discounting of employees' leaving entitlement.

28.2 Financial income

Financial income of € 7,715 thousand in 2016 (€ 7,592 thousand in 2015) mainly includes the € 5,075 thousand dividend paid by Telegate GmbH as per the shareholders'resolution of June 29, 2016, € 1,342 thousand for the dividend distributed by Emittente Titoli S.p.A. following the shareholders' resolution of April 20, 2016 and € 622 for interest income resulting from the use of short-term liquidity in the banking system at market rates.

29. Impairment losses on investments

Impairment losses on investment amounted to € 6,117 thousand (€ 9,802 thousand in 2015). This item includes *i)* € 4,659 thousand for the impairment loss on Telegate GmbH as a result of the distribution of dividends, as the company has no other assets that would support the measurement of the investments and *ii)* € 1,458 thousand for impairment losses due to the lower fair value of Telegate AG as the company, in accordance with IAS 39, considered the prolonged decline in stock market values as an objective evidence of impairment.

30. Income Taxes

Income taxes for 2016 are broken down as follows

	YEAR 2016	YEAR 2015	CHANGE %	
(euro thousand)			ABSOLUTE	%
Current income taxes	(782)	(354)	(428)	n.s.
Provision (reversal) of deferred tax assets	21,983	5,123	16,860	n.s.
(Provision) reversal of deferred tax liabilities	2,267	6,160	(3,893)	(63.2)
Income taxes referred to previous years	595	(8)	603	n.s.
Total income taxes for the year	**24,063**	**10,921**	**13,142**	**n.s.**

30.1 Income taxes

Current income taxes for the year amounted to € 782 thousand, € 354 thousand in 2015 primarily related to Irap and to the taxes of the subsidiaries transferred under the national tax consolidation scheme.

The provision for deferred tax assets of € 21,983 thousand (€ 5,123 thousand in 2015), mainly refers to the change in the provisions for risks and to the recoverability evaluations of the tax losses carried forward indefinitely and non-deductible interest expense as per art. 96 of the Consolidated Income Tax Law in the time horizon of the business plan available.

In this regard it is noted that, for cumulative tax losses carried forward indefinitely amounting to approximately € 209 million, deferred tax assets were recognized for the portion expected to be recovered amounting to € 28 million.

The reconciliation of the income taxes reported in the financial statements and the theoretical income taxes resulting from the application of the tax rates in force in Italy to pre-tax profit (loss) for the years ended December 31, 2016 and December 31, 2015 respectively is as follows:

(euro thousand)	At 12.31.2016	At 12.31.2015
Profit (loss) before income taxes	**4,148**	**(38,256)**
Income taxes calculated with the theorical tax rate (31,40%)	**(1,302)**	**12,012**
Tax effect on non-deductible expenses for IRAP purposes	(4,254)	(3,950)
Deferred tax adjustment due to the rate change	(1,212)	1,504
Income taxes relating to prior years	595	
Non-deductible interest expense of previous years recoverable over the Plan	15,401	
(Deferred tax assets not entered)/gains on revaluation	20,587	13,118
IRES tax effect due to the reduction of liabilities for composition with creditors	16	7
Permanent differences and other movements	(5,768)	(11,772)
Total income taxes for the year	**24,064**	**10,920**

Permanent differences (€ 5,768 thousand in 2016 and 11,772 thousand in 2015) were mainly attributable to the following:

- € 13,791 thousand to the deduction of a portion of interest expense not deducted in previous tax years in accordance with art. 96 of the Consolidated Income Tax Act;
- € 1,682 thousand related to the non-deductibility of the component related to impairment losses on equity investments;
- € 2,212 thousand to the adjustment of deferred tax assets on tax losses accumulated at the end of the year that will be recovered along the time horizon of the business plan available;
- € 14,214 thousand to the tax effect on tax losses for the year on which for the effect of the above, no additional deferred tax assets were recognized.

On August 3, 2016, the Tax Office provided a positive response to the request made in relation to carrying forward the excess interest expense in the amount of approximately € 650 million. The request had been submitted on February 11, 2016 in order to suspend the application of anti-avoidance rules that limited the carry forward of interest expense as a result of the merger of Seat Pagine Gialle S.p.A. and Italiaonline SpA. In this regard it is noted that, at the end of the year, interest expense carryforward amount to approximately € 599 milion and deferred tax assets amounted to roughly € 15 million were recognised calculated on EBITDA (referred to in art. 96) which is expected to realised before the plan's horizon available today, allowing the deduction for tax purposes in the future a portion of interest expense reported in the previous tax year amounting to approximately € 64 milion.

Please see the section "Administrative, Judicial and arbitration procedures " of the Report on Operations for the dispute with the Italian Tax Authority - Lombardy Regional Office ("DRE") related to tax assessment notices for the failure to apply a withholding tax on interest paid to Royal Bank of Scotland (Milan branch) under the so-called "Senior" loan.

30.2 Net deferred tax assets and liabilities

Net deferred tax assets and liabilities are detailed in the table below

		CHANGES OF THE YEAR						At 12.31.2016		
(euro/thousand)	At 31.12.2015	MERGER	PPA	RECLASSIFICATION	CHANGE OF TAX RATE RECOGNISED IN THE INCOME STATEMENT	INCOME TAXES ACCOUNTED FOR IN THE INCOME STATEMENT	INCOME TAXES ACCOUNTED FOR EQUITY	TOTAL	OF WHICH IRES	OF WHICH IRAP
Deferred tax assets										
Allowance for impairment	13,294	4,352	-	-	304	(7,941)	-	10,009	10,009	-
Provisions for contractual risks	15,784	589	-	-	598	(2,406)	-	14,565	13,550	1,015
Employees leaving entitlement	-	40	-	181	24	(431)	244	58	58	-
Tax losses	-	528	8,700	-	282	(2,193)	-	7,317	7,317	-
Interest expense	-	-	-	-	-	15,401	-	15,401	15,401	-
Goodwill amortization	2,536	168	-	-	3	(875)	-	1,832	774	1,058
Other	2,075	85	-	-	(97)	(170)	-	1,893	1,778	115
Non recognizable deferred tax assets	(24,826)	-	-	-	(1,103)	20,587	-	(5,342)	(5,342)	-
Total deferred tax assets	**8,863**	**5,762**	**8,700**	**181**	**11**	**21,972**	**244**	**45,733**	**43,545**	**2,188**
Deferred tax liabilities										
Customer Relationship	(6,020)	-	(1,088)	-	19	1,024	-	(6,065)	(5,216)	(849)
Database	-	-	(2,081)	-	-	618	-	(1,463)	(1,257)	(206)
Trademarks	(12,651)	(34,555)	(402)	-	179	165	-	(47,264)	(40,657)	(6,607)
Employees' leaving entitlement	181	-		(181)	-	-	-	-	-	-
Other	(473)	-		-	21	241	-	(211)	(208)	-
Total deferred tax liabilities	**(18,963)**	**(34,555)**	**(3,571)**	**(181)**	**219**	**2,048**	**-**	**(55,003)**	**(47,338)**	**(7,662)**
Total net deferred tax	**(10,100)**	**(28,793)**	**5,129**	**-**	**230**	**24,020**	**244**	**(9,270)**	**(3,793)**	**(5,474)**

Among the changes that occurred is noted in particular the recognition of deferred tax assets based on the portion of tax losses and interest expense carried forward that is deemed to be recovered in the time horizon of the business plan available.

30.3 Current tax assets

Current tax assets amount to December 31, 2016 to € 5,932 thousand (€ 23,804 thousand at December 31, 2015). These are broken down as follows:

(euro/thousand)	At 12.31.2016	At 12.31.2015	CHANGE
Income tax assets	5,857	22,428	(16,571)
Other tax assets	75	1,376	(1,301)
Total current tax assets	**5,932**	**23,804**	**(17,872)**

The amount of € 18,543 thousand in IRES asset, including interest, reported in previous tax years and subject to a refund request by the parent submitted in the 2014 Global National Consolidation form, has been reclassified during the year to Other non-current assets.

30.4 Current tax liabilities

These are broken down as follows:

(euro/thousand)	At 12.31.2016	At 12.31.2015	CHANGE
Income tax payables	-	-	-
Other tax payables	3.156	2.204	952
Total current tax payables	**3.156**	**2.204**	**952**

31. Long-term incentive schemes with share-based payments

The stock option plan is structured in two tranches, Tranche A and Tranche B, whose performance periods correspond to:

- for Tranche A, the period between January 1, 2014 and December 31, 2016 (790,168 existing rights);
- for Tranche B, for the period between January 1, 2016 and December 31, 2018 (2,236,724);

The stock option allocation plan is set up as an "equity-settled" plan: the relevant cost at December 31, 2016 is approximately € 606 thousand, classified under personnel expense with a specific balancing-entry in equity.

For more details on the methods of determining the amounts, please refer to paragraph 30 Long-term incentive schemes with share-based payments of the Note to the consolidated financial statements at December 31, 2016.

32. Non-current assets held for sale and discontinued operations

On February 23, 2017 Italiaonline S.p.A. signed deeds for the sale of the two remaining finance leases, related to the buildings of the branch of Turin, in place with Mediocredito Italiano S.p.A. to Engineering Ingegneria Informatica S.p.A..
Therefore, the carrying amount of the real estate relating to the total contracts at December 31, 2016 totalled € 5,859 thousand, including fixed plant, also financed, has been reclassified as non-current net assets and discontinued operations. Also the outstanding debt at December 31, 2016, amounting to € 9,287 thousand and recorded in the financial statements for € 7,985 thousand was reclassified under liabilities directly related to non-current net assets and discontinued operations.

This section also includes the investment in Consodata S.p.A., following the decision to dispose of this investment.
In 2015 in line with the provisions of IFRS 5 the profit of Katalog Yayın ve Tanıtım Hizmetleri A. Ş for 2015 was recognised as "non-current assets held for sale and discontinued operations ". The entire shareholding held by Seat Pagine Gialle in Katalog Yayın ve Tanıtım Hizmetleri A.Ş was sold to Dogan on April 10, 2015.

Income statement

(euro thousand)	YEAR 2016	YEAR 2015	CHANGE % ABSOLUTE	%
Revenues from sales and services	**-**	**-**	**-**	**n.s.**
Other income	-	-	-	n.s.
Total revenues	**-**	**-**	**-**	**n.s.**
Costs for external services	-	(28)	28	100.0
Allowances for impairment losses	-	-	-	n.s.
Accurals to provisions for risks and charges, net	-	250	(250)	(100.0)
Operating profit before amortization, depreciation, non-recurring and restructuring charges, net	**-**	**222**	**(222)**	**(100.0)**
Amortization, depreciation and impairment losses	-	-	-	n.s.
Non-recurring income (charges), net		-	-	n.s.
Restructuring income (charges), net	-	-	-	n.s.
Operating profit (loss)	**-**	**222**	**(222)**	**(100.0)**
Financial expense			-	n.s.
Financial income	-	-	-	n.s.
Impairment losses on investments	-	-	-	n.s.
Profit (loss) before taxes	**-**	**222**	**(222)**	**(100.0)**
Income taxes	-	-	-	n.s.
Profit (loss) for the year	**-**	**222**	**(222)**	**(100.0)**

33. Related-party transactions

With reference to the provisions contained in IAS 24 and in accordance with CONSOB regulation No. 17221 of March 12, 2010, the impact of related-party transactions of the group on the financial position at December 31, 2016 and the results of operations for the year then ended are summarised below.

The transactions carried out by Group companies, including inter-company transactions, and by the Parent Italiaonline S.p.A. with related parties, all took place in the context of the normal course of operations and are regulated by market conditions or through specific provisions and regulations. There were no atypical and/or unusual transactions that may represent a potential conflict of interest.

Income statement

(euro thousand)	YEAR 2016	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Revenue from sales and services	369,376	-	877	51	-	928
Other income	16,739	-	12,862	-	551	13,413
Costs of external services	(216,220)	-	(39,876)	-	(4,929)	(44,805)
Personnel expense	(71,752)	-	(201)	-	(3,115)	(3,316)
Other operating expenses	(3,008)	-	-	-	(3)	(3)
Financial income	7,715	-	5,173	-	-	5,173
Interest expense	(9,846)	-	(7)	-	-	(7)
Income taxes	25,403	-	(346)	-	-	(346)

(*) Directors, statutory auditors, key management personnel

(euro thousand)	YEAR 2015	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Revenue from sales and services	356,538	-	1,537	-	-	1,537
Other income	20,002	-	15,557	-	-	15,557
Costs of external services	(253,406)	(788)	(44,210)	-	(924)	(45,921)
Personnel expense	(58,253)	-	(187)	-	(3,834)	(4,022)
Other operating expenses	(1,982)	-	(2)	-	-	(2)
Non-recurring changes	24,439	-	-	-	(2,000)	(2,000)
Financial income	1,705	-	84	-	-	84
Interest expense	(14,295)	-	(4)	-	-	(4)
Income taxes	10,921	-	(380)	-	-	(380)

(*) Directors, statutory auditors, key management personnel

Statement of financial position

(euro thousand)	DECEMBER 31, 2016	PARENT	SUBSIDIARIES	ASSOCIATES	'OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Assets						
Intangible assets with a finite useful life	66,603	-	7	-	-	7
Other non-current financial assets	3,469	-	-	168	-	168
Trade receivables	161,635	-	5	34	12	51
Other current assets	45,230	90	5,318	-	595	6,003
Current financial assets	929	-	9,316	-	-	9,316
Liabilities						
Other non-current liabilities	32,285	-	744	-	-	744
Current financial liabilities	11,657	-	11,651	-	-	11,651
Trade payables	108,335	-	1,910	-	2,835	4,745
Liabilities for services to be provided and other current liabilities	110,843	-	471	-	242	713

(*) Directors, statutory auditors, key management personnel

(euro thousand)	DECEMBER 31, 2016	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Assets						
Intangible assets with a finite useful life	106,684	-	15	-	-	15
Trade receivables	154,205	-	375	-	-	375
Other current assets	45,132	183	5,679	-	-	5,862
Current financial assets	6,812	-	16,094	-	-	16,094
Liabilities						
Other non-current liabilities	33,096	-	744	-	500	1,244
Current financial liabilities	16,153	-	15,030	-	-	15,030
Trade payables	102,983	1,375	3,261	-	1,504	6,140
Liabilities for services to be provided and other current liabilities	111,188	-	448	-	250	698

(*) Directors, statutory auditors, key management personnel

Statement of cash flows

(euro thousand)	YEAR 2016	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Cash flows from operating activities	58,459	-	(27,280)	83	(11,164)	(38,361)
Cash flows from investing activities	(20,439)	-	(7)	-	-	(7)
Cash flows from financing activities	(39,834)	(7)	8,565	-	-	8,565
Cash flows from non-current assets held for sale and discontinued operations	1,000	-	-	-	-	-
Cash flows of the year	**(814)**	**(7)**	**(18,722)**	**83**	**(11,164)**	**(29,803)**

(*) Directors, statutory auditors, key management personnel

(euro thousand)	YEAR 2015	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Cash flows from operating activities	39,312	404	(29,155)	-	(5,921)	(34,672)
Cash flows from investing activities	(32,356)	-	(15)	-	-	(15)
Cash flows from financing activities	(1,119)	-	1,230	-	-	1,230
Cash flows from non-current assets held for sale and discontinued operations	-	-	-	-	-	-
Cash flows of the year	**5,837**	**404**	**(27,940)**		**(5,921)**	**(33,456)**

(*) Directors, statutory auditors, key management personnel

Remuneration to key management personnel and to directors' and statutory auditors' fees

(euro thousand)

Position	**As at 12.31.2016**
Key management personnel	2,307
Directors 'fees	1,096
Statutory Auditors 'fees	247

Main financial statement balance with subsidiaries, associates, joint ventures and companies with significant influence over Italiaonline S.p.A.

Income statement

(euro/thousand)	YEAR 2016	YEAR 2015	TYPE OF TRANSACTION
REVENUES of which			
Europages S.A.	875	1,534	commissions
Total revenues on sales and services	**877**	**1,537**	
OTHER INCOME of which			
Consodata S.p.A.	1,188	1,422	recovery of cost of seconded personnel and refunds for services
Digital Local Services S.r.l.	11,171	13,194	recovery of cost of seconded personnel and refunds for services
Europages S.A.	211	367	recovery of cost of seconded personnel and refunds for services
Total other income	**12,862**	**15,557**	
COSTS of which			
Digital Local Services S.r.l.	31,787	35,319	commercial service and rents
Prontoseat S.r.l.	5,098	5,340	mainly referred to call center services
Consodata S.p.A.	1,895	2,972	mainly referred to the sale of direct marketing services
Total costs of materials and external services	**39,876**	**44,210**	
Total personnel expense	**201**	**187**	**costs of seconded personnel**
Total other operating expenses	**-**	**(2)**	
FINANCIAL INCOME of which			
Consodata S.p.A.	11	30	interest income on the intercompany current account
Europages S.A.	84	49	interest income on loan to Europages
Telegate Holding GMBH	5,075	-	dividends
TOTAL FINANCIAL INCOME	**5,173**	**84**	
INTEREST EXPENSE of which			
Digital Local Services S.r.l.	7,081	4	interest expense on current accounts due to subsidiaries
Total financial expense	**7,081**	**4**	
INCOME TAXES of which			
Consodata S.p.A.	326	375	income tax for the year of italian subsidiaries which take part in the national tax consolidation scheme
Prontoseat S.r.l.	20	5	income tax for the year of italian subsidiaries which take part in the national tax consolidation scheme
Total income taxes	**346**	**380**	

Statement of financial position

(euro/thousand)	YEAR 2016	YEAR 2015	TYPE OF TRANSACTION
OTHER NON-CURRENT LIABILITIES OF WHICH			
Consodata S.p.A.	353	353	non current liabilities for national consolidation scheme
Prontoseat S.r.l.	392	391	non current liabilities for national consolidation scheme
Cipi S.p.A.			non current liabilities for national consolidation scheme
Total non-operating non-current liabilities	**744**	**744**	
TRADE RECEIVABLES of which			
Europages S.A.	-	372	receivables for the sales of Europages products
Total trade receivables	**5**	**375**	
OTHER ASSETS of which			
Consodata S.p.A.	547	315	services rendered
Digital Local Services S.r.l.	4,628	5,233	services rendered
Prontoseat S.r.l.	122	-	receivables for costs recovery for secondend personnel and for services provided
Europages S.A.	-	3	receivables for costs recovery for secondend personnel and for services provided
Total other current assets	**5,318**	**5,679**	
TRADE PAYABLES of which			
Digital Local Services S.r.l.	(17)	666	services rendered
Europages S.A.		436	services rendered
Moqu	397	-	services rendered
Consodata S.p.A.	427	862	services rendered
Prontoseat S.r.l.	1,103	1,297	services rendered
Total Trade payables	**1,910**	**3,261**	
LIABILITIES FOR SERVICES TO BE RENDERED AND OTHER CURRENT LIABILITIES			
Consodata S.p.A.	451	429	liabilities for fiscal debt
Prontoseat S.r.l.	20	5	liabilities for fiscal debt
Total Liabilities for services to be rendered and other current liabilities	**471**	**448**	
CURRENT FINANCIAL ASSETS AND CASH EQUIVALENT of which			
Consodata S.p.A.	7,457	6,056	current account assets
Europages S.A.	-	8,801	current account assets
Prontoseat S.r.l.	319	-	current account assets
Digital Local Services S.r.l.	-	39	current account assets
Glamoo S.p.A.	1,540	1,197	current account assets
Total current financial assets and cash equivalents	**9,316**	**16,094**	
CURRENT FINANCIAL LIABILTIES of which			
Digital Local Services S.r.l.	11,651	9,196	current account liabilities
Telegate Holding GmbH	-	5,500	current account liabilities
Prontoseat S.r.l.	-	334	current account liabilities
Total current financial liabilities	**11,651**	**15,030**	

34. Information related to Consob Communication no. DEM/6064293 of July 28, 2006

In accordance with the Consob Communication DEM/6064293 of July 28, 2006, information about the impact of significant non-recurring events and transactions on the financial position and results of operations of Italiaonline S.p.A. is provided below. The impact of non-recurring events and transactions in 2016 is as follows:

(euro/thousand)	EQUITY	PROFIT (LOSS) FOR THE YEAR	NET FINANCIAL DEBT	CASH FLOWS (*)
Carrying amount	365,759	28,211	(95,900)	5,837
Net non-recurring and restructuring costs	(8,406)	(8,406)	(17,655)	(17,655)
of which:				
- Consultancies for merger and rebranding	*(4,964)*	*(4,964)*	*(5,280)*	*(5,280)*
- Moqu earn-out	-	-	*(1.000)*	*(1,000)*
- Provision for personnel and agents restructuring	-	-	*(5,633)*	*(5,633)*
Impacts%	*-2.3%*	*-29.8%*	*18.4%*	*n.s.*

(*) Cash flows refer to the increase (decrease) in cash and cash equivalents during the year

35. Other Information

Summary of the fees paid to the Independent Auditors and entities belonging to KPMG network.

Pursuant to Article 149-duodecies of Consob Issuer Regulation (Resolution No. 11971/1999 and subsequent amendments), the fees for auditing and other services carried out for Italiaonline S.p.A. in 2016 by KPMG S.p.A. and entities belonging to KPMG network are shown below.

The separate Financial Statements 2016 of Italiaonline S.p.A. were audited by KPMG SpA in accordance with the assignment by the Shareholders' in their Meeting of May12, 2016 for the years 2016-2024 to comply the requirements of the Consolidated Law on Financial intermediation (Legislative Decree. February 24, 1998, n. 58); the amount of fees paid to the independent auditor in 2016 is the following:

(euro/thousand)	YEAR 2016
KMPG S.p.A.	
Audit	209
Agreed-upon procedure in subsidiaries	72

List of significant equity investments

NAME	REGISTRED OFFICE	SHARE CAPITAL		OWNED BY	% OWNERSHIP
CONSODATA S.P.A.	Rome (Italy)	Euro	2,446,330	Italiaonline S.p.A.	100.00
Couponing Italia S.r.l. in liquidazione (già Glamoo s.r.l.)	Milan (Italy)	Euro	100,000	Italiaonline S.p.A.	100.00
Digital Local Services ADRIATICO 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services ADRIATICO 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services ADRIATICO 3 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services BERGAMO 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services BERGAMO 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services BOLOGNA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services BOLOGNA 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services BOLZANO 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services BRESCIA 1 srl in liquidazione	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services BRESCIA 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services CALABRIA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services CALABRIA 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services CAMPANIA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services CAMPANIA 2 srl in liquidazione	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services CAMPANIA 3 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services COMO 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services CUNEO 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services EMILIA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services EMILIA 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services EMILIA 3 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services FIRENZE 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services FIRENZE 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services FIRENZE 3 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services FRIULI 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services GENOVA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services LAZIO 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services LAZIO 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services LAZIO 3 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services LIGURIA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services LIGURIA 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services LOMBARDIA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services LOMBARDIA 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services LOMBARDIA 3 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services MILANO 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00

NAME	REGISTRED OFFICE	SHARE CAPITAL		OWNED BY	% OWNERSHIP
Digital Local Services MILANO 2 srl in liquidazione	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services MILANO 3 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services NAPOLI 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services NAPOLI 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services PIEMONTE 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services PIEMONTE 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services PUGLIA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services PUGLIA 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services PUGLIA 3 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services PUGLIA 4 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services ROMA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services ROMA 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services ROMA 3 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services ROMAGNA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services ROMAGNA 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services SARDEGNA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services SARDEGNA 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services SICILIA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services SICILIA 2 srl in liquidazione	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services SICILIA 3 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services SICILIA 4 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services SICILIA 5 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services SICILIA 6 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services SONDRIO LECCO 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services TORINO 1 srl in liquidazione	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services TORINO 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services TORINO 3 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services TORINO 4 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services TOSCANA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services TOSCANA 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services TRENTO 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services UMBRIA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services VARESE 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services VENETO 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services VENETO 2 srl in liquidazione	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services VENETO 3 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services VENETO 4 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services VENETO 5 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Digital Local Services VENEZIA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00

NAME	REGISTRED OFFICE	SHARE CAPITAL		OWNED BY	% OWNERSHIP
Digital Local Services VERONA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
Gold Five S.r.l. in liquidazione	Milan (Italy)	Euro	250,000	Italiaonline S.p.A.	20.00
Moqu Adv S.r.l.	Florence (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00
PRONTOSEAT S.r.l.	Turin (Italy)	Euro	10,500	Italiaonline S.p.A.	100.00
TELEGATE HOLDING GmbH	Monaco (Germany)	Euro	26,100	Italiaonline S.p.A.	100.00
11 88 0 Solutions AG (già TELEGATE AG)	Monaco (Germany)	Euro	19,111,091	Italiaonline S.p.A.	16,24
11880 TELEGATE GmbH	Vienna (Austria)	Euro	35,000	Telegate AG	100.00
KLICKTEL AG (già TELEGATE MEDIA AG)	Essen (Germany)	Euro	4,050,000	Telegate AG	100.00
WERWIEWAS GmbH (ex VIERAS GmbH)	Monaco (Germany)	Euro	25,000	Telegate Media AG	100.00
TELEGATE LLC	Yereva (Armenia)	Dram Arm.	50,000	Telegate AG	100.00

36. Information on management and coordination

Please note that ItaliaOnLine, as reported in the Corporate Governance section of the Management Report, is not subject to management and coordination and is therefore not subject to the disclosure requirements of art. 2497-bis of the Italian Civil Code.

Certification of the separate financial statements pursuant to Article 81-*ter* of Consob Regulation No. 11971 of 14 May 1999, as amended

1. The undersigned, Antonio Converti, in his capacity as Chief Executive Officer, and Gabriella Fabotti, as Chief Financial Officer of Italionline S.p.A., hereby certify, taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures for the preparation of the separate financial statements, deemed to be adequate in relation to the characteristics of the business, were effectively applied during 2016.

2. The administrative and accounting procedures for the preparation of the separate financial statements as at December 31, 2016 were subjected during the year to a critical review in order to evaluate their suitability and how effectively they had been applied. No anomalies emerged as a result of this verification.

3. The following is also certified:

   3.1 The separate financial statements at December 31, 2016:

   - were prepared in compliance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (International Financial Reporting Standards – IFRS), and with the provisions applicable in Italy, specifically with regard to Article 154-*ter* of Legislative Decree No. 58 of 24 February 1998 and to the implementing provisions of Article 9 of Legislative Decree No. 38 of 28 February 2005;
   - correspond to the results contained in the books and the accounting entries;
   - are able to provide a true and accurate representation of the assets and liabilities, results and cash flows of the Company.

   3.2 The report on operations includes a reliable analysis of performance and operating results, as well as of the position of the Company, together with a description of the main uncertainties and risks to which it is exposed.

Milan, March 15, 2017

Chief Executive Officer	Chief Financial Officer
Antonio Converti	Gabriella Fabotti

Italiaonline S.p.A.

Registered Office in Assago (Milan), via del Bosco Rinnovato 8
Share capital: € 20,000,409.64
Companies' Register of Milan and VAT n° 03970540963

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF ITALIAONLINE SPA PURSUANT TO ART. 153 OF LEGISLATIVE DECREE NO. 58/98

Dear Shareholders,

during the financial year closed as at 31 December 2016, the Board of Statutory Auditors of ITALIAONLINE S.p.A. (ITALIAONLINE) carried out its supervisory function in accordance with the law, adapting its activity to the rules of conduct of the Board of Statutory Auditors in corporations with shares listed on regulated markets, as approved by the Italian Board of Professional Accountants and Auditors, the recommendations issued by Consob in the matter of corporate controls and activities of the Board of Statutory Auditors as well as to the indications contained in the Corporate Governance Code of listed companies, as adopted by the Company.

***

The current statutory members of the Board of Statutory Auditors, confirmed in the office by the Shareholders' Meeting of 23 April 2015, complied with the number of offices limit provided for by art. 144 terdecies of the regulation approved by Consob with resolution no. 11971 of 14 May 1999 and subsequent amendments (Issuers Regulation).

As regards legal audit activities, the Shareholders' Meeting of 12 May 2016 granted, upon reasoned proposal of the Board of Statutory Auditors, a mandate to the company KPMG S.p.A. pursuant to Legislative Decree no. 58/1998 (TUF) and Legislative Decree no. 39/2010, to the reports of which reference is made. The term of the audit firm mandate is until the approval of the financial statement for the year closing on 31 December 2024. We remind, to the extent necessary, that the new mandate has been granted subsequent to the consensual termination of the mandate previously granted to PricewaterhouseCoopers S.p.A..

***

In light of the above, in carrying out its mandate, in the course of 2016 the Board of Statutory Auditors met with corporate functions, attended meetings of the Committees set up by the Company, including meetings of the Supervisory Body set up pursuant to Legislative Decree no. 231/2001, as well as meetings of the Board of Directors; furthermore, it directly gathered information from the various corporate governance functions and fostered the due exchange of information with the audit firm.

The writers were therefore able to rely on information duly and timely provided by Directors, as well as by corporate functions, on the general management performance, on its foreseeable evolution, as well as on transactions of greater relevance, in terms of size and characteristics, entered into by the Company and its subsidiaries.

The aggregate of the abovementioned information and knowledge activities, investigations and consultations allowed the Board to:

- acquire sufficient knowledge elements necessary to take note of the performance of the activity relating to compliance with the law, the By-Laws, as well as to compliance with the principles of sound administration and to the adequacy degree of the Company's organisational structure;

- supervise over the functioning and effectiveness of the internal control systems and the adequacy of the administrative and accounting systems, in particular under the profile of its reliability to represent management events;

- verify the occurred monitoring of the functionality, directly ascertained, of the control system on Group companies and the adequacy of the instructions given thereto also pursuant to art. 114, subsection 2, of the TUF;

- acknowledge the occurred preparation of the remuneration report pursuant to art. 123-ter of the TUF and pursuant to art. 84-quater of the Issuers Regulation, with no particular observations to report;

- verify the practical implementation modalities of corporate governance rules provided for by the Corporate Governance Code of listed companies fostered by Borsa Italiana S.p.A., as adopted by the Company;

- acknowledge the supervision and directly verify compliance of the internal procedure on related-party transactions, with the principles set out in the regulation approved by Consob with resolution 17221 of 12 March 2010 and subsequent amendments (Related-Party Regulation), as well as compliance, pursuant to art. 4, subsection 6, with the same regulation;

- take note of the supervision over the corporate disclosure process and verify compliance with the regulatory and legal provisions concerning the formation and structure of the individual and consolidated financial statement schemes as well as of the relating ancillary documents;

- ascertain the adequacy, under a methodological profile, of the impairment test process adopted to recognize the existence of possible depreciations of items recorded in the financial statement;

- verify that the Directors' management report for 2016 is compliant with the laws and regulations in force, consistent with the resolutions adopted by the Board of Directors and with the events represented in the individual and consolidated Financial Statement. The semi-annual report required no observations by the Board of Statutory Auditors. The semi-annual report and quarterly reports were advertised as provided for by the law and regulations in force.

In the course of our supervisory activity, carried out in accordance with the above described modalities, no events emerged as significant as to require the reporting thereof to competent bodies or the mentioning in this report, except for what set out in paragraph 14) below.

* * *

The specific indications to be provided with this report are listed below, according to the provisions of Consob communication of 6 April 2001 DEM 1025564 and subsequent amendments.

1) **Considerations on transactions of greater economic, financial and capital relevance carried out by the company and on compliance thereof with the law and the articles of association.**

   Transactions under consideration are all analytically listed and comprehensively described in the specific chapters of the “Annual Financial Report as at 31.12.2016” to which reference is made for any appropriate in-depth analyses. To the extent necessary, the Board of Statutory Auditors states to have monitored the single phases of the various transactions, attending not only Board of Directors meetings by also meetings of the various committees acquiring the most appropriate information and proceeding, if the case, with the necessary in-depth analyses. As a consequence thereof, the Board of Statutory Auditors noted compliance with the By-Laws and all provisions of law and regulations and, as a consequence, the correct execution of said transactions.

In this venue, we deem appropriate to highlight that the Company made reference in its report to the business plan relating to the timeframe 2016-2018, approved in January 2016, prior to the well-known merger by incorruption of Italiaonline S.p.A. into Seat Pagine Gialle S.p.A. (now Italiaonline S.p.A.). On 15 March 2017, the plan has been updated both in terms of duration (three-year period 2017-2019), and of economic-financial objectives. The plan update is accompanied by the renovation of the company's management team which, in the majority of case, privileged the recruitment of new professional skills in lieu of those already existing in the two merged companies. And indeed, to date, the key areas of the business carried out: Finance Administration Control, Legal Corporate Affairs, Product Development Innovation, Operations, Large Account and, recently, SME Media Agency departments, have new heads thereof and accordingly new energies maybe closer to the related needs and desirable business development needs. The quality of this brave choice may only be verified over time.

2) **Indication of the possible existence of atypical and/or unusual transactions, including intra-Group or related-party transactions**

No atypical or unusual transactions have been detected.

As regards related-party transactions realized during the financial year, additional to those already mentioned in the Board of Statutory Auditors report to the past year Financial Statement, please note that the Related-Party Transactions Procedure adopted by the Company has not been activated since they were exempted transactions, as defined in article 6.1 of the Procedure.

In the first months of the current year two transactions have been subjected to the Procedure concerning the granting, respectively to Itnet S.r.l. and Register

S.p.A., of some It services, qualified as transactions of lower relevance pursuant to article 2.1 of the Procedure.

3) Assessment of the adequacy of information rendered in the Directors management report as regrds atypical and/or unusual transactions including intra-Group or related-party transactions

In this respect, it shall only be repeated that no transaction of the type of those mentioned above has been detected. On the matter please note that the company adopted a specific procedure governing the fulfillment of disclosure obligations under artt. 16 of the Company By-Laws and 150, subsection 1, of the TUF, for the purpose of assuring transparency – as well as compliance with disclosure obligations – of related-party transactions (including intra-group transactions), of transactions of greater economic, financial and capital relevance of the company as well as atypical and/or unusual transactions. For more details on the procedure, reference is made to the Report on corporate governance and ownership structure of ITALIAONLINE, pursuant to art. 123-bis of the TUF.

4) Observations and proposals on comments and disclosure requests contained in the relations of the Audit firm

Today the audit firm KPMG S.p.A. issued the reports pursuant to art. 14 of Legislative Decree no. 39/2010 on the individual Financial Statement of ITALIAONLINE and consolidated Financial Statement of the ITALIAONLINE Group with which, it respectively:

- states that the individual Financial Statement of ITALIAONLINE and the consolidated Financial Statement of the ITALIAONLINE Group as at 31 December 2016 provide a true and fair representation of the capital and financial situation of ITALIAONLINE and the ITALIAONLINE Group as at 31 December 2016, of the economic result and cash flows for the financial year closed on said date, in accordance with the International Financial Reporting Standards adopted by the European Union, as well as with the measures issued in execution of article 9 of Legislative Decree no. 38/05;

- states that the Management Report and the information of the Report on corporate governance and ownership structure prepared by the company are consistent with the individual Financial Statement of ITALIAONLINE and the consolidated Financial Statement of the ITALIAONLINE Group.

5) Indication of the possible submission of complaints pursuant to art. 2408 of the Italian Civil Code, the possible initiatives undertaken and the possible outcomes

On 23 June 2016, a communication referencing "Complaint to the Board of Statutory Auditors pursuant to art. 2408 of the Italian Civil Code" was sent to the Company's PEC address, with forwarding request to the Chairman of the Board of Statutory Auditors. This communication has then been qualified by the sender as complaint pursuant to art. 2408 of the Italian Civil Code. For the sake of clarity please find below the full text of the communication illustrating the facts on which the Board of Statutory Auditors has been requested to investigate:

-----Original message-----
From: BRAGHERO CARLO MARIA PEC
[mailto:c.braghero@cert.ragionieri.com]
Sent: Thursday 23 June 2016 3:59 pm
to: SEATPG@PECSEAT.IT
Re: Complaint to the Board of Statutory Auditors pursuant to art. 2408 of the Italian Civil Code
MESSAGE TO BE FORWARDED TO THE BOARD OF STATUTORY AUDITORS
Dear Colleagues,
I'm writing in my capacity as shareholder of the current Italiaonline i.e. Seat
Pagine Gialle.
I'm not happy to having to ask for your intervention, but the lack of action of corporate offices make me think of the worst and your duty, *inter alia*, is to verify the efficiency of the company organization.
As you can infer from the document attached hereto, on 10

March I wrote directly to Mrs. …… asking for information; not having received response, on 10 May I forwarded the email to the Investor Relator function which to date, after other 40 days, did not provide any feedback.
Regardless of the matter (which is modest!) of my request, what is important to me is to highlight the total lack of feedbacks, which circumstance is suitable to seriously harm the Company's image.
I'm certain that you will conduct the necessary investigations as soon as possible.
Many thanks and kind regards.
Carlo Maria Braghero
chartered accountant
corso G. Marconi, 24
10125 Turin

In the attached document the shareholder complained about the failed answer to a request for information sent to the legal function and concerning an advertising on the Pagine Bianche directory.

Having acknowledged the content of the above email, in spite of the fact that the subject matter thereof does not fall within the operational scope of the provisions of art. 2408 of the Italian Civil Code, still the Board of Statutory Auditors asked for the most appropriate information and necessary clarifications to the functions involved. Afterwards, the Board of Statutory Auditors, in addition to the generic recommendation of greater promptness in providing feedbacks to Shareholders requests, deemed any case of irregularity eligible for punishment in the Company behavior to be non-existing.

6) Indication of the possible submission of complaints, the possible initiatives undertaken and the related outcomes

No complaint has been submitted during the financial year, or on a date subsequent to the closing thereof.

7) Indication of the possible granting of further mandates to the audit firm and relating costs

During 2016, in addition to the legal audit mandate of financial statements as at 31 December 2016, the following mandates have been granted to KPMG S.p.A.:

- mandate to carry out agreed verification procedures, as regards the Financial Statement closed as at 31 December 2016, over a sample of no. 22 limited liability one-person companies called DIGITAL LOCAL SERVICES controlled by ITALIAONLINE. The consideration for said mandate has been agreed in euro 60,000 plus out-of-pocket and secretariat expenses.

8) Indication of the granting of possible mandates to persons connected to the company by on-going relations and related costs

No professional mandates have been granted to persons connected to ITALIAONLINE by on-going relations and/or to persons belonging to the network thereof during 2016.

9) Indication of the existence of opinions issued pursuant to the law during the financial year

During the financial year, opinions asked of the Board of Statutory Auditors according to provisions of law have been issued.

10) Indication of the frequency and number of meetings of the BOD and Board of Statutory Auditors

In accordance with the evidences of the respective corporate books, during financial year 2016 the Board of Statutory Auditors:

- met with regular frequency and drafted 16 minutes relating to corporate activities, including those relating to the drafting of the Board of Statutory Auditors report to the Shareholders' Meeting as regards the Financial

Statement as at 31 December 2015;

- attended all 13 meetings of the Board of Directors;
- attended, collegially or through one or more of its members, the meetings of the Control and Risk Committee, the Appointments and Remuneration Committee and the Supervisory Body pursuant to Legislative Decree 231/2001. Said Committees met 17 times as regards the first one; 4 times as regards the second one; 4 times as regards the Supervisory Body.

For the sake of completeness, please note that the Board of Statutory Auditors also attended Shareholders' Meetings of 8 March 2016, 27 April 2016, 12 May 2016, as well as the extraordinary meeting of Saving Shareholders of 18 May 2016.

Furthermore, the Board of Statutory Auditors, in these first months of 2017, and until the drafting date of this report, met 3 time for the purpose of acquiring all useful and necessary information as regrds corporate governance, structure, internal control systems as well as for exchanges of information with the Board of Statutory Auditors of the subsidiary Consodata S.p.A. and with the audit firm aimed at carrying out at best the supervisory duty entrusted thereto. In the same fraction of the year, the Board of Statutory Auditors: attended collegially or through one or more of its members, all meetings of the Board of Directors (no. 4), as well as, again collegially or through one or more of its members, meetings of the Control and Risk Committee (no. 4), of the Supervisory Body (no. 1), and of the Appointments and Remuneration Committee (no. 2).

11) Observations on compliance with the principles of sound administration

The Board of Statutory Auditors supervised over compliance with the law and the articles of association as well as over compliance with the principles of sound administration verifying that resolved transactions entered into by Directors complied with the law and the By-Laws, were inspired by the principle of economic rationality and were not manifestly imprudent and reckless, in conflict of interests with the company, in contrast with the resolutions adopted by the shareholders' meeting or such as to compromise the integrity of company assets.

The Board deems, having acquired direct knowledge thereof, that the governance tools and institutions adopted by the company, and for which express reference is made to the report pursuant to art. 123-bis of the TUF on corporate governance and ownership structure, represent a valid tool to monitor compliance with principles of sound administration in the operational practice.

Lastly, it is useful to repeat that the Board of Statutory Auditors verified the procedure followed by the Board of Directors for the purpose of verifying its Members' independence, ascertaining the correct application of the verification criteria and procedures of independence requirements adopted by the Board of Directors and compliance with the composition requirements of the administrative Body in its collegiality. Lastly, the Board of Statutory Auditors verified pursuant to artt. 148 and 148-bis of the TUF the meeting by its members of independence requirements, also as regards those required to independent Directors.

12) Observations on the adequacy of the administrative structure

The Board of Statutory Auditors supervision in respect of the adequacy of the administrative structure of the company and the Group took place through the more thorough knowledge of the organisational structure as well as the acquisition of appropriate information in respect of the functions in charge, meetings with the heads of the various corporate functions, with the Internal Audit Department and the audit firm for the purpose of the mutual exchange of data and information. To the extent this Board was able to ascertain, there are no anomalies and/or criticalities except for what set out in paragraph 14) below.

13) Observations on the adequacy of the internal control system

As regards supervision over the adequacy and effectiveness of the internal control system, also pursuant to art. 19 of Legislative Decree 39/10, the Board of Statutory Auditors held periodic meetings with the head of the Internal Audit department and acquired information by attending the relating meetings with the Control and Risk Committee and the Supervisory Body. We repeat what already verified and mentioned in the context of the report to the prior year Financial Statement, and namely that in respect of the topic under consideration, the Company setup a Control and Risk Committee, adopted pursuant to art. 7, item 1, of the Corporate Governance Code, an internal control and risk management system aimed at allowing the identification, measurement, management and monitoring of most important risks. The Chief Executive Officer has been identified by the Board of Directors of 8 October 2015 as director in charge of the internal control and risk management system. Furthermore, the Company avails itself of the support of the Internal Audit function, a function structured to verify and assure the adequacy in terms of effectiveness and efficiency of the internal control system and ascertain that said system provides reasonable guarantees for the organization to be able to achieve its objectives in an efficient and cost effective manner. The Board of Statutory Auditors verified in practice the main characteristics of the risk management and internal control system in place, in respect of the financial disclosure process pursuant to art. 123-bis, subsection 2, letter b), of the TUF. For a more thorough analysis reference is made to the Report on corporate governance and ownership structure drafted pursuant to art. 123-bis of the TUF.

The Board also acknowledged the actual planning of controls through the information asked to the head of the Internal Audit function and the direct attendance to meetings of the Control and Risk Committee. The Board of Statutory Auditors confirms that the Company has, since 2004, an organization, management and control model pursuant to Legislative Decree no. 231/01, reviewed its updates and verified its activity also by attending said Body meetings.

Moreover, the Board of Statutory Auditors dialogued with the audit firm verifying pursuant to art. 19 of Legislative Decree no. 39/10 its independence requirements and supervising over the financial disclosure process and the legal audit of annual and consolidated accounts.

No criticality or anomaly emerged from the above activities capable of rebutting the adequacy of the internal control system also and especially in respect of the activity carried out by the persons in charge thereof on the basis of risk management systems adopted and the organisational model.

14) Observations on the adequacy of the accounting administrative system and on the reliability thereof to fairly represent management events

As in the past, the Board of Statutory Auditors conducted the appropriate verifications on the adequacy and reliability of the accounting administrative system, by obtaining information from the heads of the respective functions, examining corporate documents and reviewing the outcomes of the audit firm work. The Board of Statutory Auditors further met, as due, the manager responsible for drafting corporate financial documents and acknowledged the attestation thereof.

In the financial year under review, the accounting and administrative system and its reliability have been impacted by the functional, accounting and administrative integration process subsequent to the well-known merger by incorporation of Italiaonline S.p.A. into Seat Pagine Gialle S.p.A. (now Italiaonline S.p.A.) effective as of June 20, 2016. Given the particular characteristics of the two companies involved, with different data recording and transmission to the accounting system modalities and protocols, said process proved much more complex than what originally expected by the persons in charge. Accordingly, a number of structural, organisational and communication weaknesses emerged, during the financial year, especially, on the basis of a revenue recognition control which entailed, in addition to the acknowledgement of the specific problem, the timely planning and adoption of the necessary measures to ensure compliance with the reliability of the administrative structure. As regards the specific case, with the support of all concerned functions, as well as of the Control and Risk Committee and the Internal Audit function, an in-depth analysis was carried out on the transfer modalities of data from the concerned sales function to the accounting system, to the contractual patterns in force with big clients and to all necessarily undetermined elements, given the aforementioned lack of harmonization, which may have determined the accounting error, by the way absolutely negligible, which has been remedied without consequences, in terms of truthfulness of data, in the duly filed nine-month report. Consob has already been informed of the specific topic, with due details, including all initiatives undertaken and to be undertaken by the company for the purpose of harmonizing accounting connection systems, as well as the accounting system, in order to allow for it to be able to represent *in unicum* the two former companies, and to govern the processes and procedures subordinated and preliminary to the above. The Board of Statutory Auditors actively promoted and took part in the above described process, acquiring information on and subsequent confirmation of both the findings of the analysis commissioned by the company to an external advisor, and of the initiatives proposed by the same advisor, and again on one side, of the material and full correction, consequent to the necessary verifications, of the error found; and of the implementation, to date in good state of progress, of the review of processes and procedures and coordination between the various functions and the one under review. This Board accordingly deems that tools adopted and to be adopted are suitable to allow a reliability judgment of the structure under review.

15) Observations on the adequacy of instructions given by the company to subsidiaries pursuant to art. 114, subsection 2, of Legislative Decree no. 58/98

The Board of Statutory Auditors supervised over the adequacy of the methodology through which the company gives instructions to subsidiaries, in order for those latter to provide the necessary information to fulfil disclosure obligations provided for by the law, finding no exceptions.

16) Observations on possible relevant aspects emerged in the course of meetings held with auditors pursuant to art. 50, subsection 2, of Legislative Decree no. 58/98

To the extent directly verified by the Board of Statutory Auditors during meetings with the audit firm, also while attending meetings of the Control and Risks Committee, no aspect emerged requiring to be pointed out.

17) Indication of the possible company adhesion to the Corporate Governance Code of listed companies prepared by the Corporate Governance Committee

The Company adhered to the Corporate Governance Code quoted in the title. For a more detailed analysis of the evolution of the historical adjustment to compliance pursuant to art. 123-bis, subsection 2, letter a), of the TUF reference is made to the Report on corporate governance and ownership structure.

18) **Possible proposals to be represented to the Shareholders' Meeting pursuant to art. 153 of Legislative Decree 58/1998**

The Board of Statutory Auditors finally carried out own verifications on compliance with the provisions of law concerning the formation of the draft individual Financial Statement and consolidated Financial Statement as at 31 December 2016, of the relating notes, of the directors' report, as well as on the basis of any other useful information directly provided by the administrative Body, the heads of functions and the audit firm.

In particular, we note that, within the limits of the competence reserved by the law to the Board of Statutory Auditors, the individual Financial Statement and the consolidated Financial Statement as at 31 December 2016 have been drafted in accordance with the provisions of Legislative Decree no. 38/05 applying international accounting standards (IAS/ IFRS) issued by the International Accounting Standard Board and homologated by the European Union, including all interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and in compliance with Consob regulations on the matter.

For a more detailed analysis, reference is made to the specific comprehensive chapter in comment of the individual Financial Statement and consolidated Financial Statement of the Company. The individual and consolidated Financial Statement are accompanied by the prescribed attestations undersigned by the Chief Executive Officer and the manager responsible for drafting corporate financial documents. On the basis of the above, and having regards to the preliminary investigation and analysis as well as in-depth analysis and investigation activity carried out by this Board, the undersigned Statutory Auditors express no observations, pursuant to art. 153 TUF on the matters falling under their competence as regards the individual Financial Statement and consolidated Financial Statement and relating notes as well as the management report, having no reasons to object to the approval of the resolution proposals expressed by the Board of Directors.

In particular, the Board of Directors proposal to carry forward the profit for the year remaining after: (i) the allocation to legal reserve of Euro 81.93 and (ii) the distribution of a dividend solely to saving shares by aggregate Euro 612,270.00, is absolutely worthy since inspired to the pillar principle of the financial and economic management of the Company which is reflected in the annual Financial Statement and in the selection of careful investment policies aimed at allowing the fidelization of shareholders and the best appraisal by stakeholders of the fairness of management and development prospective for the Company.

In the specific case, the principle of prudence shall be interpreted on the basis of several variables such as, without limitation: (i) the past history of events concerning Seat Pagine Gialle S.p.A. prior to the merger which had their climax in the access to the composition with creditors procedure positively concluded but, of course, with sacrifice of the expectations of both then shareholders, and company creditors, (ii) the current transition moment consequent to the merger by incorporation of Italiaonline S.p.A. into Seat Pagine Gialle S.p.A. (now Italiaonline S.p.A.), stabilization which was promptly taken care of by the Board of Directors, implementing appropriate rationalization and efficiency enhancing policies of the structure through a strict review of costs in general and the functional organization chart.

As a consequence of those well-known events, the Company has today, and already had at the end of the composition with creditors, an enviable treasury situation, although this has not so far been accompanied by a corresponding productive income policy, as evidenced by reduced characteristic income and the need expressed in the business plan to redesign media products so to make them attractive for the market and fill in the gap of the inevitable loss of appeal of “paper” products.

In light of the above the Company is today in the best position to face a desirable and effective expansion policy on the market and achievement, in the near future, of a profitability suitable to permanently guarantee the going concern.

The above principle, by the way, appears consistent and closely instrumental to the purposes pursued by the legislator with reference to the debt composition instrument such as the composition with creditors in continuity. This purpose shall be referred to the key principle of protection of corporate values and compensatory benefits (of course in case of positive outcome of the plan) in favor of *stakeholders* and, more in general, of creditors and the market. Said purposes shall not and may not be deemed finally pursued only upon completion of the composition with creditors procedure. The continuity plan submitted to creditors, although restricted to a limited period of time due to reasons of greater practical reliability, shall mandatorily contain those prospective elements allowing for a reasonable expectation on the real recovery of the company such as to allow an adequate development thereof in prospective terms considerably longer that those envisaged in the plan. Said development is a consequence, to all effects, of the benefit of the composition bonus and of the related strengthening, for obvious reasons, of the company treasury.

In the case at hand, the bonus, atechnically defined as treasury, has been relevant and to its existence, coupled with the management of the incorporated company, may and shall be attributed the guarantee function for shareholders and company creditors of business prospective development, of the company economic sizing and hence of its increased profitability in favor, as already pointed out on several occasions, of shareholders as well as of stakeholder under a compensatory profile.

The above seems to have been taken into due account by the proposal of the administrative body, as already mentioned, in more that strict terms and this without excluding, but instead contributing to strengthen, shareholders' expectations on the possibility for the company to achieve, in the short-medium term, a resonable retun on equity which shall always be interpreted in accordance with the already discussed principle of guarantee, this time searched in the equally strict ascertaining of the sustainability of the business plan and accordingly proportioned to current needs, linked to the management, and extraordinary needs, linked to development, on the basis of the more or less ambitious objectives to be set by the Company.

Said appropriateness and sustainability judgement and verification are in this case way better off in consideration of both the treasury bonus brought by the above illustrated events and the Company capacity – as resulting from the updated plan, although the latter shows a revenue and operational profitability gap to be filled-in in any case with the management capacity, at least according to the plan prepared – to create liquidity.

We hope that shareholders will be willing to share the above illustrated principles.

Turin/Milan, 5 April 2017

The Statutory Auditors

Mr. Maurizio Gili, Chairman

Mr. Guido Nori, Statutory Auditor

Mrs. Ada Alessandra Garzino Demo, Statutory Auditor

KPMG

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Italiaonline S.p.A.

Report on the separate financial statements

We have audited the accompanying separate financial statements of Italiaonline S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2016, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and a notes thereto.

Directors' responsibility for the separate financial statements

The company's directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Independent auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the separate financial statements.

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

Opinion

In our opinion, the separate financial statements give a true and fair view of the company's financial position as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Comparative figures

The prior year comparative figures derive from the separate financial statements of Seat Pagine Gialle S.p.A. at 31 December 2015. Those financial statements were audited by other independent auditors, who expressed their unmodified opinion thereon on 4 April 2016.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report and certain information presented in the report on corporate governance and ownership structure with the separate financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in the report on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the company's directors, with the separate financial statements. In our opinion, the directors' report and the information presented in the report on corporate governance and ownership structure referred to above are consistent with the separate financial statements of the Italiaonline Group as at and for the year ended 31 December 2016.

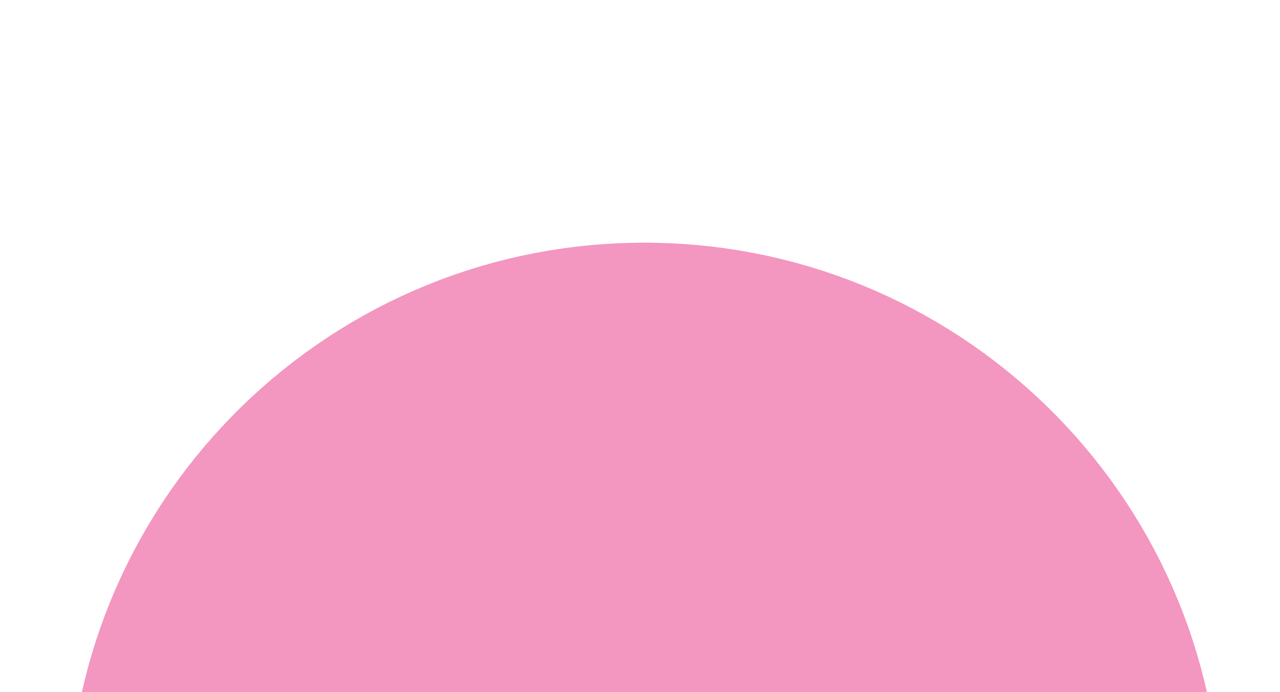
Milan, 5 April 2017

KPMG S.p.A.

(signed on the original)

Francesco Spadaro
Director of Audit

Local and global



OTHER INFORMATION

Deliberative proposals

Dear Shareholders,

the Board of Directors of your Company has convened this Annual General Meeting to propose the approval of the Italiaonline S.p.A 2016 Annual Financial Report which shows a net profit of Euro 28,210,588.26.

The Board of Directors proposes that the net profit arising from the financial year 2016 is allocated *(i)* to the Legal reserve until it reaches one fifth of the capital and *(ii)* as distribution of a dividend of Euro 90.00 for each savings share (for overall Euro 612,270.00), to be paid in the month of May 2017, carrying forward the remaining amount equal to 27,598,236.33.
Given the above, the Board of Directors submits for your approval the following proposed resolution:

"The Company's Meeting:

- *Examined the financial statements of the Company as at December 31, 2016, with the relevant reports presented by the Board of Directors, the Board of Statutory Auditors, the Independent Auditing Company KPMG S.p.A. and the Officer Responsible for the Drafting of Corporate Accounting Documents;*
- *Acknowledged the data of the consolidated financial statements as at December 31, 2016 with the relevant reports presented by the Board of Directors and by the Independent Auditing Company;*
- *Examined the explanatory report of the Board of Directors;*

Resolves

(i) to approve the Annual financial report of the Company as at December 31, 2016, consisting of the Report on operations by the Board of Directors, Statements of financial position, Income statements and Notes;

(ii) to allocate the net profit of Euro 28,210,588.26 of the 2016 financial statements as follows:
- *Legal reserve for Euro 81.93;*
- *distribution in favor of the saving shares of a dividend equal to Euro 90.00 (as a result of the aggregation of preferred dividends for the years 2014, 2015 and 2016) for each saving share outstanding for overall Euro 612,270.00;*
- *to carry forward the remaining net profit of Euro 27,598,236.33;*

(iii) to pay the indicated dividend - gross of any withholdings tax - with effect from May 10, 2017 with "detachment date" May 8, 2017 and record date (i.e. date of entitlement to the payment of the dividend, pursuant to Article 83-terdecies of the Legislative Decree 24 February 1998 n. 58 and Article 2.6.6, paragraph 2, of the Rules of the Markets organised and managed by Borsa Italiana S.p.A.), corresponding with the May 9, 2017."

Shareholders' Meeting Resolutions

On April 27, 2017, the Ordinary Shareholders' Meeting of Italiaonline S.p.A. was held in a single session, in Assago.
The Shareholders' Meeting resolved:

- *to approve the Italiaonline S.p.A. Report on operations by the Board of Directors and financial statements, which shows a net profit of € 28,210,588.26;*
- *to allocate the net profit of Euro 28,210,588.26, as follows: to Legal Reserve for Euro 81.93, to the distribution of a unitary dividend towards the savings shareholders of Euro 90.00 (as aggregate of the privileged dividends for years 2014, 2015 and 2016) to each outstanding savings share, for a total amount of Euro 612,270.00 and to carry forward the residual profit of Euro 27,598,236.33;*
- *to distribute an extraordinary dividend equal to Euro 0.692, gross of withholding taxes, for each of the 114,768,028 outstanding shares of the Company, for a total amount equal to Euro 79,419,475.38, in compliance with the proposal raised pursuant to art. 126-bis of Legislative Decree 58/98 by the shareholders Libero Acquisition S.à r.l., GL Europe Luxembourg S.à r.l., GoldenTree Asset Management Lux S.à r.l., GoldenTree SG Partners L.P., GT NM, L.P. e San Bernardino County Employees' Retirement Association. Therefore, gross of withholding taxes, the ordinary shareholders will receive the distribution of a unitary dividend equal to Euro 0.692 for each ordinary share and to the saving shareholders - in consideration of the privileged dividend due to the savings shares above mentioned - a total unitary dividend equal to Euro 90.692 for each savings share.*

The Shareholders' Meeting also:

- *resolved to approve the appointment of Mr. Tarek Mohamed Mohayeldin Abdelaziz Aboualam – coopted on February 14, 2017 in lieu of Mr. Khaled Bishara – as member of the Board of Directors. Tarek Aboualam, also confirmed as Chairman of the Board of Directors, will remain in office until the expiration of the current Board of Directors, that is until the date of the Shareholders' Meeting summoned for the approval of the financial statement at December 31, 2017;*
- *provided its favorable opinion on Section I of the Remuneration Report pursuant to art. 123-ter of Legislative Decree No. 58 of February 24, 1998.*

Italiaonline S.p.A.

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A copy of official documents available on the website	www.italiaonline.it
Official documents may be requested to	Italiaonline Ufficio Affari Societari E-mail: ufficio.societario@italiaonline.it

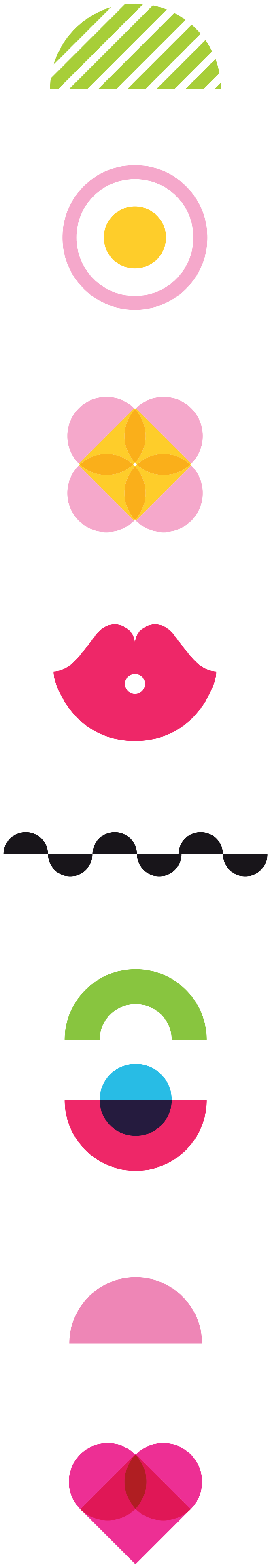
Printed in December 2016

Note

Note

Note

Identity



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