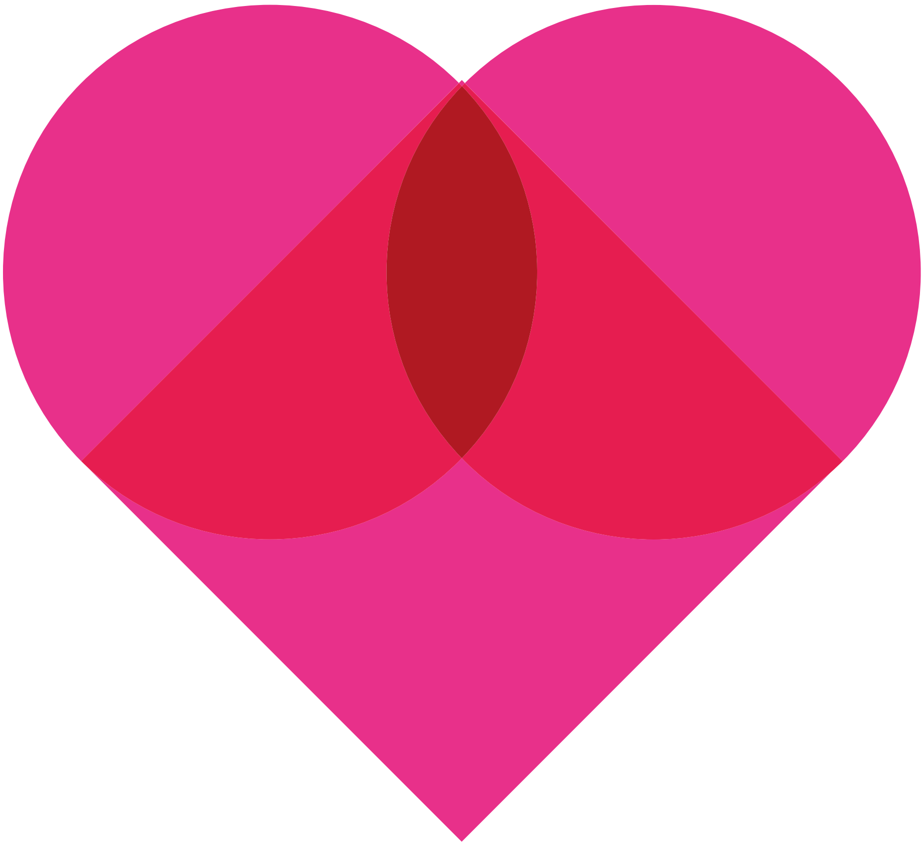
italiaonline

2017 Annual Financial Report

Passion



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Italiaonline is the leading Italian internet company with 5.4 million unique users, of which 2.6 million mobile users, and a market reach of 54%. Italiaonline provides web marketing and digital advertising services, including advertising campaign management and lead generation through social networks and search engines. The company's strategic objective is to strengthen its leading position in the Italian market of digital advertising for large accounts and in local marketing services - with the mission of digitalizing national SMEs, and offering them a full portfolio of integrated products along the entire digital services value chain.

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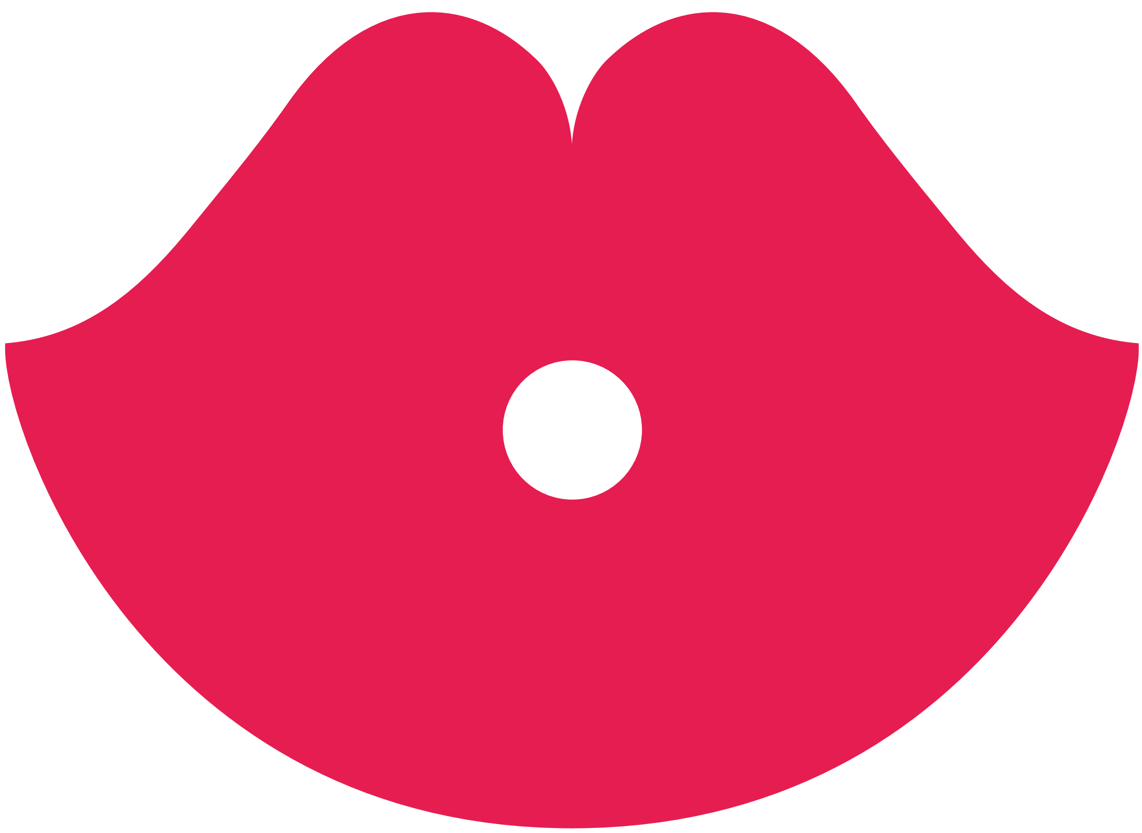
The new Italiaonline

Dynamism



HIGHLIGHTS AND GENERAL INFORMATION

Company Boards *(Updated information - March 15, 2018)*

Board of Directors [1]

Chairman Tarek Aboualam [2]
Deputy Chairman David Alan Eckert [3]
Chief Executive Officer (CEO) Antonio Converti [3]
Maria Elena Cappello [i] - Antonia Cosenz [i] [4] - Cristina Finocchi Mahne [i] - Onsi Naguib Sawiris - Corrado Sciolla [i] - Sophie Sursock
Secretary to the Board of Directors Fabrizio Manzi [5]

Appointments & Remuneration Committee [6]

Chairwoman Antonia Cosenz [4]
Cristina Finocchi Mahne - Corrado Sciolla

Audit & Risk Committee [6]

Chairwoman Cristina Finocchi Mahne
Maria Elena Cappello - Antonia Cosenz [4]

Board of Statutory Auditors [7]

Chairman Maurizio Michele Eugenio Gili
Standing Statutory Auditor Ada Alessandra Garzino Demo
Standing Statutory Auditor Guido Nori
Alternate Statutory Auditor Roberta Battistin
Alternate Statutory Auditor Giancarlo Russo Corvace

Manager in charge of financial reporting (CFO) [8] Gabriella Fabotti

Independent Auditors [9] KPMG S.p.A.

Common Representative of Saving Shareholders [10] Stella d'Atri

(1) The Board of Directors was appointed at the Shareholders' Meeting on October 8, 2015, and shall remain in office until the approval of the financial statements as at and for the year ended December 31, 2017.
(2) Appointed Director and Chairman of the Board of Directors at the Shareholders' Meeting on April 27, 2017. Tarek Aboualam had been co-opted on February 14, 2017, following the resignation of Khaled Bishara.
(3) Position granted with Board of directors' resolution on October 8, 2015.
(4) On March 8, 2016, the Shareholders appointed Antonia Cosenz member of the Board of Directors. Antonia Cosenz had been co-opted by the Board of Directors on November 10, 2015 as a result of the resignation of Cristina Mollis, on November 6, 2015, from the positions held in the Board of Directors of the parent.
(5) On August 2, 2017, the Board of Directors appointed Fabrizio Manzi as Secretary to the Board of Directors.
(6) The Committees were appointed by the Board of Directors on October 8, 2015 and were confirmed by the Board of Directors on March 8, 2016, following the appointment of Antonia Cosenz as mentioned above.
(7) The Board of Statutory Auditors was appointed at the Shareholders' Meeting on April 23, 2015, and shall remain in office until the approval of the financial statements as at and for the year ended as at December 31, 2017. Alternate Auditor Massimo Parodi passed away on September 5, 2015. To replace him, the Shareholders appointed Giancarlo Russo Corvace as an Alternate Statutory Auditor on March 8, 2016.
(8) Appointed on January 12, 2017.
(9) Appointed at the Shareholders' Meeting of May 12, 2016.
(10) Appointed at the special Meeting of Savings Shareholders on May 18, 2016 for the 2016-2017-2018 period.
(i) Directors who meet the independence criteria set forth in Art. 147-ter(4) and 148(3) of Legislative Decree 58/1998 and in the Code of Conduct for Listed Companies.

Financial Highlights of the Group

The results of the Italiaonline Group for 2016 and 2017 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 main indicators for the years 2016 and 2017 have been analysed and commented on according to a normalized view (pro forma data) to reflect the changes in the consolidation scope due to the sale of the subsidiary Europages and the 12.54 business segment, the disposal of Moqu's arbitration activities and to the accounting realignment of the subsidiary Consodata[1] occurred in 2016 thus to enable comparison with FY 2017 results.

As a result of the aforementioned changes, the comparative data at December 31, 2016 show revenue of €376.0 million and Ebitda of €63.9 million and the corresponding figures for 2017 show revenue of €338.5 million and Ebitda of €67.7 million.

The group's results for the year show:

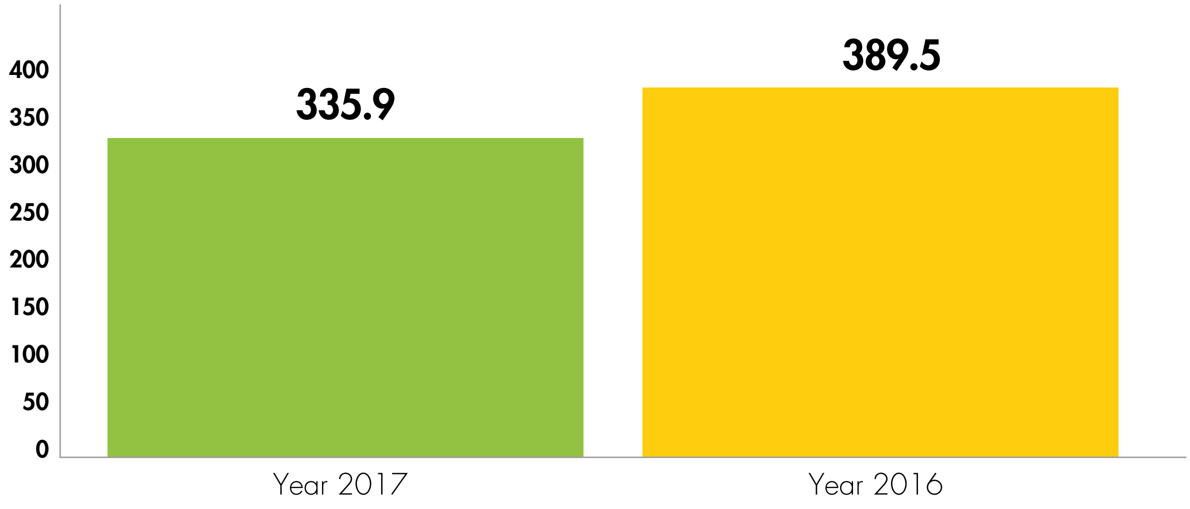
- REVENUE, in line with management's expectations, slowed down its decline thanks to the progressive improvement of the digital segment, which in the fourth quarter grew by +5% year on year; at the annual level, the 2017 revenue compared to 2016, analyzing the pro-forma data, fell by 10%;
- MAIN HIGHLIGHTS up, EBITDA +6% to €68 million, EBIT to €28 million compared with the 2016 figure of €0.7 million;
- UNLEVERED FREE CASH FLOW generated in 2017 for €50.4 million (€54.5 million at December 31, 2016);
- NET FINANCIAL POSITION of €72.9 million, after extraordinary dividend distribution for around €80 million, compared to €122.1 million at December 31, 2016.

[1] The 2016 account receivables related to the subsidiary Consodata amounting to €3.2 million had been fully impaired in terms of EBITDA and not of revenue to take into consideration the application of IFRS 5 (assets available for sale). In 2017 Consodata has been reinstated within the consolidation scopè but a better assessment of the working capital revealed inconsistencies of €2.5 million relating to Revenue of previous years, which has been deducted from the 2017 reported Revenue in compliance with the accounting standards. As a consequence of the above, for the purposes of a homogeneous representation of the business, the amount of the inconsistencies in the pro forma: a) has been correctly deducted from the 2016 revenue and recovered in 2017 Revenue.

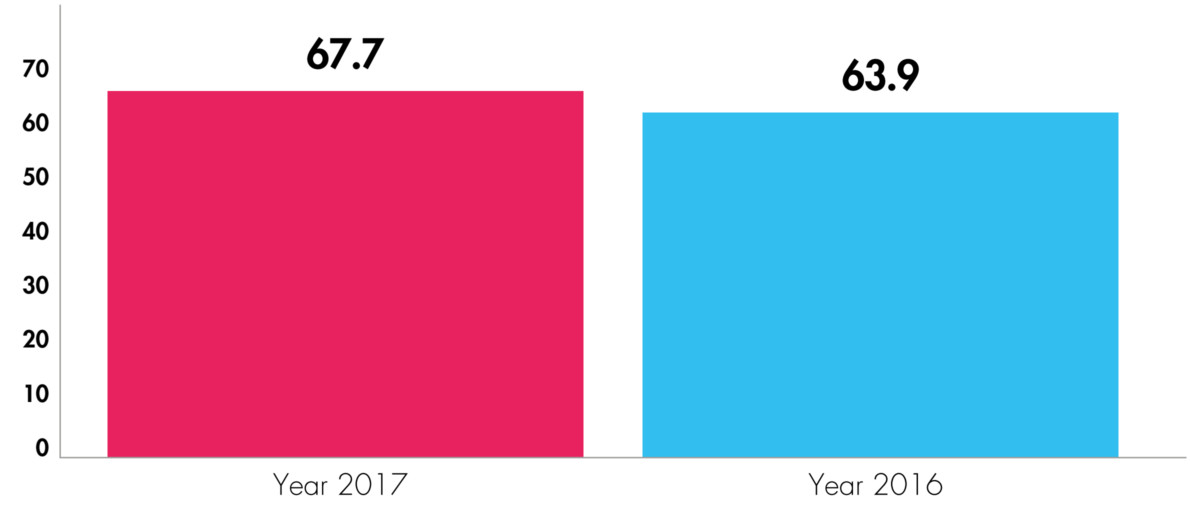
(euro/million)	YEAR 2017	YEAR 2016
Financial Highlights		
Revenue from sales and services	335.9	389.5
GOP (*)	77.9	85.7
EBITDA (*)	67.7	63.9
EBIT (*)	27.8	0.7
Profit (loss) attributable to the owners of the Parent	26.4	22.7
OFCF (*)	51.2	55.6
Unlevered FCF (*)	50.4	54.5
Capital expenditure	26.3	23.2
Net invested capital (*)	242.6	245.2
of which goodwill and marketing-related intangible assets	*272.5*	*277.7*
of which net operating working capital	*(45.5)*	*(35.0)*
Equity attributable to the owners of the Parent	315.6	367.3
Net financial position (*)	(72.9)	(122.1)
Profitability ratios		
GOP/Revenue	23.2%	22.0%
EBITDA/Revenue	20.2%	16.4%
EBIT/Revenue	8.3%	0.2%
OFCF/Revenue	15.2%	14.3%
Workforce		
Workforce at the end of the year (units) (**)	1,830	2,008
Average workforce for the year for continuing operations	1,492	1,794
Revenue/Average workforce (€/000)	225	217

(*) See "Non-IFRS performance indicators" below for details on how the items are calculated.
(**) 2016 data refers to December 31 (including Cigs - government-sponsored layff scheme - staff) and includes the end-of-year workforce of Consodata S.p.A. (at the end of the previous year these data had been reclassified as Held for sale).

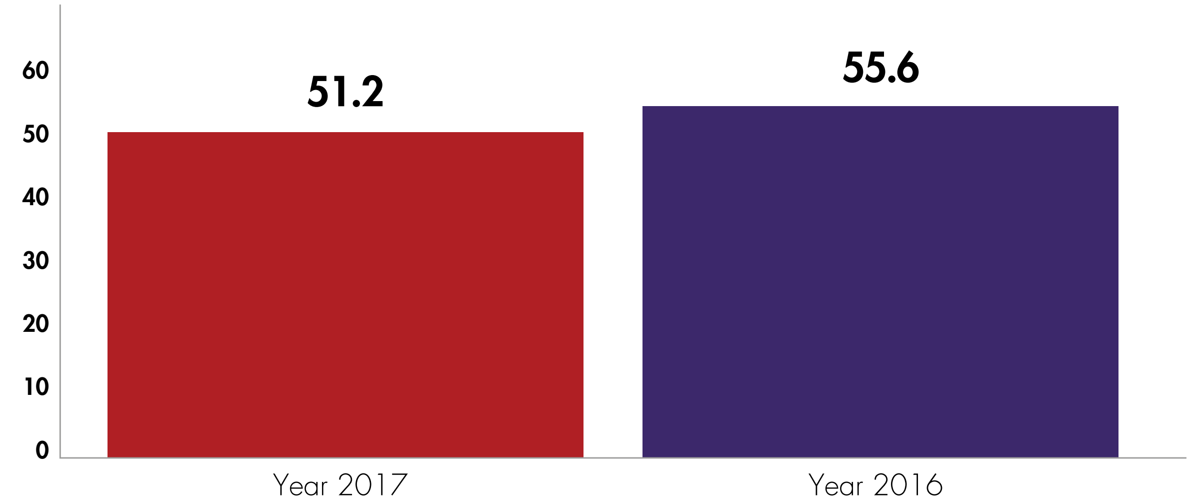
Revenues (euro/million)



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 at December 31, 2017 to provide tools for analyzing the financial performance of the Group and the Parent, in addition to those based on the financial statements.

These indicators are not identified as accounting measures within the IFRS framework and, therefore, must not be considered as alternative measures by which to assess the performance of the Group, its financial position or cash flows. Since the calculation of these measures is not regulated by IFRS, the calculation methods used by the Parent may not be consistent with those implemented by others, meaning that the indicators may not be comparable. The indicators are the following:

- **GOP** refers to EBITDA before other operating income and expense, net allowances for impairment, and accruals to provisions for risks and charges.
- **EBITDA**, or *operating profit before amortization, depreciation, net non-recurring and restructuring costs*, corresponds to **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 (related to operating revenue) net of current operating liabilities (related 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 and other "marketing-related" intangible assets, and other operating and non-operating non-current assets and liabilities.
- **Net Financial Indebtedness**, an indicator of the ability to meet financial obligations, corresponds to current and non-current financial liabilities, net of cash and cash equivalents and current loan assets.
- **OFCF** (Operating Free Cash Flow) is calculated from EBITDA, adjusted to take into account the effect of capital expenditure, changes in operating working capital and changes in operating non-current liabilities on the net financial position.
- **Unlevered FCF** (Unlevered Free Cash Flow) corresponds to OFCF adjusted for the effect of the 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), organized and managed by Borsa Italiana S.p.A.

The ordinary shares of Italiaonline S.p.A. are included in the stock market indices FTSE Italia All-Share, FTSE Italia Small Cap, FTSE Italia Servizi al Consumo, FTSE Italia Media and FTSE All-Share Capped.

We provide below data on the composition of the share capital of Italiaonline S.p.A. and the main share indicators at December 31, 2017 (the data relate to the reference prices adjusted to take account of the extraordinary dividend, ex-dividend date of May 8, 2017).

		AT 12.31.2017	AT 12.31.2016
Share capital	euro	20,000,410	20,000,410
Number of ordinary shares	no.	114,761,225	114,761,225
Number of savings shares	no.	6,803	6,803
Market capitalization			
(based on market price as at June 30)(*)			
Ordinary shares	euro/million	356	219
Saving shares	euro/million	2	2
Total	euro/million	358	221
Equity per share	euro	2.750	3.201
Earnings per share	euro	0.230	0.197
Diluted earnings per share	euro	0.222	0.192

(*) 2017 and 2016 reference prices adjusted to take into account the extraordinary dividend distributed in May 2017 (ex-dividend date May 08, 2017).
Source: Thomson Reuters EIKON

Dividend

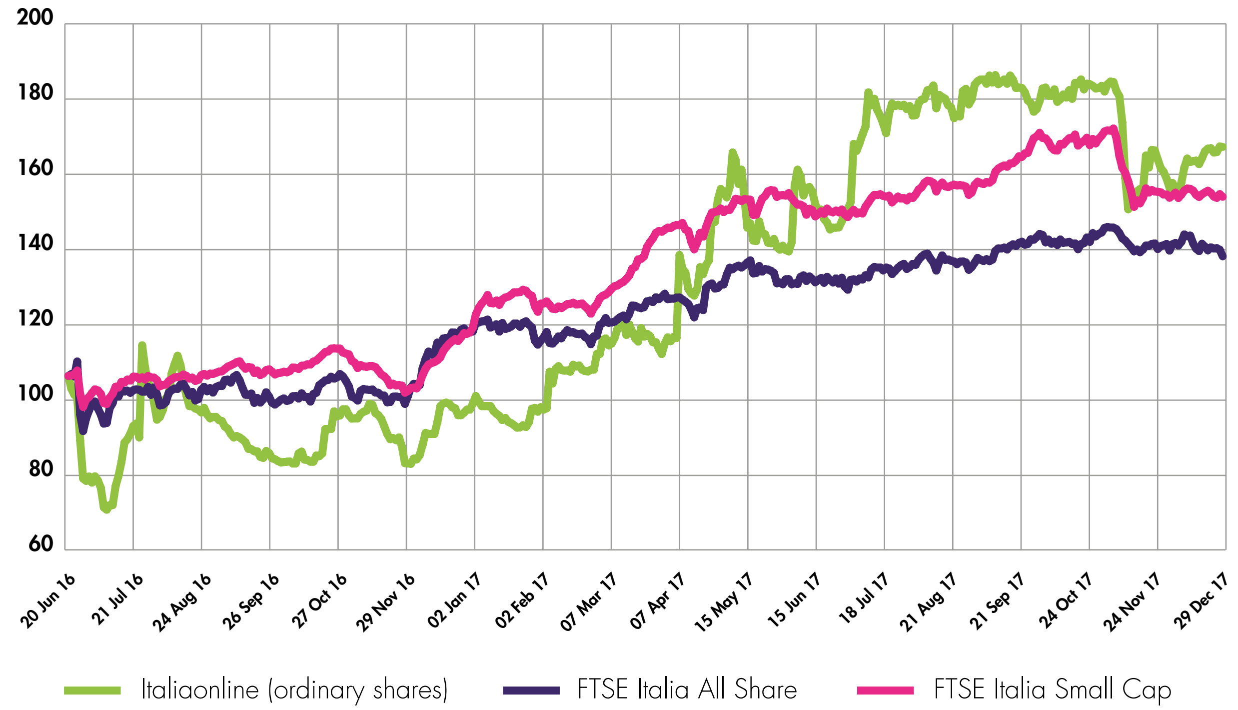
On May 10, 2017, as a result of the Shareholders' resolution of April 27, 2017, Italiaonline distributed an extraordinary dividend (ex-dividend date set to May 8, 2017), equal to €0.692, gross of the legally-required withholdings, for each of the 114,768,028 outstanding shares of the Parent, and equal to €90,692 for each of the 6,803 saving shares, in consideration of the preferred dividend due to the latter. The total value of the dividend distributed was €80.0 million.

Italiaonline on the Stock Exchange

The new Italiaonline (ISIN: IT0005187940 - MTA: IOL) entered the MTA (Italian Online Stock Market), organized and managed by Borsa Italiana S.p.A. on June 20, 2016, following completion of the merger of Italiaonline S.p.A. into Seat PG and reserve share split (1:1000).
From June 20, 2016 until December 31, 2017, the reference price of Italiaonline S.p.A.'s [1] ordinary shares registered an overall performance of +52.2%, above the increase recorded in the same period by the FTSE Italia Small Cap index (+40.8%) and the FTSE Italia All-Share index (+27.3%).

Performance of IOL shares with respect to the main Borsa Italiana indices

June 20, 2016 | December 31, 2017
(IOL Adjusted Reference Price, based on June 20, 2016 = 100)



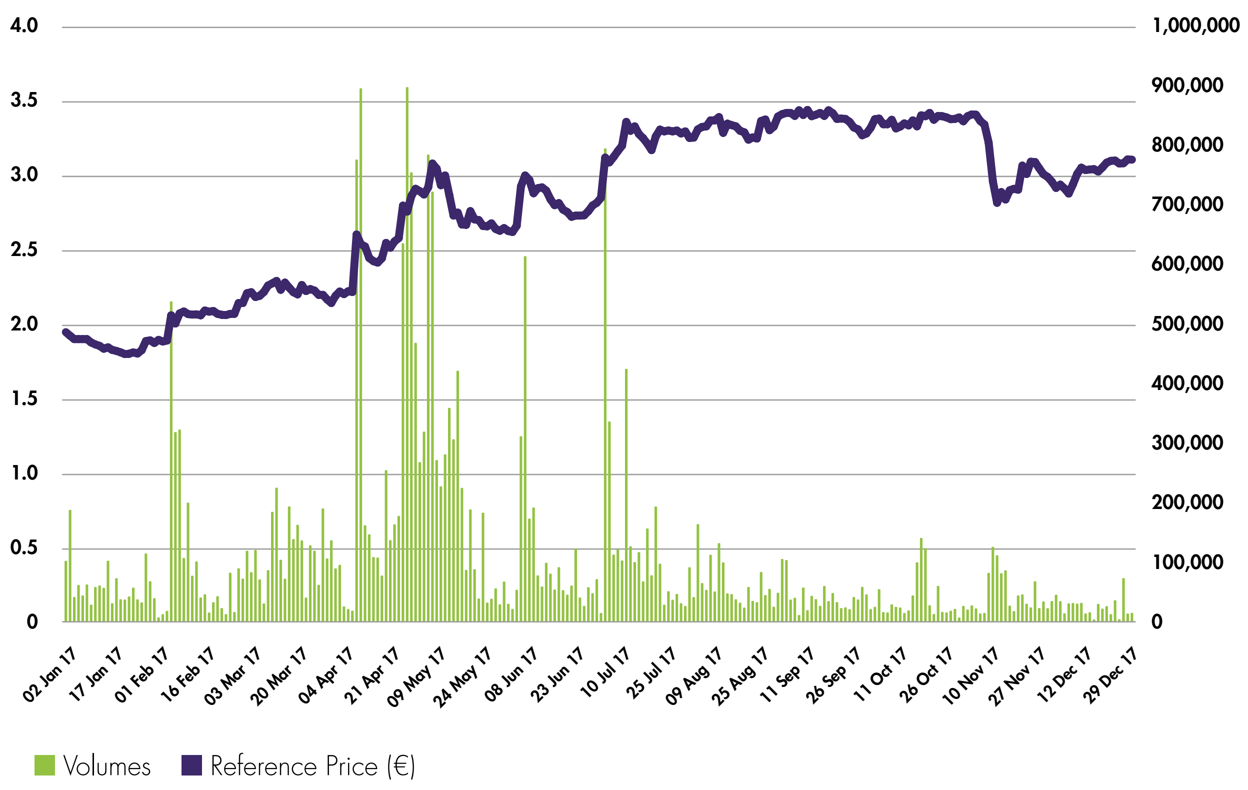
Source: Thomson Reuters EIKON

In 2017, Italiaonline S.p.A.'s ordinary shares recorded a generally upward movement, with a positive performance of +62.5%, calculated on the basis of the adjusted[1] reference prices at December 30, 2016 (€1.911) and at December 29, 2017 (€3.106), the last day of trading of the year, which corresponded to an increase in stock market capitalization from €219 million to €356 million. In the same period, 26.9 million ordinary shares of Italiaonline S.p.A. were traded, with an average daily exchange of approximately 105 thousand ordinary shares (equal to an average value of about €290 thousand).
The evolution of share prices and volumes highlighted a positive acceleration between May and July 2017, whilst in the third quarter of the year, the share registered a phase of weakness accompanied by falling volumes, impacted by the less favorable profit-taking and momentum observed in the Italian share market in October and November, in particular the Small Cap index.

[1] Prices adjusted for the distribution of the dividend in May 2017 (ex-dividend date of May 8, 2017). Source: Thomson Reuters - EIKON

Prices and Volumes of the IOL share

Adjusted reference price[1] January 1, 2017- December 31, 2017



Share Price	DATE	EURO
Reference Price	01/02/2017	1.947
Reference Price	12/29/2017	3.106
Average Price		2.804
Highest Price	09/11/2017	3.440
Lowest Price	01/20/2017	1.800

Volumes traded	DATE	NUMBER OF SHARES
Average daily volume		105,827
Highest volume	04/27/2017	897,246
Lowest volume	12/14/2017	2,862

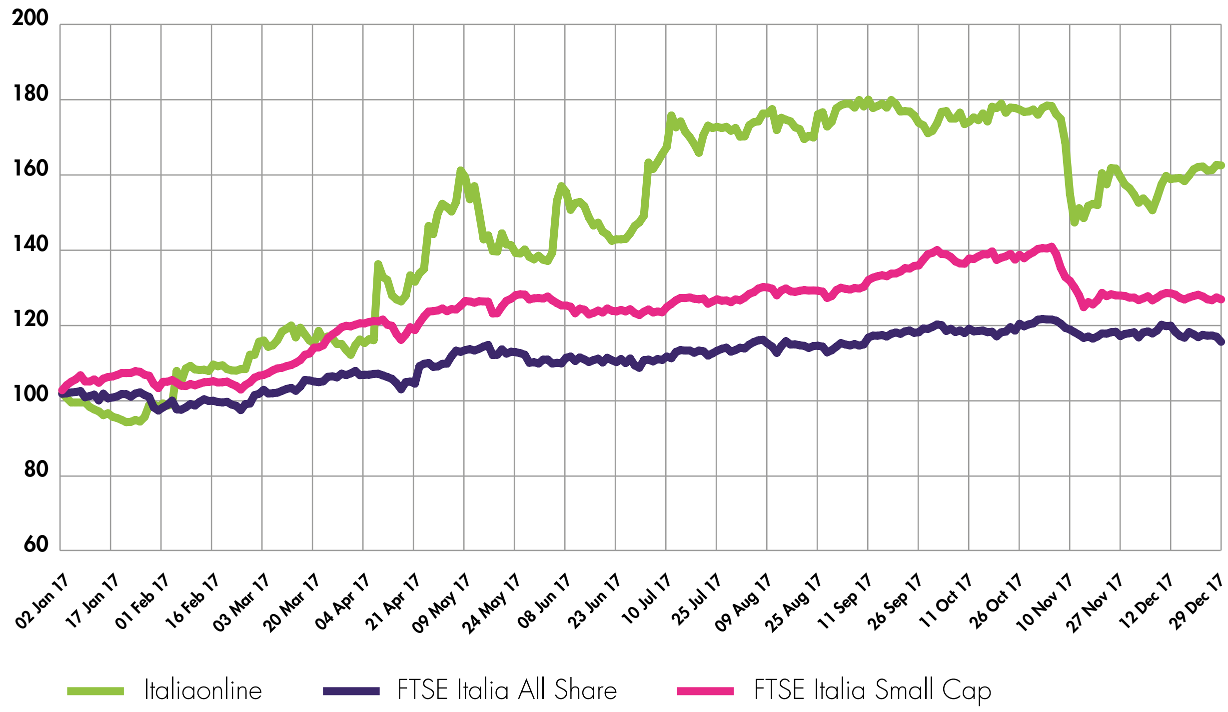
Source: Thomson Reuters EIKON

In 2017, the Italiaonline share registered a relative positive performance of +35.7% compared to the FTSE Italia Small Cap index and +47% against the FTSE Italia All-Share index. In the reference period, the two indices had recorded growth of +26.8% and +15.5% respectively.

[1] Prices adjusted for the distribution of the dividend in May 2017 (ex-dividend date of May 8, 2017). Source: Thomson Reuters - EIKON

Performance of IOL shares with respect to the main Borsa Italiana indices

January 1, 2017 | December 31, 2017
(IOL Adjusted Reference Price, based on June 20, 2016 = 100)



Source: Thomson Reuters EIKON

Analyst coverage

In June and July 2017, the analysts of Intermonte Sim and Banca IMI launched two new share coverage initiatives, adding to the coverage of Banca Akros started in 2016. The analysts express an average target price of €3.9 per share (figure updated at February 20, 2018) and positive ratings (Outperform, Buy and Accumulate respectively).

Investor Relations activities

Italiaonline pays particular attention to the development of relations with analysts, institutional investors and shareholders. Financial disclosure to Market Operators aims to provide the most comprehensive, transparent and timely flow of information, using and innovating the channels of interaction of Investor Relations, in compliance with the regulations dictated by Consob and the Stock Exchange.
In 2017, through intense Investor Relations activities, the Parent started to engage in dialogue again with the financial community, presenting the new equity story and the business prospects of the Group following by the merger into Seat PG, which took place in June 2016. In particular, from the start of the second half of the year, conference calls were reintroduced following the publication of the results for the period. In addition, the Parent took part in numerous financial conferences and roadshows both in Italy and overseas (London, Paris, Luxembourg, Geneva and Madrid), maintaining constant dialogue with analysts and corporate brokers.

Shareholders

Holders of Italiaonline S.p.A. ordinary shares with more than 5% of the Parent's share capital, based on information available as of December 31, 2017, are shown below

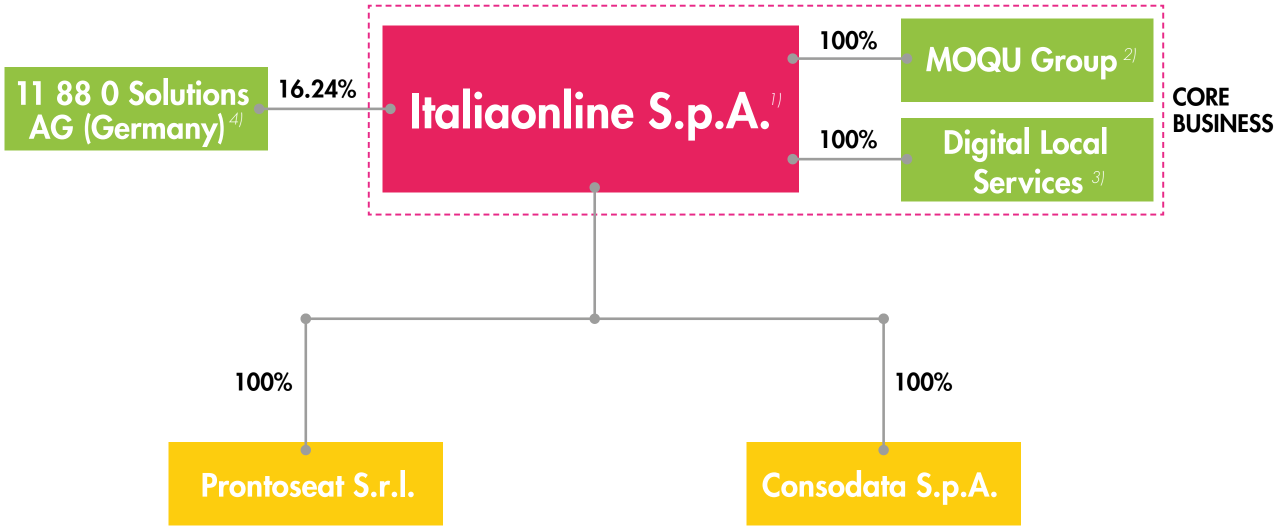
DECLARANT	SHAREHOLDERS	NO. OF SHARES	% OF CAPITAL
Marchmont Trust (1)	Libero Acquisition S.à.r.l.	67,499,999	58.82
GoldenTree Asset Management	LP Fondi GoldenTree(2)	18,608,144	16.21
Lasry Marc	GL Europe Luxembourg S.à.r.l.	15,930,432	13.88
	Mercato	12,722,650	11.09
	Totale	114,761,225	100.00

1) According to the Parent's knowledge, in January 2018, due to the winding-up of The Marchmont Trust, the 67,499,999 shares were simultaneously transferred directly to Ms. Loza Yousriya Nassif

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

Group Organizational Structure

(Updated information - March 15, 2018)



1) January 16, 2018, saw the completion of the striking off of the investment Gold Five from the Companies' Register and, effective from December 19, 2017 Couponing Italia S.r.l. in liquidation (formerly Glamoo s.r.l.) was struck off the Companies' Register as a result of the voluntary liquidation. Italiaonline also holds a 100% stake in Telegate Holding GmbH, in liquidation from June 29, 2016).

2) On January 22, 2018, Moqu ADV Ireland DAC, a company wholly-owed by Moqu Italia S.r.l., was definitely liquidated and struck off the Companies' Register at the Chamber of Commerce of Dublin.

3) 74 Digital Local Services (of which 11 in liquidation) single member limited liability companies directly owned by Italiaonline S.p.A.

4) Formerly Telegate AG, sold on February 14, 2018.

Market situation and strategic positioning

IOL

Operating profit for 2017 was achieved in a scenario of moderate economic growth, and substantial stability in the advertising investments market:

- According to ISTAT, in the fourth quarter of 2017, gross domestic product (GDP) in Italy grew by 0.3% compared to the previous quarter and by 1.6% compared to the fourth quarter of 2016. The increase in GDP of 1.5% in Italy in 2017 is the highest in seven years, even if the value of GDP still remains below the pre-crisis levels. The increase in GDP encapsulates the decrease in value-added in the agriculture segment and an increase in industry and services. On the demand side, there was a positive contribution from both the domestic component (gross of stocks) and the net foreign component. The change acquired, or that which would be recorded in the event of a flat cyclical growth in all four quarters of 2018, is equal to +0.5%.
- According to Nielsen, in 2017, the advertising market in Italy closed slightly above zero at + 0.4% (decreased by 2.1% if the Nielsen estimate on the search and on the social network is excluded from the web collection). In relation to the individual advertising channels, in the twelve months of the year, an increase was recorded by Internet +7.7% compared to 2016 (+1.7% if the search and the social are excluded), radio (+5.4%), GoTV (+12.3%), cinema (+2.4%) and transit (+4.9%); by contrast, a decrease was registered by outdoor (-11.2%), newspapers (-7.7%), magazines (-6.2%), direct mail (-5.2%) and TV (-1.6%). According to Nielsen “the closure of the year above zero is a good sign, especially owing to the highly positive performance in the autumn period. This can be viewed as a good omen for the first few months of 2018, which may definitely be able to close in positive territory thanks also a global economic recovery, which Italy appears to be closely linked to”.

Tradition

REPORT ON OPERATIONS

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Performance of the Group

The financial date of the Italiaonline Group for 2017 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 2017 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.

TABLES - CONSOLIDATED DATA

Reclassified income statement

(euro/thousand)	YEAR 2017	YEAR 2016	CHANGE	
			ABSOLUTE	%
Revenue from sales and services	**335,925**	**389,476**	**(53,551)**	**(13.7)**
Costs of materials and for external services (*)	(180,574)	(204,400)	23,826	11.7
Personnel expense (*)	(77,443)	(99,332)	21,889	22.0
GOP	**77,908**	**85,744**	**(7,836)**	**(9.1)**
% of revenue	*23.2%*	*22.0%*		
Net allowances for impairment and accruals to provisions for risks and charges	(10,004)	(20,316)	10,312	50.8
Other net operating costs	(243)	(1,481)	1,238	83.6
EBITDA	**67,661**	**63,947**	**3,714**	**5.8**
% of revenue	*20.1%*	*16.4%*		
Operating amortization, depreciation and impairment losses	(30,681)	(48,094)	17,413	36.2
Non-operating amortization, depreciation and impairment losses	(5,228)	(6,010)	782	13.0
Net non-recurring and restructuring costs	(3,991)	(9,104)	5,113	56.2
EBIT	**27,761**	**739**	**27,022**	**n.s.**
% of revenue	*8.3%*	*0.2%*		
Net financial income	681	69	612	n.s.
Impairment losses on financial assets and losses on the disposal of equity investments	-	(1,499)	1,499	100.0
Pre-tax profit (loss)	**28,442**	**(691)**	**29,133**	**n.s.**
Tax benefit (expense)	(2,025)	23,341	(25,366)	n.s.
Profit for the year	**26,417**	**22,650**	**3,767**	**16.6**
- of which attributable to the owners of the Parent	26,417	22,650	3,767	16.6
- of which attributable to non-controlling interest	-	-	-	-

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

Statement of comprehensive income

(euro/thousand)	YEAR 2017	YEAR 2016
Profit for the year	**26,417**	**22,650**
Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss:		
Actuarial gains (losses), net of tax	306	(868)
Total other comprehensive income (expense) that will not be subsequently reclassified to profit or loss	306	(868)
Other comprehensive income (expense) that will be subsequently reclassified to profit or loss:		
Net fair value gains (losses) on AFS securities and investments	589	-
Total other comprehensive income (expense) that will be subsequently reclassified to profit or (loss)	589	-
Total other comprehensive income (expense), net of tax	**895**	**(868)**

Total comprehensive income for the year	**27,312**	**21,782**
- of which attributable to the owners of the Parent	27,312	21,782
- of which attributable to non-controlling interests	-	-

Reclassified statement of financial position

(euro/thousand)		AT 12.31.2017	AT 12.31.2016	CHANGE
Goodwill and marketing-related intangible assets		272,476	277,703	(5,227)
Other non-current assets (*)		73,436	77,568	(4,132)
Operating non-current liabilities		(37,775)	(39,368)	1,593
Non-operating non-current liablities		(12,661)	(20,454)	7,793
Operating working capital		(45,524)	(34,952)	(10,572)
- Operating current assets		*170,163*	*200,217*	*(30,054)*
- Operating current liabilities		*(215,687)*	*(235,169)*	*19,482*
Non-operating working capital		(7,306)	(13,152)	5,846
- Non-operating current assets		*16,217*	*11,171*	*5,046*
- Non-operating current liabilities		*(23,523)*	*(24,323)*	*800*
Net non-current assets held for sale and discontinued operations		-	(2,125)	2,125
Net invested capital		**242,646**	**245,220**	**(2,574)**
Equity attributable to the owners of the Parent		315,593	367,337	(51,744)
Equity attributable to non-controlling interests		-	-	-
Total equity	**(A)**	**315,593**	**367,337**	**(51,744)**
Current financial assets, cash and cash equivalents		(75,142)	(122,176)	47,034
Current financial liabilities		2,195	59	2,136
Net financial position	**(B)**	**(72,947)**	**(122,117)**	**49,170**
Total	**(A+B)**	**242,646**	**245,220**	**(2,574)**

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

Reconciliation between equity of Italiaonline S.p.A. and consolidated equity at December 31, 2017

(euro/thousand)	ATTRIBUTABLE TO THE PARENT				NON-CONTROL-LING INTERESTS TOTAL	TOTAL
	SHARE CAPITAL	RESERVES	PROFIT FOR THE YEAR	TOTAL		
Italiaonline S.p.A. as at December 31, 2017	**20,000**	**267,477**	**23,923**	**311,400**	-	**311,400**
Profit (loss) for the year, share capital and reserves of consolidated companies	-	8,234	(9,900)	(1,666)	-	(1,666)
Carrying amount of consolidated companies	-	(7,783)	490	(7,293)	-	(7,293)
Consolidation adjustments						
Dividends	-	-	-	-	-	-
Consodata classified as Held For Sale	-	(172)	11,670	11,498	-	11,498
Effects of Glamoo S.r.l. liquidation	-	1,550	-	1,550	-	1,550
Other movements	-	(130)	234	104	-	104
Share capital, reserves and consolidated profit as at December 31, 2017	**20,000**	**269,176**	**26,417**	**315,593**	**-**	**315,593**

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

(euro/thousand)	ATTRIBUTABLE TO THE PARENT				NON-CONTROL-LING INTEREST TOTAL	TOTAL
	SHARE CAPITAL	RESERVES	PROFIT (LOSS) FOR THE YEAR	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
Carrying amount of consolidated companies	-	(7,938)	4,659	(3,279)	-	(3,279)
Consolidation adjustments						
Dividends	-	5,075	(5,075)	-	-	-
Consodata classified as Held For Sale	-	-	(172)	(172)	-	(172)
Effects of Glamoo S.r.l. liquidation	-	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 (loss) as at December 31, 2016	**20,000**	**324,687**	**22,650**	**367,337**	**-**	**367,337**

RECLASSIFIED INCOME STATEMENT

The main indicators for the years 2016 and 2017 have been analysed and commented according to a normalized view (pro forma data) to reflect the changes in the perimeter due to the sale of the subsidiary Europages and the 12.54 business segment, the disposal of Moqu's arbitration activities and to the accounting realignment of the subsidiary Consodata[1] occurred in 2016 and thus to enable comparison with FY 2017 results.
As a result of the aforementioned changes, the comparative data for the year ended December 31, 2016 show revenue of €376.0 million and Ebitda of €63.9 million and the corresponding figures for 2017 show revenue of €338.5 million and Ebitda of €67.7 million.

Revenue from sales and services amounted to €335,925 thousand in 2017, down by 13.7% compared to 2016 (the decrease goes down to 10.0% on a pro-forma basis).
The analysis of the revenue for the core business (98.3% of consolidated revenue), represented by the "ITALIAONLINE" segment (Italiaonline S.p.A., Moqu and Digital Local Services), which amounted to €330,232 thousand in 2017, down 11.5%, compared to 2016 (decrease of 9.6% compared to the 2016 pro-forma financial year), shows that this contraction reflects the restructuring of the product portfolio and the structural contraction of the traditional business based on phone directories and directory assistance services. However, it should be noted that the trend in turnover recorded a gradual improvement over the four quarters of the year. In particular, during the fourth quarter the decline in revenue slowed down, reflecting the decided recovery of the digital segment.
Specifically:
- Digital Revenue amounted to €228,160 thousand in 2017, a decrease of 5% compared to 2016. The total share of Digital Revenue in the year amounted to 69.1%.
- Traditional Revenue: this was equal to €100,992 thousand in 2017, down by 20.9% with respect to 2016 (a decrease which falls to 18.3% with respect to 2016 using pro-forma data). The total share of Traditional Revenue in the year amounted to 30.6%.

For more details on the performance at the level of individual product lines, please refer to the comment on the "ITALIAONLINE" segment;

The **costs of materials and for external services**, net of the portion of costs charged to third parties, included in the IFRS financial statements in "other income", amounted to €180,574 thousand in 2017, a decrease of €23,826 thousand (11.7%) compared to 2016 (€204,400 thousand).
The strategic initiatives aimed at containing costs have involved all types of operating costs. In particular, the following cost cuts were implemented:
- on commissions and other agent costs, by €1,523 thousand, for a total of €47,010 thousand;
- consulting and professional services, amounting to €12,546 thousand, a decrease of €1,906 thousand;
- distribution and warehousing expenses by €1,689 thousand, amounting to €6,004 thousand.

The **personnel expense**, reduced by related cost recoveries, included in the IFRS financial statements in "other income", amounting to €77,443 thousand in 2017, decreased by €21,889 thousand compared to 2016 (€99,332 thousand). This decrease was mainly due to the reorganization initiatives implemented within the Group.
The Group workforce, including directors, long-term consultant and interns, was composed of 1,830 units as at December 31, 2017 (2,008 units as at December 31, 2016 including the Consodata S.p.A. workforce; the figures of which at the end of the previous year had been reclassified as assets held for sale); the active

[1] The 2016 account receivables related to the subsidiary Consodata amounting to € 3.2 million had been written down entirely in terms of EBITDA and not of revenues to take into consideration the application of the accounting standard IFRS 5 (assets available for sale). In 2017 Consodata has been reinstated within the Group perimeter but a better assessment of the working capital revealed inconsistencies of € 2.5 million relating to Revenues of previous years, which have been deducted from the 2017 reported Revenues in compliance with the accounting standards. As a consequence of the above, for the purposes of a homogeneous representation of the business, the amount of the inconsistencies in the pro forma: a) has been correctly deducted from the 2016 revenues and recovered in 2017 Revenues.

Group workforce net of personnel under the government-sponsored lay-off scheme ("Cigs a zero ore") was 1,588 units as at December 31, 2017, and 1,692 units as at December 31, 2016. The average full-time equivalent (FTE) in 2017 was 1,492 units (1,794 units in 2016).

The **GOP**, amounting to €77,908 thousand in 2017, recorded a decrease of €7,836 thousand compared to 2016 (€85,744 thousand), with operating profit margins up by 23.2% compared to 22.0% in the previous year.

The **Net allowances for impairment and accruals to provisions for risks and charges** amounted to €10,004 thousand in 2017 (€20,316 thousand in 2016). Of the net allowances for impairment, €5,780 thousand related to the allowance for impairment, down by €7,946 thousand compared with the previous year. The change was partially determined by that the allowance for 2016 included the impairment loss of €3,196 thousand on trade receivables of the subsidiary Consodata to reflect the lower value of the disposal assets, partially released in the 2017 financial year. The item also includes net accruals to provisions for risks and operating changes of €2,434 thousand (€5,422 thousand in 2016).

The **other net operating costs** in 2017 amounted to €243 thousand (€1,481 thousand in 2016).

Operating income before amortization, depreciation, net non-recurring and restructuring costs (EBITDA) was €67,661 thousand in 2017, up by 5.8% with respect to 2016 (€63,947 thousand); the operating margin also increased, to 20.1% (16.4% in 2016).

Operating amortization, depreciation and impairment losses amounted to €30,681 thousand in 2017, down by €17,413 thousand compared to 2016 (€48,094 thousand) and refer to intangible assets with a finite useful life for €26,900 thousand (€42,189 thousand in 2016) and to property, plant and equipment for €3,781 thousand (€5,905 thousand in the previous year). The 2016 figures included the adjustment of €4,141 thousand on the property, plant and equipment of Consodata and other intangible assets to reflect the lower value of the disposal assets; this adjustment, in 2017, was partially released in respect of amortization and depreciation in the year.

Non-operating amortization, depreciation and impairment losses were equal to €5,228 thousand (€6,010 thousand in 2016). These include the amortization of the Database and Customer Relationship intangible assets, recognized by Italiaonline S.p.A. following the Purchase Price Allocation process pursuant to IFRS 3.

Net non-recurring and restructuring costs totaled €3,991 thousand (€9,104 thousand in 2016). This item included income of €2,126 thousand from the sale of the two remaining finance leases, related to the buildings of the Turin office, in place with Mediocredito Italiano S.p.A. to the company Engineering Ingegneria Informatica S.p.A.. The income was generated by the closure of the remaining financial liability of these buildings recognized in financial statements for €7,985 thousand and the portions of the buildings forming the object of the contracts instead recognized under assets in the statement of financial position for a total of €5,859 thousand, including the value of fixed plant, also financed.
Non-recurring costs amounted to €4,056 thousand in 2017 (€9,356 thousand in 2016), relating mainly to strategic consulting costs of €2,106 thousand and costs incurred for the reorganization in the Group of €943 thousand. In 2016, the item included strategic consulting of €4,475 thousand mainly for the merger and costs related to the rebranding of Italiaonline S.p.A. for €1,679 thousand.
Net reorganization costs amounted to €2,061 thousand and are composed almost entirely of the amount allocated to the company provision as a result of the personnel reorganization plan commenced at Consodata S.p.A. in the summer of 2017.

The **Operating profit (EBIT)** in 2017 came to €27,761 thousand, an increase of €27,022 thousand compared to 2016 (€739 thousand). The improvement in EBIT is due to the business trends registered at GOP and EBITDA level and to the decrease in depreciation, amortization and in net charges due to the effects of non-recurring transactions.

Net financial income, amounted to €681 thousand in 2017 (€69 thousand in 2016).
In particular, *financial expense* amounted to €639 thousand (€2,486 thousand in 2016) and refers mainly to €500 thousand relating to discount interest. In 2016, the item also included €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 and €229 thousand relating to interest expense on payables to Mediocredito Italiano S.p.A., relating to lease agreements.
Financial income in 2017 amounted to €1,320 thousand (€2,555 thousand in 2016) and includes €435 thousand for interest income resulting from short-term liquidity in the banking system at market rates and €815 thousand for other financial income; in 2016, the item included €1,342 thousand relating to the dividend paid by the investee Emittente Titoli as per shareholders' resolution of April 20, 2016.

The **impairment losses on financial assets and losses on the disposal of equity investments** that show a zero balance in the 2017 financial year, in 2016 amounted to €1,499 thousand, relating for €1,458 thousand to the effects of the lower fair value of the 16.24% equity investment held by Italiaonline S.p.A. in 11880 Solutions AG.

The **tax expense** for 2017 is as follows:

(euro/thousand)	YEAR 2017	YEAR 2016	CHANGE	
			ABSOLUTE	%
Current income taxes	(1,357)	(1,393)	36	2.6
Provision (reversal) of deferred tax assets	(4,975)	21,617	(26,592)	n.s.
(Provision) reversal of deferred tax liabilities	1,639	2,512	(873)	(34.8)
Income taxes referred to the previous year	2,668	605	2,063	n.s.
Total tax benefit (expense) for the year	**(2,025)**	**23,341**	**(25,366)**	**n.s.**

Current income taxes for the year 2017 amounted to €1,357 thousand, mainly relating to the current Irap.
The release of deferred tax assets amounting to €4,975 thousand (allocation of €21,617 thousand in 2016), mainly attributable to Italiaonline S.p.A., refers in particular to changes in provisions for risks and to the portion of interest expense recovered in the previous year.

The **profit attributable to the owners of the parent** in 2017 amounted to €26,417 (€22,650 thousand in 2016).

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

As the plan of the Parent Italiaonline S.p.A. to sell the equity investment in Consodata S.p.A. has been put on hold, the assets and liabilities referred to this subsidiary were no longer classified as "net non-current assets held for sale" and therefore the related items as at December 31, 2017 were aggregated in the respective items of the financial statements. Pursuant to IFRS 5, the assets and liabilities referred to Consodata S.p.A. were measured at the lower of the recoverable value calculated at the date when the decision not to sell was taken and the carrying amount before the assets were classified as held for sale, adjusted for all amortization, depreciation, impairment losses and reversal of impairment losses that would have otherwise been recognized if the assets had not been classified as held for sale.

Net invested capital

Net invested capital, of €242,646 thousand at December 31, 2017, decreased by €2,574 thousand compared to December 31, 2016.
The breakdown of net invested capital was as follows:

- **goodwill and "marketing related" intangible assets** amounted to €272,476 thousand at December 31, 2017 (€277,703 thousand at December 31, 2016) and include:
  - brands with indefinite useful life for €169,406 thousand, as follows: Virgilio €53,000 thousand, Libero €70,262 thousand, Pagine Gialle €30,859 thousand and Pagine Bianche €15,285 thousand;
  - goodwill equal to €81,314 thousand, of which €9,317 thousand for the acquisition of Matrix and €71,997 thousand generated in the acquisition of the SEAT Group by Italiaonline, calculated in the Purchase Price Allocation (PPA) as the difference between the fair value of net assets acquired and the acquisition price;
  - intangible asset with a finite useful life called Customer relationships amounting to €18,477 thousand (€21,737 thousand at December 31, 2016);
  - intangible asset with a finite useful life called database equal to €3,279 thousand (€5,246 thousand at December 31, 2016).

- **other non-current assets** amounted to €73,436 thousand at December 31, 2017, €77,568 thousand at December 31, 2016. These assets included:
  - *non-current operating assets, both intangible assets and property, plant and equipment,* for €43,867 thousand as at December 31, 2017, down by €4,409 thousand from December 31, 2016 (€48,276 thousand).
    Capital expenditure amounting to €26,323 thousand (€23,155 thousand in 2016), concerned the following areas:
    - in the Italiaonline segment equal to €24,128 thousand in 2017 (€20,514 thousand in 2016), related to:
      - i) configuration and deployment of the portion of Datacenter Supernap Italia dedicated to host the IT services of Italiaonline; ii) purchase of three-year license for the email system Open X-Change; iii) building and system upgrade for the offices in Florence, Pisa and Assago; iv) user license for the software platform "AdVantage Platform" (Matchcraft), for the use of application services for the implementation and management of marketing campaigns; iv) development of the IOL Audience platform for the integrated management of the Google ADwords, Google Display and Facebook Adv campaigns; v) development and micro-development web and publishing support.
    - Consodata S.p.A. equal to €2,168 thousand in 2017 (€2,565 thousand in 2016) for investments in the development of software platforms, database expansion and the acquisition of databases.

- *other equity investments*, amounting to €2,699 thousand as at December 31, 2017 (€2,111 thousand as at December 31, 2016), representing the fair value of 16.24% of the remaining equity investment held by Italiaonline S.p.A. in 11880 Solutions AG., which, pursuant to IAS 39, is an available-for-sale financial asset.
- other non-current assets amounting to €26,753 thousand at December 31, 2017 (€27,029 thousand at December 31, 2016) which include i) €18,900 thousand relating to the reclassification to non-current assets of IRES tax requested for reimbursement by the Parent through the presentation of the 2014 CNM (Global National Consolidated) 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) €2,609 thousand for loans to employees, provided at market rates for financial transactions.
- *net deferred tax assets* were equal to €117 thousand as at December 31, 2017 (€152 thousand as at December 31, 2016).

• **operating non-current liabilities** of €37,775 thousand at December 31, 2017 (€39,368 thousand at December 31, 2016). These liabilities included:
  - the *agents' termination indemnities* of €19,002 thousand at December 31, 2017 (€19,283 thousand at December 31, 2016). Pursuant to current legislation, this provision represents the liabilities accrued at the end of the year for the indemnities due to sales agents 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 a similar duration, estimating its expected future use over time based on the average term of agency contracts;
  - *post-employment benefits*, for €17,145 thousand as at December 31, 2017 (€17,832 thousand as at December 31, 2016).

• **non-operating non-current liabilities** of €12,661 thousand at December 31, 2017 (€20,454 thousand at December 31, 2016). The item mainly refers to Net deferred tax liabilities of €12,661 thousand at December 31, 2017 (€9,267 thousand at December 31, 2016). As at December 31, 2016, the item included €11,187 thousand representing the non-current portion of the provision for corporate reorganization made last year as a result of the new personnel reorganization plan and entirely reclassified among current liabilities in the year.

• **operating working capital**, negative for €45,524 thousand as at December 31, 2017 (negative for €34,952 thousand as at December 31, 2016).
  The main changes occurred over the year were as follows:
  - *trade receivables*, equal to €137,794 thousand as at December 31, 2017, were down by €23,992 thousand with respect to December 31, 2016 (€161,786 thousand);
  - *payables for services to be provided and other current liabilities*, amounting to €92,952 thousand at December 31, 2017, which decreased by €10,852 thousand compared to December 31, 2016 (€103,804 thousand). This change primarily reflects the timing of purchasing and invoicing for advertising services;
  - to *trade payables*, amounting to €101,113 thousand at December 31, 2017, decreased €9,914 thousand compared to December 31, 2016 (€111,027 thousand);

• **non-operating working capital**, negative for €7,306 thousand as at December 31, 2017 (negative for €13,152 thousand as at December 31, 2016). This item included:
  - *provisions for risks and non-current operating charges* amounting to €16,833 thousand (€15,122 thousand at December 31, 2016) relating to the restructuring provision. The increase reflects the joint effect of the reclassification for €11,187 thousand of the non-current portion of the provision for corporate reorganization allocated in 2016 by the Parent (as indicated above), of the allocation recognized by the investee Consodata as a result of the reorganization process implemented by the company as part of the collective transfer of personnel (for more details see the section "Other Activities" of this Report) and of the uses made of the provision equal to €12,085 thousand;

– *current tax assets* equal to €9,838 thousand as at December 31, 2017 (€6,845 thousand as at December 31, 2016) mainly relating to the tax assets for current taxes (IRES and IRAP) of the Parent.
– *other non-operating current assets* of €6,379 thousand at December 31, 2017 of which €5,971 thousand arose as a result of the provisional payment made pending judgment with reference to the tax assessment notice issued by the Tax Authorities with which the failure to apply, for the years between 2009 and 2012, the withholding taxes on interest paid to the Royal Bank of Scotland (Milan branch) in connection with the so-called "Senior" loan.

Equity

Consolidated **equity** was equal to €315,593 thousand as at December 31, 2017 (€367,337 thousand as at December 31, 2016) and was entirely attributable to the Parent.
The decrease of €51,744 thousand mainly reflects the joint effects:
- of the distribution of dividends to ordinary and savings shareholders of the Parent for a total of €80,032 thousand (for more details, see section "Main events of 2017" of this Report);
- of profit for the year equal to €26,417 thousand.

Net financial position

As of December 31, 2017, the **net financial position** was €72,947 thousand (€122,117 thousand at December 31, 2016).
As of December 31, 2017 the net financial indebtedness was structured as follows:

(euro/thousand)		AT 12.31.2017	AT 12.31.2016	CHANGE
A	Cash and cash equivalents	74,476	121,566	(47,090)
B	Other cash and cash equivalents	-	-	-
C	Trading securities	-	-	-
D=(A+B+C)	**Liquidity**	**74,476**	**121,566**	**(47,090)**
E.1	**Current financial receivables due from third parties**	**666**	**610**	**56**
E.2	**Current financial receivables due from related parties**	**-**	**-**	**-**
F	Current bank debt	-	-	-
G	Current portion of non-current debt	-	-	-
H.1	Other current financial debt to third parties	2,195	59	2,136
H.2	Other current financial debt due to related parties	-	-	-
I=(F+G+H)	**Current financial debt**	**2,195**	**59**	**2,136**
J=(I-E-D)	**Net current financial indebtedness**	**(72,947)**	**(122,117)**	**49,170**
K	Non-current bank debt	-	-	-
L	Bond issues	-	-	-
M.1	Other non-current loans due to third parties	-	-	-
M.2	Other non-current loans due to related parties	-	-	-
N=(K+L+M)	**Non-current financial debt**	**-**	**-**	**-**
O=(J+N)	**Net financial indebtedness (ESMA)**	**(72,947)**	**(122,117)**	**49,170**

The change in the net financial position with respect to December 31, 2016 reflects the payment of ordinary and extraordinary dividends on May 10, 2017, for a total amount of €80,032 thousand. For further details, please refer to the paragraph "Main events of 2017" of the Report on operations.
In addition, on February 23, 2017, Italiaonline S.p.A. signed the deeds for the sale of the two remaining finance lease agreements, related to the buildings of the Turin office, in place with Mediocredito Italiano S.p.A., to the company Engineering Ingegneria Informatica S.p.A. Therefore the residual financial liability equal to € 7,984 thousand, which as at December 31, 2016 had been reclassified as a non-current liability/ held for sale, was derecognized.
A description of the items which constitute net financial position is provided below:

- **current financial debt** amounted to €2,195 thousand at December 31, 2017, (€59 thousand at December 31, 2016), relating to the payment to all shareholders of an advance payment disbursed in December 2017, on profits on the liquidation of Emittente Titoli (€2,136 thousand);
- **current financial receivables and cash and cash equivalents** amounted to €75,142 thousand at December 31, 2017 (€122,176 thousand at December 31, 2016) and include €74,476 thousand of cash and cash equivalents (€121,566 thousand at December 31, 2016).

Risk associated with financial debt

Given the financial position as at December 31, 2017 there are no risks connected with financial debt.

Credit risk

Italiaonline group's business is characterized 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 Group 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 collection through 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 80% of sales to SMEs (+2% per annum), which allows our Group to better manage the dynamics of receipts at due dates.
The Group has also updated the software used for the evaluation of scoring and the management of the credit collection process, investing in upgrading legacy systems and implementing software integrated between the two main activities.
The net trade receivables of the Italiaonline Group at December 31, 2017 amounted to approximately €137.8 million (approximately €162 million at December 31, 2016), almost entirely due to the Parent Italiaonline S.p.A. (€135.8 million), which at December 31, 2017 had approximately 200,000 customers spread all over Italy consisting mainly of small and medium-sized enterprises.
The amount of overdue trade receivables of Italiaonline as at December 31, 2017 amounted to approximately €55 million (€68 million as at December 31, 2016) with an average coverage percentage of the allowance for impairment amounting to about 59%, in line with prior years and deemed adequate. The monitoring at an early stage of the credit collection process described above has led the Group to gradually decrease overdue trade receivables compared to total receivables, the main 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 December 31.

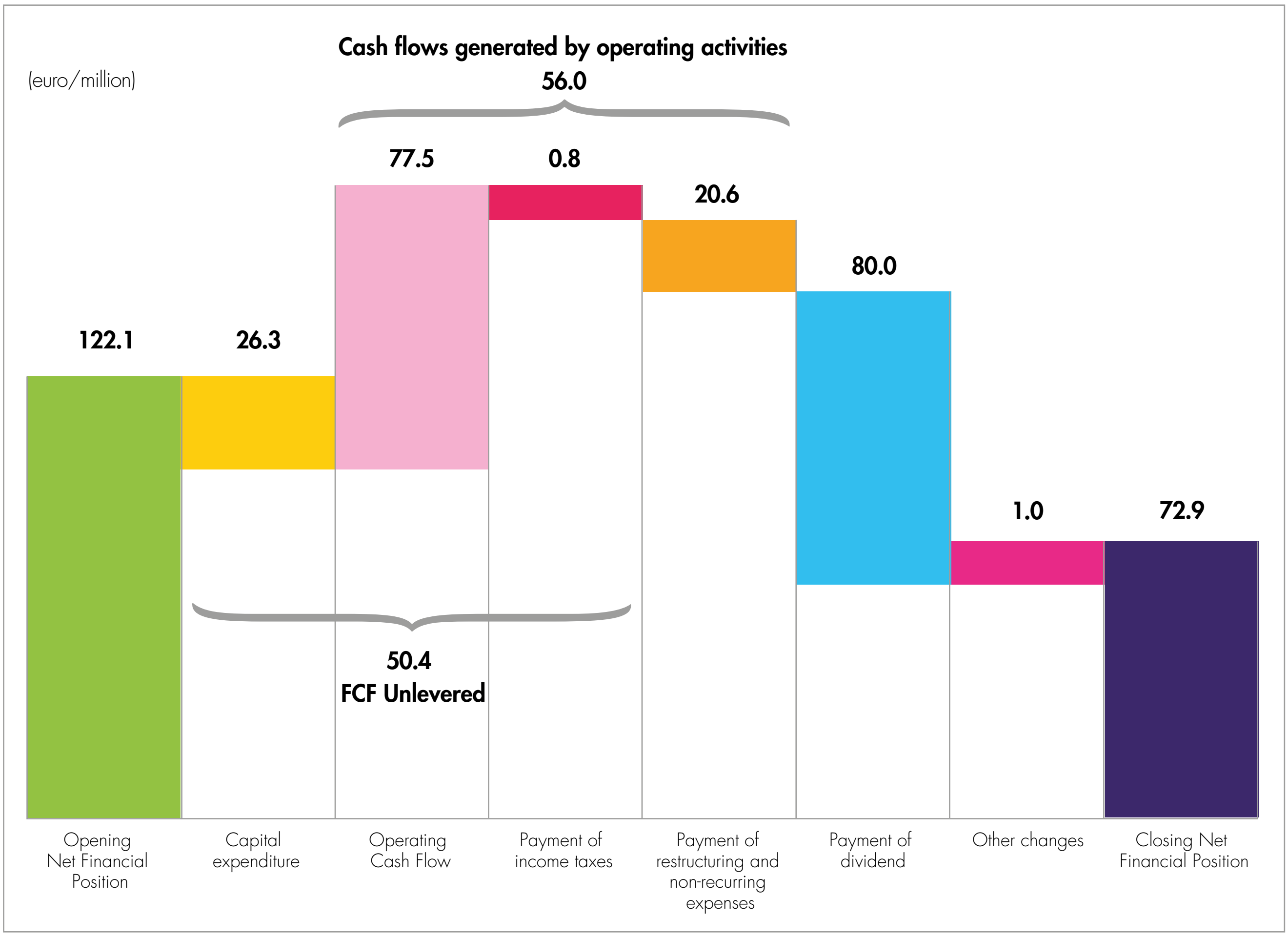
At December 31, 2017 the allowance for impairment amounted to €32.6 million (€33.7 million at Group level), down compared with December 31, 2016 because, despite their utilization, the valuation of receivables outstanding at December 31, 2017 was qualitatively better, due to the reduction of the overdue outstanding time period and gradual improvement of receipts at due dates.

CONSOLIDATED CASH FLOWS FOR 2017

(euro/thousand)	YEAR 2017	YEAR 2016	CHANGE
EBITDA	67,661	63,947	3,714
Net interest income (expense) from discounting of operating activities/liabilities and stock options	730	(671)	1,401
Decrease in operating working capital	11,733	15,361	(3,628)
(Decrease) increase in non-current operating liabilities (*)	(2,621)	142	(2,763)
Capital expenditure	(26,323)	(23,155)	(3,168)
Gains on disposal of non-current operating assets	(29)	(22)	(7)
Operating free cash flow - OFCF	**51,151**	**55,602**	**(4,451)**
Income taxes	(795)	(1,147)	352
Unlevered free cash flow	**50,356**	**54,455**	**(4,099)**
Collection of interest and financial expense, net	417	1,856	(1,439)
Payment of non-recurring and restructuring costs	(20,635)	(17,234)	(3,401)
Dividend distribution	(80,032)	-	(80,032)
Effect related to lease agreements	-	7,985	(7,985)
Other changes	724	498	226
Change in the net financial position	**(49,170)**	**47,560**	**(96,730)**

(*) 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 the net financial position during 2017.



The **unlevered Free cash flow**, generated during 2017 amounting to a positive €50,356 thousand, fell by €4,099 thousand compared to that generated during 2016 (€54,455 thousand); this result reflects the higher investments made in the year (€26,323 thousand in 2017; €23,155 thousand in 2016).

Disclosure required by CONSOB 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 financial reports and the interim report on operations started from the first half interim financial report at June 30, 2016 as well as the press releases concerning the approval of the above mentioned financial reports, in lieu of the disclosure requirements provided with the request of September 7, 2011, file no. 11076499, the additional information related to December 31, 2017 are reported below.

The net financial position of the Group and the Parent as of December 31, 2017 are described and commented in note 17 "Net financial position" of the notes to the consolidated and separated financial statements at December 31, 2017.
The overdue accounts payable of the Parent and the Group according to their nature (financial, trading, tax, social security and employees) and the related creditors' response initiatives (reminders, injunctions, suspension in supply, etc.) are provided below:

- overdue trade payables to suppliers as at December 31, 2017 were €13,204 thousand (of which €12,675 thousand related to Italiaonline S.p.A.), paid in January 2018 for €9,867 thousand (of which €9,506 thousand related to Italiaonline S.p.A.);
- there were 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. There were no significant actions by creditors that may affect the course of ordinary business.

The related party transactions carried out by the companies of the Italiaonline group, including intra-group transactions, were all part of ordinary business and settled at market conditions or according to specific regulatory provisions. There were no atypical and / or unusual transactions, nor potential conflicts of interest. There were no changes or developments in the related party transactions described in the latest approved financial statements that had a material effect on the financial position or results of operations of the Group and Italiaonline S.p.A..

Detailed tables of transactions with related parties of the Group and the Parent are stated under note 30 "Related party transactions" of the notes to the consolidated and separate financial statements at December 31, 2017.

On the basis of the most recent data available, referred to December 31, 2017, the main economic and financial indicators of the Group are substantially in line with the forecasts formulated in the 2017-2019 Updated Business Plan approved on March 15, 2017.

Finally, it should be noted that today the Italiaonline Board of Directors approved an update of the 2018-2020 Business Plan; for further details see the paragraph "Events after the reporting date - Update of the 2018-2020 Business Plan" of this Report.

Main events of 2017

Manager in charge of financial reporting

On January 12, 2017, the Parent's Board of Directors resolved to appoint, with the approval of the Board of Statutory Auditors, Ms. Gabriella Fabotti, head of the Finance Administration and Control Department of the Parent, as new manager in charge of financial reporting, pursuant to Art. 154-bis, Legislative Decree No. 58/98.

Board positions

On February 14, 2017, Khaled Galal Guirguis Bishara tendered his resignation from the Board of Directors of the Parent, of which he was also the Chairman. At the same meeting, the Board of Directors, acknowledging this resignation, appointed Tarek Aboualam to the Board of Directors, through co-optation pursuant to Art. 2386, Par. 1, of the Italian Civil Code, appointing him also Chairman of the Board.
At the Shareholders' Meeting on April 27, 2017, Tarek Aboualam was confirmed in these positions and appointed member and Chairman of the Board of Directors.

Updated Business Plan

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

Request for integration of the agenda of the Ordinary Shareholders' Meeting on April 27, 2017

On April 6, 2017, the Parent announced that, on the same date, 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 and San Bernardino County Employees' Retirement Association, jointly holders of 88.921% of the share capital of Italiaonline, had presented, pursuant to Art. 126-bis of Legislative Decree No. 58/1998, a request for the integration of the agenda of the Ordinary Shareholders' Meeting called for April 27, 2017, asking to add the following topic as third item on the agenda: *"Distribution of a portion of the distributable reserves resulting from the separate financial statements of Italiaonline S.p.A. as at and for the year ended December 31, 2016, by payment to the shareholders of total extraordinary dividends of €79,419,475.38, that is, equal to gross €0.692, for each of the 114,761,225 ordinary shares and 6,803 savings shares"*.
On April 10, 2017, the Board of Directors of Italiaonline resolved to approve the integration of the agenda of the Meeting according to the requests of the shareholders and published, together with the report of the shareholders, a report of its own on the request received.
On April 20, 2017, the Parent and the Board of Statutory Auditors received from CONSOB a request, pursuant to Art. 114, Par. 5, Legislative Decree No. 58/1998, for integration of the information provided to the public in the press releases published on March 15 and April 10, 2017 as well as provided in the Report with which the Board of Directors has expressed its opinion on said request for integration of the agenda.
On April 26, 2017, the Board of Directors and the Board of Statutory Auditors, each within its area of competence, acknowledged the CONSOB requests with a press release issued in the required terms and manner.

Ordinary Shareholders' Meeting of April 27, 2017

On April 27, 2017, the Shareholders of Italiaonline S.p.A. resolved:

- to approve the 2016 separate financial statements of Italiaonline S.p.A. (the draft of which had been approved by the Board of Directors on March 15, 2017), showing a profit for the year of €28,210,588.26;
- to allocate the profit to *(i)* the Legal Reserve for €81.93; *(ii)* distribution of a unit dividend to savings shareholders of €90.00 (as the sum of the preferred dividends for 2014, 2015 and 2016) to each outstanding savings share, for a total amount of €612,270.00 and *(iii)* to carry forward the residual profit of €27,598,236.33;
- to distribute an extraordinary dividend equal to €0.692, gross of withholding taxes, to each of the 114,768,028 outstanding shares of the Parent, for a total amount of €79,419,475.38, so that, gross of legally-required withholdings, ordinary shareholders would receive a dividend of €0.692 for each ordinary share while savings shareholders - in consideration of the preferred dividend due to savings shares - would receive a unit dividend of €90.692 for each savings share;
- to approve the appointment of Mr. Tarek Aboualam to the Board of Directors and to the office of Chairman of the Board, until the expiration of the term of office of current Board of Directors, confirming therefore the appointment made on February 14, 2017;
- to approve Section I of the Remuneration Report, pursuant to Art. 123-ter of Legislative Decree No. 58/1998.

The dividend was made available for payment from May 10, 2017, against presentation of coupon No. 1, both for ordinary shares and for savings shares, with ex-dividend date set to May 8, 2017 and record date, pursuant to Art. 83-terdecies of Legislative Decree No. 58/1998, set to May 9, 2017.

Special Meeting of Savings Shareholders of April 27, 2017

On April 27, 2017, the Savings Shareholders of Italiaonline S.p.A. resolved:

- to give a mandate to their Common Representative to contact the Parent to assess a proposal for a savings shares split;
- to give a mandate to their Common Representative to study further, also by making use of consultants, the impact on savings shares of the distribution of extraordinary dividends - resolved at the Ordinary Shareholders' Meeting at that date - as well as to assess the necessary actions to be taken to protect this share category;
- to postpone the meeting, in continuation, to May 16, 2017.

On May 16, 2017, the Savings Shareholders then resolved not to approve:

- the proposal to withdraw from the proceedings before the Court of Turin to contest the resolution of the Ordinary Shareholders' Meeting of April 23, 2015 for the part concerning the allocation of the profit of the year ended December 31, 2014;
- the settlement proposal concerning said proceedings and the conversion of savings shares into ordinary shares according to terms reviewed before the Court of Turin.

Additional regular disclosures

On May 11, 2017, the Parent announced its intention to continue to publish, on a voluntary basis and until resolved otherwise, an additional quarterly financial disclosure with respect to the annual and Interim Financial Report, providing with this disclosure, starting with the first quarter of 2017, a more concise representation of its business that is more focused on relevant information, such as the main consolidated financial indicators and, if appropriate, additional qualitative and quantitative information on the business performance.
The disclosure, to be made by issue of a press release, must be approved by the Board of Directors in a meeting to be held within 45 days of the end of the first and third quarter of each year.

Appointment of the Supervisory Body

On May 11, 2017, the Board of Directors of the Parent resolved to appoint to the Supervisory Body pursuant to Legislative Decree 231/2001, Giancarlo Russo Corvace (Chairman), Angelo Jannone and Giuseppe Vaciago, for the period until the Shareholders' Meeting called to approve the financial statements as at and for the year ending December 31, 2018.

Industrial relations

In 2017, industrial relations focused on the issues covered in the agreement signed on December 14, 2016, at the Ministry for the Economic Development and the Ministry of Labour, concerning the reorganization program, which makes use of the government-sponsored lay-off scheme [Cassa Integrazione Guadagni Straordinaria].
The annual meeting with the trade unions to discuss the performance of the Company took place in April, in the presence of the Chief Executive Officer, while a meeting was held with the trade unions in November in which the Company made a presentation on the progress of the above agreement.

Savings shareholder appeals

On July 25, 2017, a claim form was notified to the Parent with which the Common Representative of savings shareholders of Italiaonline S.p.A., Ms. Stella d'Atri, appealed before the Court of Milan, as per art. 2377 et seq. of the Italian Civil Code, the resolution on item 3 on the agenda of the ordinary Shareholders' Meeting of April 27, 2017, concerning the distribution of an extraordinary dividend of Euro 0.692 for each of the 114,768,028 outstanding shares of the Parent, as it is detrimental to the interests of the category represented. The hearing was put back from January 20, 2018 to June 26, 2018.
By means of a ruling dated December 22, 2017, the Court of Turin rejected the appeal submitted by the Common Representative of Saving Shareholders of Italiaonline S.p.A., Stella d'Atri, against the resolution of the Ordinary Shareholders' Meeting of April 23, 2015 for the part concerning the allocation of the profit of the year ended December 31, 2014 and ordered the plaintiff to pay the costs of the legal proceedings. This ruling was appealed at the Court of Appeal of Turin by means of appeal notified on February 6, 2018. The date of the first hearing is set for June 20, 2018.

Share capital increase in service of the 2014-2018 Stock Option Plan

On November 8, 2017, the Parent's Board of Directors resolved to partially execute the power, conferred at the Parent's Extraordinary Shareholders' Meeting on March 8, 2016, as part of the Seat Pagine Gialle/ Italiaonline merger, to increase the share capital pursuant to art. 2443 of the Italian Civil Code, under payment, in tranches and with the exclusion of the option right pursuant to art. 2441, paragraphs 5, 6 and 8 of the Italian Civil Code, for a total maximum nominal amount of €148,949.18 plus premium, through the issuing of up to 854,576 ordinary shares with no nominal value, reserved for subscription to the beneficiaries of tranche A "2014-2018 STOCK OPTION PLAN" ("Stock Option Plan"). The option rights assigned to beneficiaries of tranche A of the Stock Option Plan became fully exercisable from December 16, 2017; the subscription price is €3.01 per share. The Independent Auditors, KPMG S.p.A., appointed to conduct the audit of the parent's accounts, issued, pursuant to the combined provisions of art. 2441, sixth paragraph, of the Italian Civil Code, and art. 158 of the Consolidated Law on Finance, its opinion on the issue price.

Events after the reporting date

Closure of the liquidation process of Liquidazione Gold5 S.r.l.

On January 15, 2018, Gold5 S.r.l. -, a company in which Italiaonline S.p.A held a 20% investment - was definitively liquidated and struck off the Companies' Register at the Chamber of Commerce of Milan.

Transfer of Telegate equity investment

On February 14, 2018, Italiaonline transferred its 16.24% investment held in 11880 Solutions Ag (formerly Telegate AG), a communications company based in Germany which offers directory assistance and call center services in Germany, Spain and Italy, for a value of around €3.4 million; the transfer will generate a capital gain of roughly €1.3 million.

Acquisition of AdPulse Italian operations

On February 14, 2018, the acquisition of the Italian business unit called AdPulse was completed, a company specialized in digital advertising on behalf of leading Italian and international publishers.

Industrial plan update

On March 15, 2018 the Board of Directors of Italiaonline S.p.a. approved an update of the Industrial Plan (already approved on March 15, 2017) extending to year 2020 and updating the economic and financial targets for the period 2018 - 2020 (the updated Plan).
The updated Plan is essentially based on the same value creation levers announced in the previous version of the Industrial Plan (approved on March 15, 2017) and implements the effects of the progress of the development actions undertaken during 2017 and the evolution of the market context. The updated Plan also comprises new initiatives aimed at substantial improvement of the sales and Customer Service processes and at further optimisation of the operating costs and speeding up the digital integration path undertaken after merging with the former Seat PG.

The strategic lines for growth of the updated Plan include:

Digital advertising
Italiaonline will continue developing the Group's web properties that as of today boast undisputed leadership in terms of daily audience on the Italian market, both through acquisitions and further organic growth based on product innovation and the production of original content. Please be reminded that the Group has developed a system for producing content (big data) based on the analysis of user preferences and social and search trends.
Continuing in the strategy to consolidate the Italian digital advertising market through business partnerships with other digital publishers is also planned.
Lastly, Italiaonline will continue to develop both technological and commercial strategic partnerships, particularly in the programmatic advertising sector, where the Group plans to continue to strengthen its leadership, also through technological product innovations.

Digital agencies

At the end of 2017 the Group had 63 Digital Local Services (DLS), i.e. web agencies scattered throughout the country, able to support the Italian SMEs with a suite of complete and integrated off-the-shelf digital solutions: management of digital presence (iOL Connect), creation and management of websites and/or e-commerce (iOL Website) and execution of digital marketing campaigns (iOL Audience). During the Plan period, the strategic lines for growth in this business segment include a number of initiatives aimed at: i) reducing the churn (rate of subscribers discontinuing their subscriptions), ii) increasing acquisition of new customers, also through win back (winning back former Seat customers), and iii) increasing the upselling rate, hence increasing the ARPA (Average Revenue Per Account). Growth and retention of the customer base will also be pursued by enriching the product portfolio and continuously improving services offered by customer service.

The plan includes the development of about 15 Digital Agencies (iOL Agencies) by strengthening several DLSs in the Central and Northern Italian regions. The objective is to offer a personalised and complete digital marketing service to the medium-high segment of Italian SMEs. The Central-Northern Italy regions have a higher density of SMEs for which greater turnover growth is expected. The 2017 Cerved SME study forecasts 5% growth in 2018. The Digital Agencies will provide the creative agency service, the creation of SEO content and/or strategies, and the digital media planning and media buying services, up to consultancy for the digital transformation of the Group. The most innovative MarTech technologies and the consolidated experience Italiaonline has gained in the sector, plus a personalised and promity service, will be placed at the disposal of the customers.

Traditional Business

The strategic lines comprise initiatives aimed at accompanying the physiological downturn of the advertising sales businesses and their telephone directories designed to curb the reduction in operating margins and to convert revenues back into digital services.

Project to innovate the operating model

Italiaonline has launched a project to transform the operating model of the former SEAT Pagine Gialle grounded on three main principles: i) adoption of "state of the art" Information Technology platforms; ii) optimization and updating of the main group processes, and iii) the digital updating of the mix of the personnel's skills. This project is the result of a detailed analysis that concerned all the group processes. It was conducted in order to optimise the organizational and operational model, in line with the digital transformation goals listed above. This led to the reorganization of these processes according to three main policies: i) "streamlined" processes through automation, the simplification of several activity flows and the reduction of volumes to manage; ii) customer-oriented processes by redesigning the customer experience and adopting innovative instruments that are also based on artificial intelligence technologies; and iii) organizational synergies by centralizing several functions, and achieving scale economies and a closer proximity to the business.

The attainment of these goals will be facilitated by adopting the Salesforce platform replacing the current IT systems which are not only technologically obsolete, but implement processes created for the production of telephone lists and are not completely compatible with the new digital objectives that Italiaonline has set for itself. Therefore, using the Salesforce platform will regard automation of the sales processes, management of customer relations and automation of the production and customer care processes.

The innovation project of the operating model was also the subject of communication to the Trade Unions, as it provides - in addition to the unification of the headquarters on the Milan office - an employment impact, consequent to the simultaneous implementation of further organizational measures, for about 400 professional positions redundancies, which include the 301 positions (FTEs) that are currently in layoffs (of which 242 at zero hours and 295 at 20% reduction of hours). The Group has given full availability to the Trade Unions to discuss all necessary and possible actions to limit the impact on people.

Specifically, on March 6, 2018 a meeting was held with the trade unions also pursuant to art. 8, Part One of the CCNL for employees of Graphic and Publishing Companies, in which the company reorganization plan was announced. Subsequently, on March 20, 2018, the Business Plan 2018-2020 (the updated Plan) was illustrated in a meeting at the Ministry of Economic Development, which promoted a "technical meeting" between the Ministry, Institutions and the Company.

The plan to develop digital activities also contemplates the gradual and indispensable recruitment of 100 new professional positions having a high degree of digital specialisation not found in the Group. The open positions are published on the corporate website and particularly refer to university graduates in engineering, IT, mathematics and physics.
It is expected that implementing the operating model innovation project will bring a total savings of operating costs of €50 million accumulated over the period of the plan (2018-2020).
In addition to this, it will continue to develop the network of sales consultants for the SMEs based on over 60 digital agencies scattered throughout Italy

The Plan sets a **2018 - 2020 Revenue CAGR** of **4%** to **6%**. This figure does not consider growth initiatives by external routes that can be developed within the Plan in line with the Group's strategic growth lines.
With reference to the comparison with the previous version of the Plan, it is pointed out that the slower growth in revenue is linked to the considerable downward trend of the traditional business and to the time necessary for implementing the innovation project of the operating model described above, which are expected to lead to a more sustainable and longer lasting growth over the medium to long term.
The **EBITDA margin** is expected to rise during the entire period of the Plan, with a level expected in 2020 ranging between **23%** and **25%**, in line with the level forecast in the previous plan for 2019.
Capital expenditure (Capex) as a percentage of revenue is expected to fall in line with the previous Plan (about 6% in 2020) owing to the effects of the investment rationalization actions.
With reference to **generated cash flow**, EBITDA cash conversion is expected to fall between 55% and 60% throughout the period 2018 - 2020.

Outlook

In 2018 the management will be engaged in executing the updated 2018-2020 Business Plan (for more details, refer to the specific section "Updated 2017- 2020 Business Plan), approved on 15 March 2018. Specifically, in line with the strategy already pursued in 2017, in 2018, besides continuing to effectively work to improve operating margins through additional cost optimisation initiatives, Italiaonline will focus on a series of initiatives aimed at supporting top line growth and, in particular, revenue in the digital segment.

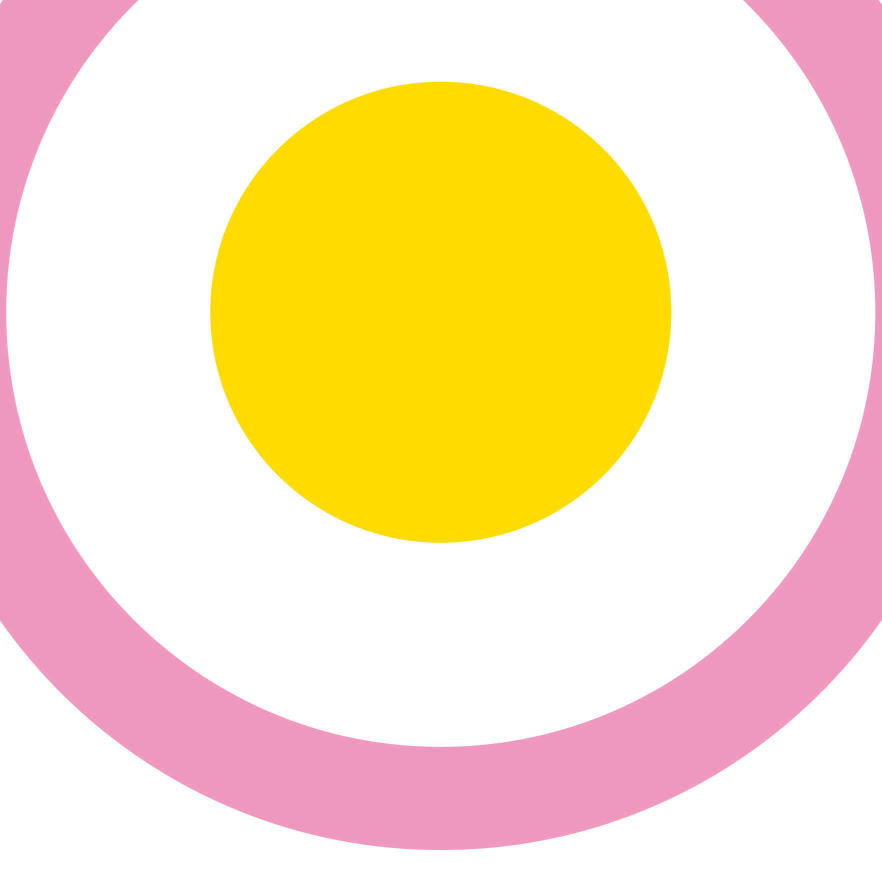
During 2018 the strategies of expansion and innovation of the portfolio of products and services to digitalise Italian companies will continue. In greater detail:

SME Media Agency Business Unit
The range of products will be expanded in 2018:
- the evolution and expansion of the IOL Audience area is set to continue. The Google Adwords offer will provide the possibility to structure the planning of customers' advertising campaigns also on the Google Display Network combined with remarketing. In the social media area, as a result of upgrading sales tools for agents, it will be possible to offer customers customised Facebook and Instagram communications plans. Furthermore, customers can also match each advertising campaign with its own landing page, which will be created by IOL, to guarantee greater conversion of visits into users;
- in the IOL Website area, following the approach taken in the second half of 2017, specific functions will be integrated for particular categories of customers, with the goal of increasing penetration in specific sectors. CRM solutions will also be expanded, with the goal of providing customers with support in managing relations with their customers, specifically using marketing automation tools and managing loyalty programs;
- lastly, in the Web Presence area, the range dedicated to customers operating in the B2B sector and interested in exporting will be revised, while IOL Connect will be extended to customers present in several locations, with a widespread presence throughout the country.

Large Accounts Business Unit
During the initial months of 2018 the following is planned:
- launch of new premium advertising, multimedia and interactive advertising formats on the home pages of the Libero and Virgilio portals and on the themed vertical portals;
- launch of new commercial offers linked to editorial specials on the themed vertical portals (for example, DiLei, SiViaggia and QuiFinanza) and to specific categories of goods (for example, luxury goods and e-commerce);
- full operation of a new mobile geo-profiled and hyperlocal advertising range (drive2store);
- expansion of direct marketing products (email and text messaging campaigns);
- restyling of the home pages of the Libero and Virgilio portals to increase the focus on video formats, trending content and the editorial specials of the themed vertical portals, which will be integrated with numerous tools to increase user engagement and loyalty;
- restyling of all the proprietary online directories (paginegialle.it, paginebianche.it, tuttocittà.it) and the launch of a new publishing magazine associated with paginegialle.it (Giallo Magazine) with a set of content aimed at developing traffic from search engines;
- adoption of video header bidding to sell planned advertising products.

For the financial year 2018 Italiaonline expects a stabilization of the top line compared to the financial year 2017 thanks to the progressive growth of digital revenue offsetting the decline in the traditional business. EBITDA 2018 is expected to increase by double-digit percentages compared to 2017. The impact of capital expenditure on revenue is expected to be less than 7%. Finally, cash and cash equivalents at the end of the year is expected to increase by double-digits compared to the amount at 31 December 2017 (excluding the impact of any extraordinary transactions).

Experience



Performance by Business Segment

(euro/million)		ITALIAN DIGITAL	OTHER	AGGREGATE TOTAL	ELIMINATIONS AND OTHER ADJUSTMENTS	CONSOLIDATED TOTAL
Revenue from sales and services	Year 2017	330.3	6.8	337.1	(1.2)	335.9
	Year 2016	373.0	14.7	387.7	1.8 (*)	389.5
GOP	Year 2017	81.1	(3.4)	77.7	0.2	77.9
	Year 2016	84.3	2.1	86.4	(0.7) (*)	85.7
EBITDA	Year 2017	69.3	(1.6)	67.7	-	67.7
	Year 2016	66.5	(1.2)	65.3	(1.4) (*)	63.9
EBIT	Year 2017	32.3	(4.6)	27.7	0.1	27.8
	Year 2016	12.3	(9.8)	2.5	(1.8) (*)	0.7
Total assets	December 31, 2017	611.2	5.7	616.9	(9.5)	607.4
	December 31, 2016	702.5	7.2	709.7	(9.1) (*)	700.6
Total liabilities	December 31, 2017	287.3	14.4	301.7	(9.9)	291.8
	December 31, 2016	328.5	13.8	342.3	(9.0) (*)	333.3
Net invested capital	December 31, 2017	242.9	(0.4)	242.5	0.1	242.6
	December 31, 2016	244.4	0.9	245.3	(0.1) (*)	245.2
Capital expenditure	Year 2017	24.2	2.2	26.4	(0.1)	26.3
	Year 2016	20.5	2.6	23.1	0.1 (*)	23.2
Average workforce	Year 2017	1,411	81	1,492	-	1,492
	Year 2016	1,662	67	1,729	65.0 (*)	1,794
Average number of sales agents	Year 2017	815	20	835	-	835
	Year 2016	1,044	28	1,072	-	1,072

(*) This include the figures of Europages Group sold on August 4, 2016.

DIGITAL ITALIA

Operating profit for 2017 was achieved in a scenario of moderate economic growth, and substantial stability in the advertising investments market:

- According to ISTAT, in the fourth quarter of 2017, gross domestic product (GDP) in Italy grew by 0.3% compared to the previous quarter and by 1.6% compared to the fourth quarter of 2016. The increase in GDP in Italy in 2017 is the highest in seven years, even if the country's GDP still remains below the pre-crisis values. The increase in GDP encapsulates the decrease in value-added in the agriculture segment and an increase in industry and services. On the demand side, there was a positive contribution from both the domestic component (gross of stocks) and the net foreign component. The change for 2018 amounted to +0.5%.
- According to Nielsen in 2017, the advertising market in Italy decreased by 2.1% (to €6,251 million) compared to 2016. In relation to the individual advertising channels, in the twelve months of the year, an increase was recorded by Internet (+1.7%), radio (+5.4%), GoTV (+12.3%), cinema (+2.4%) and transit (+4.9%); by contrast, a decrease was registered by outdoor (-11.2%), newspapers (-7.7%), magazines (-6.2%), direct mail (-5.2%) and TV (-1.6%). According to Nielsen "the closure of the year above zero is a good sign, especially owing to the highly positive performance in the autumn period. This can be viewed as a good omen for the first few months of 2018, which may definitely be able to close in positive territory thanks to the football world cup and also a global economic recovery, which Italy appears to be in good position to piggyback".

Product innovation

During 2017, Italiaonline focused on a number of initiatives with the aim of returning to "digital revenue growth". More specifically:

Large Accounts Business Unit:

In 2017, Italiaonline carried out:

- the launch of the new SuperEva, the portal of trendy and feel-good content, designed for a young audience (Millennials).
- the start of advertising in exclusive on important players of the Italian media sector:
  - Sportube (from February 2017), the first Italian web TV channel entirely devoted to sport. The agreement provides for the distribution of the video contents of Sportube on the national and local portals of Italiaonline and the advertising in exclusive by Italiaonline on the contents of Sportube.
  - Lettera43 (from May 2017), the online pure-digital daily, entirely free and independent. The partnership includes customized solutions and special projects;
- launch of IOL Advertising, the new national online advertising distributor, a genuine sales house able to place customers at the center of the action, starting from three key elements of the evolution of the market (audience, brand safety, technology innovation).
- the restyling of all thematic vertical channels (DiLei, SiViaggia, QuiFinanza, Virgilio Motori and Virgilio Sport), accompanied by a new range that includes a suite of new products aimed at promoting premium advertising;
- the purchase of the website Buonissimo.org, portal dedicated to the world of food online since 2000. Buonissimo completes the broad offering of theme-based portals of Italiaonline, covering one of the most strategic market sectors;
- the production of new editorial video formats and the strengthening of the video advertising range on all properties of the network Italiaonline, including third party;
- the launch of the new WebMail for Virgilio users, entirely responsive and with optimized browsing on all fixed and mobile devices and with a new series of widgets and functions, in particular a virtual drive integrated into the mailbox, on which users can save and share their files and attachments.
- the experimental launch of a new geo-profiled and hyperlocal mobile advertising range (drive2store);

- The launch of the new IOL Connect offering for Large Accounts, achieved in partnership with Uberall, a German company which owns a platform for digital presence management and the marketing of sales points for SMEs and large companies (store chain);
- the launch of strategic partnerships with important players in the Italian media sector: FattoreMamma (July) and 3bMeteo (September), which focused on the realization of synergies at the level of publishing product and exclusive advertising by Italiaonline. FattoreMamma is the first network of websites dedicated to the world of mothers, 3bMeteo is the second Italian weather website by numbers of users and downloads of mobile applications;
- the optimization of the Media Quality parameters of the advertising inventory (*viewability, brand safety, invalid traffic*) in collaboration with major players at global level (Integral Ad Science, MOAT) accredited at the Media Rating Council (MRC);
- the scale optimization and adoption of the new architecture/stack of programmatic display advertising, which envisages the adoption of the header bidding and exchange bidding (EBDA), techniques that integrate and create competition (real-time bidding) between different demand sources in order to optimize the conversion to cash of the advertising inventory.

SME Media Agency Business Unit:
The year 2017 was characterized by the enrichment of the product offering:
- with regard to the Web Presence segment, the platform IOL Connect was expanded with products devoted to large companies with presence throughout the country and, in the next few months, new tools will be launched to help customers monitor the results obtained and gather user suggestions. A new portal, PGCasa, was launched, devoted to the residential property sector and its professionals, which allows users to request estimates and to find useful information and contacts about the companies of the sector and in their towns; furthermore, the customer platform for product management (IOL4YOU) was reviewed, enriched by the addition of a dashboard which allows users to monitor the results obtained by the customer from the advertising;
- with reference to the Website and eCommerce segment, the offer was strengthened, introducing useful functionalities for high potential segments: e.g. Business Organizer, the tool that allows customers - mainly in the Health & Beauty and freelance professional sectors - to receive bookings and appointments online, share documents and send offers via email and sms;
- with reference to the Digital Marketing segment, the IOL Audience platform was expanded with the management of advertising campaigns on SKY AdSmart (new platform for TV ads, geo-localized through the SKY decoder), and with the relaunch of the performance-oriented FACEBOOK ADV and the opening on the SME channel of the sale of pre-roll videos with the sports content of Eleven Sports.

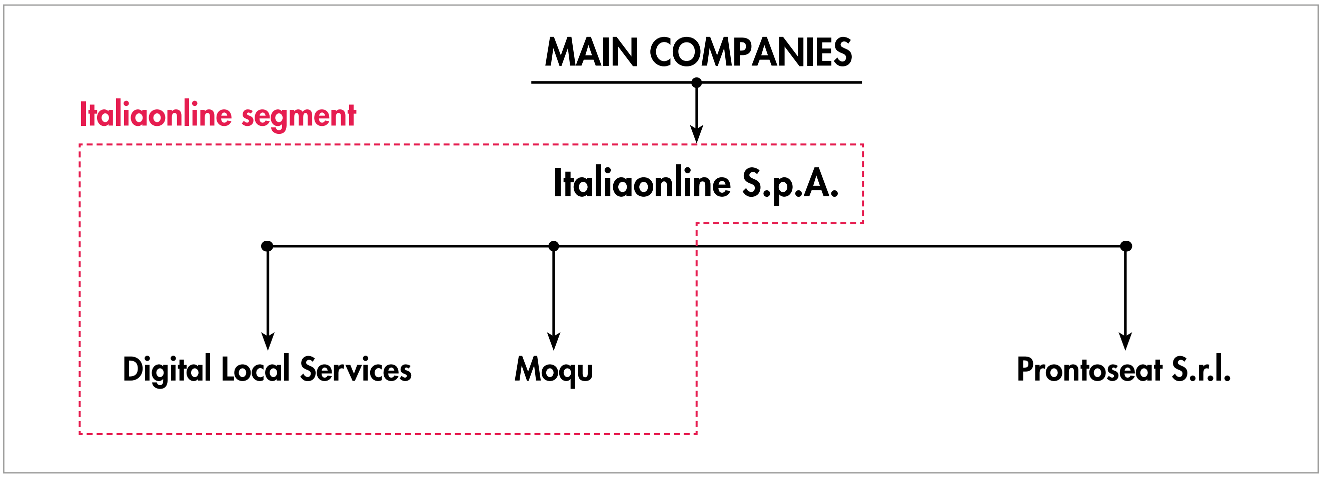
Development of new IT systems

The following projects were developed in the IT systems domain:
- **New DataCentre Supernap**: creation of the new infrastructure (server, storage, network) at the Supernap Data Centre of Siziano and migration of all web products and services of Italiaonline (such as Libero/Virgilio Mail and Portals, PagineGialle/PagineBianche/TuttoCittà); simultaneous phasing out of the server farms of Rozzano, Milan V.le Ortles and of the Private Cloud Joyent (farm in Milan V.le Ortles and Rome Tor Cervara).
- **Libero and Virgilio Mail – New Platform**: replacement of Libero/Virgilio mail platform, with the move to the Open-Xchange solution. Migration of mailboxes (around 14.5 million), reconstruction and insourcing of the Libero and Virgilio Web Mail, unification of the Libero/Virgilio authentication and membership system. Phasing out of the previous mail and authentication platforms.
- **IFRS 15**: following the publication by the International Accounting Standards Board (IASB) of new accounting standard IFRS15 "Revenue from Contracts with Customers", which comes into force on January 1, 2018, the supporting systems were adapted to comply with the accounting standard. The processes of the SalesForce application for the Digital National market were rationalized as part of this project.

- **IFRS 16**: new accounting standard IFRS16 (which will be mandatory for all listed companies from January 2019) is adopted early from January 2018. According to IFRS 16, lessees must show both the "right of use" of the asset in their statement of financial position, equal to the net present value of payments due, and the corresponding liability, hence the need to supplement the current purchasing cycle process to meet said requirements. The supporting systems were adapted to comply with the accounting standard.
- **Zendesk**: new Cloud-based Zendesk system for the management of customer tickets by the Customer Care department. Phase 1 of the project released with the management of tickets relating to the IOL Connect and IOL WebSite offer. Phase 2 in progress, whose objective is the management on Zendesk of all customer TICKETS, with the phasing out of the previous custom systems. Completion is expected in the first quarter of 2018
- **New integrated Payroll System**: the new cloud-based ADP (One Services) platform provided in "Software As A Service" mode offers an integrated Payroll system and has replaced all four previous systems in use for ex-SeatPG companies, former-IOL, Moqu Adv and "Digital Local Services" subsidiaries.
- **New Credit Collection System**: release on the RFS (Risk Free Solution) customer platform, of a new module for the integrated management of the Past Due Credits Collection of IOL Customers, through the application of collection strategies that involve Credit Collection Companies or Lawyers.
- **New unique Web Analytics systems**: the new system made it possible to replace the previous systems used by IOL and SeatPG
- **Evolution of Customer Offers:**
  - **'Facile' Contract – SME offer**: new contractual mode with automatic renewal (FACILE), whose guidelines are: the signing of a contract with automatic renewal, incentivized by an advantage for the customer (joining promo and price frozen for the first two years), the separation between the duration services line (Presence / Sites) and that of Audience or occasional services, sellable several times per year, the creation of a Caring system to support retention and upselling, scope of the target market (SMEs at large).
  - **PG Casa**: release of the PG Casa commercial offer, the portal specialized in services for the home (unique access point for requesting estimates, searching companies and professionals, guides and magazines and designed to generate contacts).
  - **IOL Audience**: Revision of the IOL Audience offer and new platform. Cutting edge platform, more relevant announcements with the IOL Taxonomy together with the classification provided by Matchcraft.
  - **New ADV On Facebook offer**: Release of the ADVOnFacebook platform and relative offer.

Structure of the Business Segment

The Digital Italia Business Segment is organized as follows:



It is noted that:

- In the March 13-14, 2017 period, the shareholders of the 68 DLS active on the date (all wholly-owned by Italiaonline S.p.A.) appointed Andrea Fascetti and Gabriella Fabotti as members of the Board of Directors
- In the July 3 - August 3, 2017, the shareholders of the companies Digital Local Services Bologna 2 S.r.l., Digital Local Services Calabria 2 S.r.l., Digital Local Services Puglia 2 S.r.l., Digital Local Services Toscana 1 S.r.l. and Digital Local Services Roma 1 S.r.l. "DLS") resolved to assume the provisions of liquidation pursuant to art. 2484 of the Italian Civil Code, appointing Rossella Muià as liquidator.
- Effective from December 19, 2017, Couponing Italia S.r.l. in liquidation (formerly Glamoo s.r.l.) was struck off the Companies' Register pursuant to art. 2495 of the Italian Civil Code as a result of the voluntary liquidation;
- On January 22, 2018, Moqu ADV Ireland DAC, a company wholly-owned by Moqu Italia S.r.l., was definitively liquidated and struck off the Companies' Register at the Chamber of Commerce of Dublin.

Financial highlights

The table below shows the main results of the Digital Italia Business Segment for 2017 compared with those from the previous year.

	YEAR 2017	YEAR 2016	CHANGE	
(euro/million)			ABSOLUTE	%
Revenue from sales and services	330.3	373.0	(42.7)	(11.4)
GOP	81.1	84.3	(3.2)	(3.8)
EBITDA	69.3	66.5	2.8	4.2
EBIT	32.3	12.3	20.0	n.s.
Capital expenditure	24.2	20.5	3.7	18.0
Average workforce	1,411.0	1,662.0	(251.0)	(15.1)
Net invested capital	242.9	244.4	(1.5)	(0.6)

ITALIAONLINE

The ITALIAONLINE segment includes Italiaonline S.p.A. data, 74 limited liability companies (11 of which in liquidation) 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 that manages the IOL Audience service, all-round advertising investment management and support platform designed especially for SMEs.
The table below shows the main results for 2017 compared with those of the previous year.

(euro/million)	YEAR 2017	YEAR 2016	CHANGE	
			ABSOLUTE	%
Revenue from sales and services	330.2	373.0	(42.8)	(11.5)
GOP	81.2	84.8	(3.6)	(4.2)
EBITDA	69.5	67.0	2.5	3.7
EBIT	32.6	12.8	19.8	n.s.
Capital expenditure	24.1	20.5	3.6	17.6
Average workforce	1,262	1,512	(250)	(16.5)
Net invested capital	240.1	243.8	(3.7)	(1.5)

Revenue generated by the ITALIAONLINE segment is divided into the following areas:

Digital Revenue, which includes:
- IOL Presence Revenue deriving mainly from *(i)* IOL Connect, the service that offers businesses maximum searchability and online presence on the most important search engines (Google and Bing), social networks (Facebook, Google Plus and Foursquare), directory and mobile apps (Aroundme, Cylex and iGlobalmappe), maps and navigators (Google Maps, TomTom and Wazedirectory) and on the proprietary network (Virgilio Città, Pagine Gialle, Pagine Bianche, Tuttocittà) and *(ii)* premium services such as management of Facebook pages, virtual tours on Google Street View and publication on the international platform Europages.
- IOL Website Revenue arising from the creation of professional business websites and the creation of online stores through the integration of e-commerce platforms.
- IOL Audience Revenue mainly relating to the management of advertising campaigns of businesses on Google, Facebook and on the entire display network of Italiaonline (including Libero, Virgilio, Pagine Gialle and Pagine Bianche and the Sky web channels).
- Custom revenue related to special projects and customized formats created on behalf of businesses.
- IOL Advertising revenue arising from advertising agency activities for the large account market, through the planning of advertising campaigns across the entire proprietary network (portals, mail, vertical), with an all-round offer (video, performance advertising, mobile and programmatic) and with ad hoc solutions (digital presence services, special projects).

Traditional Revenue, which includes:
- Print revenue, deriving 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.
- Voice revenue generated by directory assistance 89.24.24 Pronto PagineGialle® and 12.40 Pronto Pagine Bianche® services.
- Third-party product revenue deriving from the sale of advertising on third-party traditional media and from direct marketing and merchandising services.

Revenue from sales and services of the Italiaonline segment amounted to €330.2 million in 2017, down 11.5% compared to the same period in the previous year (the decrease reduces to 9.6% compared to 2016 on a pro-forma basis); however, it should be noted that turnover gradually improved over the four quarters of the year. In particular, in the fourth quarter, the fall in revenue slowed, reflecting the clear recovery in the digital segment.

More specifically:
a) Digital Revenue amounted to €228.2 million in 2017, a decrease of 5.0% compared to the previous year. It should be noted that the digital segment recorded a gradual improvement over the four quarters of the year, benefitting from the return to growth of revenue of IOL Audience, the Digital Advertising dedicated to SMEs and the only one in Italy, and the double-digit growth in revenue of the distributor IOL Advertising, sustained by the increase in the audience data of the properties of IOL, in addition to the launch, during the year, of the strategic partnerships geared towards creating synergies at publishing product level and exclusive advertising by Italiaonline. The total share of Digital Revenue in the year amounted to 69.1%.
b) Traditional Revenue amounted to €101.0 million in 2017, a decrease of 20.9% compared to the the previous year (decrease which fell to 18.3% compared to the 2016 *pro-forma*). The total share of Traditional Revenue in the year amounted to 30.6%.
c) Other Revenue from other products in 2017 amounted to €1.1 million, down by €0.4 million compared to the previous year.

The GOP stood at €81.2 million in 2017, down by €3.6 million compared to 2016, with the operating margin up from 22.7% to 24.6%.
The costs for materials and external services, net of the portion of costs charged to third parties, amounted to €181.4 million in 2017, a decrease of €20.7 million (10.2%) compared to 2016.
In particular, *industrial* costs amounted to €95.8 million, a decrease of €16.2 million compared to 2016 (-14.5%); this decrease is related not only to the trend in revenues but also structural efficiency initiatives. Savings, amounting to approximately €8.1 million, were recorded on costs for printing and distribution of Smartbook® directories due to the lower number of pages.
The fall in call volumes to directory enquiry services (89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE®), combined with the sale of the number 12.54, led to a 52.3% reduction in these costs (down €2.3 million).
Commercial costs, equal to €57.2 million, are down €1.7 million compared to 2016; this reduction reflects the trend in revenue.
Overheads amounted to €28.4 million, down 8.8% (€-2.7 million) compared to 2016, with widespread savings on the majority of items thanks to constant attention on greater efficiency. Overheads include advertising expenses which rose €1.0 million compared to 2016.
Personnel expense, net of costs recovered for personnel seconded to other Group companies, totaled €67.5 million in 2017, down €18.5 million (-21.5%) on 2016; the variation is due to the reorganization initiatives implemented at the Parent in particular. The average workforce, which identifies the work force in proportion to the actual time of active service, amounted to 1,262 employees in 2017 compared to 1,512 employees in 2016, a decrease of 250 due to the reorganization initiatives implemented in particular in the Parent.

EBITDA stood at €69.5 million in 2017, an increase of €2.5 million compared to 2016 (+3.7%) which translated to 21.0% of revenue (18.0% in 2016).
EBIT, positive at €32.6 million in 2017, is up €19.8 million and includes operating and non-operating amortization, depreciation and impairment losses of €35.4 million and net non-recurring and restructuring costs of €1.5 million.
Capital expenditure totaled €24.1 million in 2017 and relates mainly to: *i)* configuration and deployment of the portion of Datacenter Supernap Italia dedicated to host the IT services of the company; *ii)* purchase of three-year license for the email system Open X-Change; *iii)* building and system upgrade for the offices in Florence, Pisa and Assago; *iv)* user license for the software platform "AdVantage Platform" (Matchcraft), for the use of application services for the implementation and management of marketing campaigns; iv) development of the IOL Audience platform for the integrated management of the Google ADwords, Google Display and Facebook Adv campaigns; *v)* development and micro-development web, publishing and commercial support.

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 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 establishing a European digital single market and fostering economic growth, the Commission promoted a series of measures including the revision of Directive 2002/58/EC, the so-called e-Privacy Directive. This revision will lead, probably in 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 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 February 1, 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). Italiaonline has therefore 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" (Legislative Decree No. 70 dated May 22, 2011, art. 6). 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.
In addition, by means of the stability law for 2017, starting from April 1, 2017, the legislator introduced the obligation for all call centres of registration in an appropriate section of the Register of Communication Operators (i.e.: ROC), as well as the obligation of prior disclosure of the place from which the operator is contacting the user, with the possibility for the latter to request and obtain the transfer of the call to another call center in the EU.

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 has 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 European Unions Court of Justice invalidated the old "**Safe Harbor**" scheme.
On October 27, 2016, the Italian Privacy Authority issued the Authorization to transfer data abroad through the agreement called "EU-US Privacy Shield" (published in Official Gazette No. 273 of November 22, 2016). The authorization puts an end to 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 dated July 12, 2016, No. 1250 for the transfer of personal data to the US.

3. Electronic signature services

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 has 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 him/her.

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 April 9, 2003. This regulation introduced powers of intervention held by AGCOM in 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 Parent'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 Parent released adequate information to the market.

OTHER ACTIVITIES

Structure of the Business Segment

The residual Business Segment comprises all the activities of the investee Consodata, whose financial figures, as a result of the Parent's decision not to divest, are no longer classified under "Non-current assets and Liabilities held for sale".

It is noted that:
- in July 2017, after several meetings in May and June, an agreement was reached between Consodata and the trade unions regarding the collective transfer of staff from Rome to Assago, with the aim of developing business synergies, processes and facilitating business development.
- on January 30, 2018, the Board of Directors of Consodata S.p.A. appointed Francesca Reich as company Chief Executive Officer.

Financial highlights

The table below shows the main results for 2017 compared with those of the previous year.

(euro/million)	YEAR 2017	YEAR 2016	CHANGE ABSOLUTE	CHANGE %
Revenue from sales and services	6.8	14.7	(7.9)	(53.7)
GOP	(3.4)	2.1	(5.5)	n.s.
EBITDA	(1.6)	(1.2)	(0.4)	(33.3)
EBIT	(4.6)	(9.8)	5.2	53.1
Capital expenditure	2.2	2.6	(0.4)	(15.4)
Average workforce	81	67	14.0	20.9
Net invested capital	(0.4)	0.9	(1.3)	n.s.

The reduction in revenue is due to the strategic refocusing of Consodata's business, destined to be sold at the end of 2016 and subsequently included again in the group's development projects.

Other information

HUMAN RESOURCES

Italiaonline Group

	AT 12.31.2017	AT 12.31.2016	CHANGE
Senior Managers	102	116	(14)
Managers	220	242	(22)
White collars	1,274	1,437	(163)
Call operators	225	202	23
Employees	**1,821**	**1,997**	**(176)**
of which government-sponsored lay-off scheme	*242*	*316*	*(74)*
Directors, co-ordinated and ongoing consultants, and interns	9	11	(2)
Total workforce at the end of the year	**1,830**	**2,008**	**(178)**

(*) 2016 data include the year-end workforce of Consodata S.p.A., these were classified as non-current assets held for sale at December 31.

	YEAR 2017	YEAR 2016	CHANGE
Senior managers	110	128	(18)
Managers	193	226	(33)
White collars	1,057	1,302	(245)
Call operators	123	124	(1)
Employees	**1,483**	**1,780**	**(297)**
Directors, co-ordinated and ongoing consultants, and interns	9	14	(5)
Average workforce for the year	**1,492**	**1,794**	**(302)**

The Italiaonline Group had a workforce of 1,830 people at December 31, 2017 *(of which 242 in a government-sponsored lay-off scheme-CIGS zero hours*), down by 178 people with respect to December 31, 2016, when it was equal to 2,008 units (of which 316 in a government-sponsored lay-off scheme), as a result of reorganization initiatives implemented, especially at the Parent and the subsidiaries.
In 2017, the Italiaonline Group had an average active workforce of 1,492 units, down by 302 units from 2016, when it was equal to 1,794 units.

ITALIAONLINE SEGMENT
(Italiaonline S.p.A, Digital Local Services, Moqu)

	AT 12.31.2017	AT 12.31.2016	CHANGE
Senior Managers	100	114	(14)
Managers	208	222	(14)
White collars	1,204	1,335	(131)
Employees	**1,512**	**1,671**	**(159)**
of which use Wage Guarantee Fund (CIGS zero houres)	*242*	*305*	*(63)*
Directors, co-ordinated and ongoing consultants, and interns	9	10	(1)
Total workforce at the end of the year	**1,521**	**1,681**	**(160)**

	YEAR 2017	YEAR 2016	CHANGE
Senior managers	107	125	(18)
Managers	174	203	(29)
White collars	972	1,173	(201)
Employees	**1,253**	**1,501**	**(248)**
Directors, co-ordinated and ongoing consultants, and interns	9	11	(2)
Average workforce for the year	**1,262**	**1,512**	**(250)**

The Italiaonline segment had a workforce of 1,521 units as at December 31, 2017 (*of which 242 in a government-sponsored lay-off scheme*), down by 160 from December 31, 2016, when it was equal to 1,681 units (*of which 305 in a government-sponsored lay-off scheme*), as a result of reorganization initiatives that concerned the Parent in particular.
In 2017, the Italiaonline segment had an average active workforce of 1,262 units, down by 250 units from 2016, when it was equal to 1,512 units.

Organizational Development

The new top-level organizational structure was implemented in January 2017.
In the second half of 2017, the organization of the SME Media Agency Business Unit was redefined, with a special focus on the sales structure, which was restructured into 4 Area Sales (North West, North East, Center and Center-South).
The Information Technology department was set up in December 2017, assigned to Gianluca Pancaccini, reporting directly to the Chief Executive Officer.

Industrial relations

In 2017, industrial relations focused on the issues covered in the agreement signed on December 14, 2016, at the Ministry for the Economic Development and the Ministry of Labour, concerning the reorganization program, which makes use of the government-sponsored lay-off scheme [Cassa Integrazione Guadagni Straordinaria].
The annual meeting with the trade unions to discuss the performance of the Company took place in April, in the presence of the Chief Executive Officer, while a meeting was held with the trade unions in November in which the Company made a presentation on the progress of the above agreement.
In 2017, union agreements were signed by the subsidiaries Prontoseat and Consodata.
Prontoseat reached an agreement with the unions in June 2017 with the aim of increasing productivity and rationalizing structural costs. The first four-monthly verification meeting with the RSU (unitary trade union delegations) took place in October regarding the application of the agreement.
Consodata reached an agreement with the Unions in July 2017 regarding the collective transfer of staff from Rome to Assago, aimed at developing business synergies and rationalizing processes; union relations mainly concerned the management of the above agreement in the second half of 2017.
As indicated in the previous paragraph "Main subsequent events", on March 6, 2018 a meeting took place with the Trade Unions also pursuant to art. 8, Part One of the CCNL for employees of Graphic and Publishing Companies, in which the company reorganization plan was announced.

Recruitment

The recruitment activity in 2017 was characterized by the renewal of the first line and second line. The following were hired:
- Finance, Administration and Control – *Gabriella Fabotti*;
- Large Account Business Unit – *Andrea Chiapponi*;
- Marketing SME – *Mario Perini*;
- SME Media Agency Business Unit – *Ivan Ranza*;
- Legal and Corporate Affairs – *Fabrizio Manzi*;
- Sales House Large Accounts – *Massimo Crotti*;
- Investor Relations and M&A – *Chiara Locati*;
- Go to Market & Sales Effectiveness SME – *Michelangelo Tursi*;
- Information Technology – *Gianluca Pancaccini*.

Recruitment activity also focused on the search and recruitment of some "digital native" profiles, which have led to the hiring of a new staff with technical-digital skills, mainly in the Product Development and Innovation and Large Account Departments.
With regard to sales, the activity of search and recruitment of sales profiles has continued, leading to the hiring of approximately 170 new exclusive agents and sales agents in 2017.

Corporate training and sales networks

Italiaonline Academy provided training during the year addressed to Corporate Employees, for a total of almost 38,000 hours and more than 1,800 attendances.
The training focused on the themes of leadership and on technical-specialist content:
- Development of managerial skills targeted at Business Trainers and Media Consultants in the SME Sales Department;
- Personal and Team Coaching for key roles in the Large Account Sales Department;
- Training and education on technological platforms: Salesforce, Tableau, Zendesk;
- Cyber Security Prevention & Investigation, targeted at System Administrators and Software Developers.

In compliance with the law on the protection of workers, worker safety courses started up again in the second half of the year (supervisors, RLS - workers' safety representative -, fire prevention, first aid) at all group offices. Corporate Employee training also supported, throughout the entire year, the professional retraining of personnel under government-sponsored lay-off scheme ("Cigs a zero ore"), through courses focusing on soft skills, sales techniques and technological skills. In particular, a structured process was introduced (48 hours, over 6 days) on digital strategy matters, targeted at more specific retraining on the themes of group interest. Financing with Fondimpresa was approved in July for professional retraining.
As regards training devoted to sales employees and the Sales Force, the Italiaonline Academy provided training for a total of around 24,000 hours and more than 3,700 attendances.
In particular, training was focused on the specific content of the constantly evolving sales offer and on sales techniques, including over the phone.
All induction courses dedicated to both new Agents and Media Consultants also continued during the year, and courses targeted at improving public speaking skills were provided.
A new technological learning management system platform (Docebo) was adopted in December 2017, in order to launch intense distance training in e-learning mode.

Property & Facilities Management

In 2017, the Property & Facility department ensured continuous monitoring of relations with all services related to building maintenance and cleaning, mail service, logistics and company cars.
The Prevention and Protection Function guaranteed continuity in the management of issues related to health and safety in the workplace, within its area of competence.
As a result of an in-depth process of analysis, the BS OHSAS (Occupational Health and Safety Assessment Series) 18011:2007 certificate was obtained in December 2017.
The obligations with regard to environmental protection pursuant to Legislative Decree 152/06 were also met.
In Assago, the new offices in building U7, next to building U4, were completed.
Expansion works at the Cascina site were also completed in February 2017.
In June, the Italiaonline offices in Rome were consolidated.
In addition, the new office in Florence was made available in July 2017. In the reporting period, the Parent completed the closure of some offices, as part of the process of consolidation of the DLS started in 2016.

Other activities

In 2017, Italiaonline started several awareness-raising and charity initiatives involving the employees, initiatives that have contributed to support the activity of several non-profit organizations and associations. These initiatives are described in more detail in the section "Corporate Social Responsibility: a calling for Italiaonline."
The Company has also signed several agreements, both at national and local level and online, for its employees, allowing them to buy products and services which impact a broad range of aspects of family life, under favorable conditions (e.g. dentist, gym, car repairs, tickets for shows and concerts, travel, restaurants, shopping etc.). The group intranet hosts a community section dedicated to "Discounts and agreements", constantly updated with new agreements and the renewal of existing ones.
Italiaonline also provided all non-executive employees - and any entitled taxpaying relatives - with a supplementary healthcare policy if so desired, which guarantees supplementary cover at authorized facilities, by paying an annual membership fee.
In April, Italiaonline offered all running aficionado employees, at all its Italian branches, the opportunity to take part in the Milan Marathon, providing a free runner kit (number, T-shirt and shorts).

ADMINISTRATIVE, JUDICIAL AND ARBITRATION PROCEDURES

Administrative, judicial and arbitration procedures involving the Italiaonline Group

1) Dispute with the Italian Tax Authorities for failure to apply tax withholding

On December 24, 2014, Italionline S.p.A. received a tax assessment notice from the Italian Tax Authorities - Lombardy Regional Office (Agenzia delle Entrate - Direzione Regionale della Lombardia, hereinafter "DRE"), claiming that the Parent had failed to apply withholding taxes in 2009 on the interest paid to the Royal Bank of Scotland (Milan branch) for the "senior" loan granted. According to DRE, the Parent should have applied withholding tax on a portion of the interest paid to the Royal Bank of Scotland. DRE has calculated the omitted 2009 withholding tax to be €5.2 million; on top of this, it calculated approximately €1 million in interest. DRE did not apply penalties, given the objective uncertainty inherent in this issue; hence, the total amount requested was approximately €6.2 million. Said assessment notice has been partially cancelled, as a precaution, with a reduction of the amount being demanded to €3.0 million.
The Parent, supported by its tax advisers, has disputed the assessment notice: The appeal, aimed at obtaining the annulment, in its entirety, of the claim, was notified to the Tax Authorities on May 13, 2015 and filed, for appearing before the competent Provincial Tax Court on May 25, 2015. As set forth in the provisions on tax collection, on May 21, 2015, appearing before the Court, the Parent took steps to make a provisional payment, pending judgement, of one third of the required sum equal to €1.2 million. The appeal was discussed at the competent Provincial Tax Commission on November 3, 2015.
Following the judgement of the Milan Provincial Tax Court filed on December 1, 2015 (henceforth, "First instance ruling 2009"), the appeal against the assessment notice for the 2009 tax period was accepted and a first instance annulment was ordered. Following this ruling, the Company acquired the right to be reimbursed the amount paid while awaiting ruling, equal to €1.2 million; this amount was fully repaid (plus interest of €11,863) on July 7, 2016.
On June 7, 2016, the Parent received notification that DRE had prepared its appeal against the ruling of the Milan Provincial Tax Court, which had ordered the annulment of the tax assessment issued for the purpose of withholding taxes for the 2009 tax year. On August 2, 2016, the Parent proceeded to file its counterclaims and cross-appeal and the hearing was held on November 9, 2017. By means of the ruling filed on February 6, 2018, henceforth, "second instance ruling 2009" the regional tax commission overturned the part of the first-instance ruling which had declared the preliminary reason for the appeal to be groundless, regarding the violation of the principle of prior cross-examination, consequently annulling the notice. The judges then issued a ruling on the merit of the dispute formulated by the Tax Authorities confirming it to be groundless, as already detected in the first instance ruling.
On October 2, 2015, the Parent 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 Parent had failed to apply withholding tax on interest paid to the Royal Bank of Scotland as part of the "Senior" loan for an approximate total of €7.7 million, in addition to approximately €6.4 million in penalties for untrue withholding agent declarations, failure to apply withholding taxes, and €1 million euros in interest. In light of the above, the Parent asked its tax advisers to file an appeal against the charges related to the 2010, 2011 and 2012 tax years. In February 2016, the Parent appealed the tax assessment notices for the 2010, 2011 and 2012 tax years and took steps to carry out a provisional payment, pending ruling, of €2.9 million, corresponding to one third of the amount requested.
In light of the changed regulatory environment and taking into account the clarifications provided by the Tax Authorities in Circular No. 6/E of March 30, 2016, DRE, accepting the arguments put forward by the Parent, ordered the annulment of only charges for non-payment and acknowledged the invalidity of the claim for only penalties for untrue returns and omitted withholding of taxes for the 2011 and 2012 tax years.

Therefore, in the light of the above, the overall claim for the four years under review amounts to a total of approximately €12 million, plus interest.
The Milan Provincial Tax Commission, by means of a judgement filed on May 29, 2017 (henceforth, "First instance ruling 2010-2011-2012 first instance"), with a decision contrary to that taken by the Milan Provincial Tax Commission on the 2009 first instance ruling, confirmed the substantial validity of the 2010, 2011 and 2012 Assessment Notices. The Parent appealed this decision on December 19, 2017.
In addition, on June 30, 2017 DRE notified the Parent three payment statements relating to the 2010, 2011 and 2012 notices, by which, in compliance with the provisions regulating provisional payments pending ruling, it was required to provide to the payment of a total amount of tax and interest of about €3 million. These amounts were paid on August 4, 2017.
The Parent, supported by tax advisers, taking into account the arguments put forward in support of the correctness of its action, and of the favorable decisions set forth in the 2009 first instance ruling and the 2009 second degree ruling, believes that, despite the unfavorable decision in the 2010, 2011 and 2012 rulings, the risk of having to call on resources to cover the charges made by DRE in its assessment notices, is not likely but, at most, possible; therefore, pursuant to IAS 37, no allocation was made to the provision for risks and charges in this regard.

2) Dispute with the Italian Tax Authorities on the sale of the 12.54 business unit

On March 3, 2017, the Tax Authorities served the Parent a payment notice ("Notice") for higher stamp duty (€0.56 million), plus penalties equal to the higher tax and interest. With regard to this Notice, referred to the sale of the "1254" business unit, carried out with deed filed on July 5, 2016 and effective July 1, 2016, the Parent is jointly liable for this recovery action, with a right to act against the buyer for any tax assessed for which a final payment is made.
The Parent, supported by its legal advisers, has disputed the validity of said Notice before the Tax Court having jurisdiction, since a settlement by acceptance by both the Parent and the company that bought the business unit had not been reached; the buying company did the same.
On December 13, 2017, the Provincial Tax Commission of Milan upheld the request for the suspension of the notice in question and, simultaneously in said order, scheduled the discussion at a public hearing for April 18, 2018.

3) Request for compensation of damage

In a claim form dated July 30, 2014, Mr. Rocco Amabile and 32 other natural persons (the "Plaintiffs") - representing non-controlling interests in the Company - presented before the Court of Rome a civil action for damages against, among others, Seat Pagine Gialle S.p.A.. The Plaintiffs have asked to establish the liability of Seat, both contractually and extra contractually, for "the financial collapse of the Company and related degradation of the share and, consequently, to ascertain and declare the right of the Plaintiffs to be paid the amounts shown in the bank documents attached". The facts alleged by the Plaintiffs include a series of deals that involved the Company before the merger with Italiaonline; namely, the 2003 merger, the 2004 dividend distribution, the debt restructuring in 2012 and the request for the deed of arrangement in 2013.
Such substantive action was preceded by an action for seizure, pursuant to Art. 669-bis and 700 of the Italian Code of Civil Procedure, dated December 21, 2012, presented before the Court of Rome by seven natural persons 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 request for seizure because, among other things, "*the appeal does not identify with sufficient clarity what wrongs are 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, which took place in 2012*."
Seat Pagine Gialle S.p.A. (now Italiaonline S.p.A.) responded by rejecting all claims of the Plaintiffs based on a series of preliminary defenses (in particular, the Plaintiffs' lack of active legal capacity, lack of capacity to be made a defendant on the part of Seat, 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 Italian Code of Civil Procedure. The issuer insisted on the acceptance of various preliminary objections formulated as absorbent for the definition of the ruling.

After hearing the arguments, the judge granted time for preliminary pleading to Plaintiff pursuant to Article 183, paragraph 6, of the Italian Code of Civil Procedure.
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 incurred 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).
With ruling published on March 14, 2017, the Court rejected the requests of the Plaintiffs, also ordering them to refund the defendants the costs incurred for the proceedings and to refund general expense as required by the law.
By means of the lodgement of an appeal on July 28, 2017, the Plaintiffs subsequently challenged said ruling, requesting it to be overturned in full, before the Court of Appeal of Rome, solely with respect to Italiaonline S.p.A. and Consob, having acknowledged that they had reached an agreement to settle the dispute with The Royal Bank of Scotland.
By means of entry of appearance filed on January 8, 2018, Italiaonline started legal action by pleading the preliminary inadmissibility of the appeal both pursuant to art. 342 of the Code of Civil Procedure, because the requirements of the deed were not respected, and in accordance with art. 348-bis of the Code of Civil Procedure, as the appeal "has no reasonable likelihood of being upheld", and challenging the total groundlessness of the reasons for the appeal put forward by the counterparty and, in any case, its claims.
At the first hearing on January 9, 2018, the section Chair pointed out that the dispute, in his opinion, should not have been assigned to his section. By means of decree of February 14, 2018, the Court of Appeal, specialized company section - to which the file was reassigned - set the hearing for December 11, 2018.
The law firm assisting the Parent believes, at the current state of play, that the risk of being the losing party is remote, in consideration of the fact that the defensive legal arguments already presented at the first-instance proceedings (and on which the Court did not issue a ruling, having upheld the preliminary plea of limitation) are based on favorable positions adopted in case law and that there are arguments to support the groundlessness of the reasons for the appeal presented by the Plaintiffs as well as taking into account that the decision of the first-instance Judge - which rejected compensation claims as the statue of limitations had expired - was in favor of Italiaonline.

4) Savings Shareholders

Ruling against the resolution of the Shareholders' Meeting of April 23, 2015
On July 16, 2015, the special meeting of savings shareholders of the Parent resolved to authorize their common representative, Ms. Stella D'Atri, to take the necessary action to challenge - pursuant to Art. 2377 et seq. of the Italian Civil Code - the resolution passed at 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 favor of the savings shareholders is not compatible with the proposed settlement with creditors approved by the Court of Turin and, before that, with the resolution passed at the Extraordinary Shareholders' Meeting of Seat on March 4, 2014 and at the Meeting of Savings Shareholders of July 2, 2014, and is therefore untenable.
On July 17, 2015, the Issuer received a claim form 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 savings shareholders to receive the preferred dividend provided for in Art. 6, Par. 6 and 8, of the Articles of association and, therefore, requested the complete or partial annulment of the aforementioned resolution. The Issuer filed for an appearance by pleading the invalidity of the opposing questions, also noting that the resolution had been subject to prior approval by the same savings shareholders.
On May 18, 2016, the savings shareholders resolved, among other things, to delegate the Common Representative, Stella D'Atri, to submit a settlement proposal for the proceedings brought against the Parent, waiving the on-going lawsuit in exchange for a savings shares split, or other transactions with similar purpose.
At the hearing on May 24, 2017, acknowledging that the savings Shareholders had not agreed to the waiving of the on-going lawsuit nor to the proposal of mandatory conversion of savings shares into ordinary shares, the court adjourned the hearing to September 20, 2017, setting terms for the memoranda to be presented pursuant to Art. 183, Par. 6, Italian Code of Civil Procedure.

By means of a ruling dated December 22, 2017, the Court of Turin rejected the appeal submitted by the Common Representative of Saving Shareholders of Italiaonline S.p.A., Stella d'Atri, against the resolution of the Ordinary Shareholders' Meeting of April 23, 2015 for the part concerning the allocation of the profit of the year ended December 31, 2014 and ordered the plaintiff to pay the costs of the legal proceedings.
This ruling was appealed at the Court of Appeal of Turin by means of appeal notified on February 6, 2018. The date of the first hearing is set for June 20, 2018.

Ruling against the resolution of the Shareholders' Meeting of April 27, 2017
On July 25, 2017, a claim form was notified to the Parent with which the Common Representative of savings shareholders of Italiaonline S.p.A., Ms. Stella d'Atri, appealed before the Court of Milan, as per art. 2377 et seq. of the Italian Civil Code, the resolution on item 3 on the agenda of the ordinary Shareholders' Meeting of April 27, 2017, concerning the distribution of an extraordinary dividend of Euro 0.692 for each of the 114,768,028 outstanding shares of the Parent, as it is detrimental to the interests of the category represented. The hearing was put back from January 20 to June 26, 2018.
The Parent appeared before the court in contesting the groundlessness of the request, noting in particular that the resolution of April 27, 2017 was taken in compliance with the provisions of the by-laws.
The law firm that assists the Parent believes that at present the risk of accepting counterparty applications should not be considered probable but, at most.

5) Disbursement of Contribution to the Communications Authority ("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 Parent - with a ruling on May 22, 2012, ruling 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 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 authorization system the administrative charges required to cover the overall costs incurred for the management, control and enforcement of the general authorization system itself. Such charges may only cover costs related to these activities in a proportionate, objective and transparent manner and cannot 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 decision on the Fee outside the jurisdiction of the Lazio TAR and within the exclusive jurisdiction of the tax court. On the same date, AGCOM filed 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 (now Italiaonline S.p.A.), 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 ruling pending the appeal for determination of jurisdiction subject to the Supreme Court Appeal. As part of that ruling, the Parent filed a defense and a brief in accordance with law. At the hearing on July 19, 2016, date set by the Supreme Court of Cassation for the discussion on the jurisdiction dispute, the case was adjourned for ruling by the Court.
By ruling issued on October 3, 2016, the Supreme Court found that in this case the issue falls within the jurisdiction of 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 Art. 1, Par. 65 of Law No. 266, dated December 23, 2005), are assigned to the exclusive jurisdiction of the administrative court, under Art. 133(L) of Legislative Decree No. 209 of 2005.
The hearing (originally set for May 3, 2017) was held before the Lazio TAR (regional administrative court) on January 31, 2018, following which a decision on the case was not taken.
As part of the litigation, a litigation provision was recorded in previous years considered appropriate to cover the risk.

6) Former Italiaonline Disputes

With notification dated October 6, 2014, Uomini & Affari S.r.l. ("Uomini & Affari") summonsed the previous Italiaonline Company before the Milan Court requesting compensation for damage caused as a result of alleged breaches of contract in the period of the advertising concession contract between Italiaonline and Uomini & Affari, valid from January 1, 2010 to January 31, 2014; the amount involved exceeded €3 million. The agreement, for which Uomini & Affari alleged a plurality of breaches, 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 the affaritaliani.it site by Italiaonline.
With the appearance of a defense statement, the Parent rejected all the requests made by the opposing party, highlighting the lack of validity of claims. At the first hearing on September 23, 2015, the Judge granted the terms for filing the briefs provided for in Art. 183, Par. 6, Italian Code of Civil Procedure, and deferred the ruling until April 7, 2016. With a subsequent order on April 7, 2016, 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 (later postponed to September 15, 2017) for the examination of other witnesses. At the hearing and following the examination of the cited witnesses, the Judge reserved issuing the ruling on the other measures of inquiry.
The law firm assisting the Parent presently believes the opposing claims are dubious and therefore deems the risk of an unfavorable outcome possible.

CORPORATE GOVERNANCE

Introduction

The Company has adopted the current version of the Corporate Governance Code and has committed to carrying out all the activities necessary to fully implement the principles and provisions therein.
The Code is publicly accessible on Borsa Italiana's website, in the section dedicated to the Committee for Corporate Governance: 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, also for the purposes of art. 16, paragraph 4 of the Consob Markets Regulation, that it is not subject to the direction and coordination of 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 organizational or functional links nor economic relations of any kind, nor is there any centralization 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 Loza Yousriya Nassif.
Pursuant to Article 2497-bis of the Civil Code, the companies controlled directly by IOL 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.

Organizational structure

The Company has a traditional organizational structure, consisting of:
- the Shareholders;
- the Board of Directors; and
- the Board of Statutory Auditors

The legally required audit of the financial statements is entrusted to Independent Auditors.

Board of Directors

At their Meeting of October 8, 2015, the shareholders rsolved, 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 as at year ended December 31, 2017;
- the appointment of directors Messrs. Khaled Galal Guirguis Bishara, David Alan Eckert Antonio Converti, Maria Elena Cappello, Cristina Finocchi Mahne, Cristina Mollis, Onsi Naguib Sawiris, Corrado Sciolla and Sophie Sursock (all solely drawn from former Italiaonline S.p.A.), 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 Maria Elena Cappello, Cristina Finocchi Mahne, Cristina Mollis and Corrado Sciolla 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 no. 58/1998 and the Code.
In addition, the Board of Directors, also on October 8, 2015, appointed Antonio Converti as Chief Executive Officer 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 April 27, 2017, the Shareholders resolved, inter alia, to appoint Mr. Tarek Mohamed Mohayeldin Abdelaziz Aboualam – already coopted on February 14, 2017, to replace Mr. Khaled Bishara – as member of the Board of Directors. Tarek Aboualam was also confirmed in the role of Chairman of the Board of Directors.
For the sake of completeness, it should also be noted that, on March 15, 2018, the Board of Directors also conferred a mandate to the Chief Executive Officer to call the ordinary shareholders' meeting on April 27, 2018, on single call, to discuss and resolve, inter alia, on the approval of the financial statements as at for the year ended December 31, 2017, and the appointment of the Board of Directors and the Board of Statutory Auditors.
As regards the appointment of directors, it should be noted that it is governed by art. 14 of the Articles of Association, amended recently at the Extraordinary Shareholders' Meeting of the Company on June 12, 2012.
In particular, proposed amendment to art. 14 (Composition of the Board of Directors) of the Articles of Association stem from the need to adjust the regulation introduced by Law no. 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 1 of Legislative Decree 58/1998. In this regard, it should be further noted that on January 24, 2018, by Resolution no. 20273, 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 directors is deemed reduced to 2%. In order to prove ownership of the aforementioned rights, copies of ownership certificates issued by authorized intermediaries must be submitted to the Company´s registered office before the list publication deadline.
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 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 Ownership 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	-
David Alan Eckert	Chairman of the Board of Directors, Director and CEO of Yellow Pages Limited (Canada).
Sophie Sursock	-
Onsi Sawiris	-
Corrado Sciolla	-
Maria Elena Cappello	Member of the Board of Saipem. Member of the Board of Directors of Banca Monte dei Paschi di Siena. Member of the Board of Directors of Prysmian.
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 Ownership Structure, as well as in the Company website www.italiaonline.it in the Section dedicated to the Corporate 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 Chief Executive Officer. A Deputy chairman has also been appointed with Chief Executive Officer support functions in specific areas. Pursuant to the application criterion 2.C.1, only the Chief Executive Officer - 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 interest.
In 2017, there was no need for a lead independent director since the Chairman, also following the succession in office in February 2017 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 Chief Executive Officer, as well as the system of managerial powers, are outlined below.
The company Chairman has signing authority and is a legal representative in dealings with third parties and in judicial proceedings. The Chairman, who is not usually awarded managerial powers, is responsible for organizing the business of the Board and liaising between the executive director and the non-executive directors.

The Chief Executive Officer Antonio Converti, supervises the company's technical and administrative performance and ensures the execution of the resolutions passed 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 Chief Executive Officer has also been appointed as the director in charge of the Company's internal control and risk management system (described below).

To the Deputy Chairman of the Company, Mr David Alan Eckert, were attributed - without prejudice to the powers of the Chief Executive Officer and/or the Board of Directors and in addition to the powers provided for under the applicable legislation - support functions to the Chief Executive Officer 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, 2018 - 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.

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; and
• 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 organizational 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, are assigned to a single committee (the Appointments and Remuneration Committee), consisting of three members with appropriate relevant professional skills.
A Chair 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 Chairs 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 and 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 27, 2018 the Board resolved regarding the Remuneration Policy, as described in the referenced Remuneration Report to which reference should be made.
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 Chief Executive Officers; 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 Chief Executive Officer 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 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 (Chairwoman), 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 Chief Executive Officer 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 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:
1. discusses with the Manager in charge of financial reporting and, having taken the advice of the Independent auditors and the Board of Statutory Auditors, the correct application of accounting policies and, in the case of groups, their consistency for the purpose of preparing the consolidated financial statements;

[1] Please note that at their Annual General Meeting held on March 8, 2016, the shareholders 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 the current Board, i.e. until the Shareholders' meeting called to approve the financial statements ending December 31, 2017. The Board of Directors, which met at the end of the meeting, 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

2. expresses opinions on specific aspects concerning the identification of main corporate risks;
3. examines 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. monitors 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. reports 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. supports, with adequate investigations, the assessments and decisions of the Board of Directors relating to the management of risks arising from adverse events of which the Board of Directors has acquired knowledge.

The Committee, in the functions assigned to the same, is supported by the competent internal functions including, in particular, the function "Internal Audit & Compliance" department, as well as by external entities, whose professional skills may occasionally be required.
The Audit and Risk Committee (also as the Independent Directors Committee pursuant to the OPC Procedure) met 13 times throughout 2017, with meetings lasting on average around three hours, and three times from January 1, 2018 up to the date of approval of this Report.
During the meetings held in 2017, the Committee undertook, among other things, the following activities:

- it monitored the development of the organizational and operational model of the Internal Audit and Compliance Department;
- it examined and assessed the progress of the activities set out in the audit plan prepared by the Internal Audit and Compliance Department for 2017 and the results of the initiatives carried out;
- met with the Manager in charge of financial reporting, 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 December 31, 2016, the correct application of accounting policies and their consistency for the purpose of preparing consolidated financial statements;
- examined the "document on the organizational, 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 organizational, administrative and accounting structure of Seat pursuant to Article 1.C.1 of the Code;
- met with the representatives of the Independent Auditors to examine the issues dealt with during auditing;
- examined the methods used to carry out impairment tests, already examined by the Independent Auditors;
- 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;
- met with the Manager in charge of financial reporting, the highest levels of the Administration, Finance and Control Department, the Board of Statutory Auditors and the Independent auditors for the examination of the main features of the interim financial report at June 30, 2017 and the correct application of the accounting policies adopted;
- monitored a series of company projects, including (i) the project involving the redefinition of the processes, systems and responsibilities of sales and distribution with the purposes of reviewing the process of final reporting of revenue with a view to automating them, (ii) the internal project targeted at acknowledgement of the new accounting standards which are expected to enter into force in 2018, (iii) the internal process targeted at the drafting of the annual non-financial statement pursuant to Legislative Decree no. 254 of December 30, 2016;
- examined the results of the process of review of the company's Related Party Procedure, expressing a favorable opinion on the adoption of the amendments to the same;
- examined the progress of the process regarding the introduction of the non-financial statement introduced by Legislative Decree no. 254/2016;
- issued its judgments with reference to the potentially relevant transactions pursuant to the applicable procedure of the Company regarding Related Party Transactions.

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 Body, External Auditor, Manager in charge of financial reporting 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.

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:
- defines the guidelines of the internal audit and risk management system;
- pursuant to Art. 7.C.1, point b) of the Code, assesses 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: in 2017, this assessment was carried out after the examination conducted by the Board on the adequacy of both the Company corporate governance system and the structure of the group as well as the organizational, administrative and accounting structure of the company, without prejudice to the actions recommended by the Audit and Risk Committee;
- 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;
- assesses, in consultation with the Board of Statutory Auditors, the results set forth by the Independent Auditors in their management letter and in the report on the fundamental issues arising from the audit.
- approves 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, note that the Board annually reviews the results of the ERM process ("Enterprise Risk Management", which will be discussed later in paragraphs 2.4.1 and 2.4.2) 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.

Director responsible for the internal control and risk management system

In accordance with Art. 7.C.4. of the Code, on October 8, 2015, the Chief Executive Officer 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;
- adapting the system to changing operating, legal and regulatory conditions;
- requesting the Internal Audit and Compliance 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.

Head of the Internal Audit and 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 organization 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, having acknowledged the favorable opinion expressed by the Audit and Risk Committee and the Board of Statutory Auditors, resolved: (i) to appoint Angelo Jannone as the new Head of Internal Audit Department; (ii) acknowledged that the head of the Internal Audit Department thus appointed is not responsible for any operational area and hierarchically reports to the Board of Directors; (iii) ensured that the Head of the Internal Audit Department function is adequately resourced to carry out his responsibilities; (iv) authorized the Head of the Internal Audit Department for the tasks described in Article 7.C.5 of the Code.
Effective from January 1, 2017, in line with new standard 1112, issued by the Institute of Internal Auditors, the company saw fit to: *i)* 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 savings protection and compliance pursuant to Legislative Decree 196/03, in the field of Privacy, to the same Internal Audit Department, renamed the Internal Audit and Compliance Department; *ii)* entrust to said Department the management and coordination of the "Erm" process to support audit activity; these solutions, in addition to making the system of controls efficient, (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 standard of the Internal Profession Audit, issued by the International Internal Audit Institute, which provides for the possibility of entrusting additional roles of the department manager; 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 Chairpersons 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 Department 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 program of defined interventions (Audit Plan) with risk-based methodologies as approved by the Audit and Risk Committee. The work program primarily includes activities arising from the Risk Self-assessment process according to the ERM methodology, verifications of specific processes, verifications launched following reports from management and employees, activities 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, and monitoring the effective implementation of recommendations made during previous initiatives (follow-up).
In the course of 2017 the Head of the Internal Audit and Compliance Department undertook the following:
- conducted the planned checks in the program of activities for the year;
- periodically reported to the Director in charge of the internal control and risk system on the outcome of the actions taken;
- promptly reported 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;
- attended all meetings of the Control and Risk Committee, illustrating the outcome of the implemented interventions.

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.
ERM is a risk self-assessment process implemented by management, with the support of the Audit & Compliance Department, 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 organizational strategies;
- provide reasonable confidence that the processes and major controls drawn up are effective and optimized 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. Consistently with the international best practices, and in particular, the CO.S.O Model[1], a review of the risk portfolio was conducted in 2017, with the application of an integrated classification approach that

[1] Acronym of the Committee of Sponsoring Organizations of the Treadway Commission, is a standard created in 1984, with the latest version reviewed in May 2013 and constitutes a set of internationally recognized Best Practices, used to manage Internal Controls and Corporate Governance.

reclassifies the risk events in one or more macro risk categories (strategic, operational, reporting, compliance, sustainability) and adding the risk of non-reliability of non-financial data and information to the risk classification parameters (according to Legislative Decree no. 254/2016) as well as the risk of fraud. The annual process, coordinated by the Internal Audit and Compliance 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 (inherent and potential) and the effectiveness of the existing control system, assigns a residual rating score to each risk. On an annual basis, the results are brought to the attention of the Director in charge of the internal control system, the Audit and Risk Committee, the Board of Statutory Auditors and the Board of Directors.
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, as well as the additional second level responsibilities, entrusted to the Audit & Compliance Department, it saw fit: i) to entrust the management control, in line with the solutions applied by the majority of listed companies, to the Administration, finance and Control Department, to best support the activities of the Manager in charge of financial reporting with second level controls; iv) to also entrust (effective from July 2017) to said Audit & Compliance Department, the Information Security Audit Department (previously incorporated in the Information Technology Department under the name of IT Security);
- 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.

In particular, with regard to financial and reporting risks identified during the ERM process, the Company, availing itself of the support of the Audit & Compliance Department, carries out specific checks to ensure the credibility, accuracy, reliability and timeliness of financial disclosure and support the Manager in charge of financial reporting with the certifications required by art. 154-bis paragraph 5. These testing activities make provision for:

- 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 organizational, 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 intra-group transactions, since these companies are not characterized 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 officers responsible for the process and the first control level manager;

- execution 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.

The findings and any improvements identified are submitted to the same Manager in charge of financial reporting, the Audit and Risk Committee and the Board of Statutory Auditors.
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 - 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 review of corporate documentation pertaining to the provisions of Legislative Decree 231/2001 following the Seat/IOL Merger and the adoption of a whistleblowing system, see below.

Organizational, management and control model pursuant to Legislative Decree 231/2001- Supervisory Body

It should be noted that, on December 16, 2016, Italiaonline's Board of Directors approved the new 'Group Code of Ethics' and the new "Group Guidelines for the implementation of the Organizational, 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 behavioral 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 Organizational Model, have been prepared according to the scheme of the Decree itself and taking into account the guidelines of Confindustria 2014, prevailing positions adopted in case law and the (academic) literature, but also anticipating new approaches to disclosure mechanisms such as the section dedicated to the protection of reporting entities (the so-called whistleblowing system) in line with the indications of the Corporate Governance Code for listed companies and the evolution of the law.
In order to assist the Supervisory Body 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 problems addressed.
Subsequently, in 2017, the company drafted the "new" Special Parts of the Organizational Model pursuant to Legislative Decree 231/2001 following the necessary assessment activities. These Special Parts, prepared for individual groups of offence, define behavioral norms, rules and provisions (control activities) targeted at effective prevention actions and monitoring of conduct that, in sensitive processes and company activities, may generate direct or indirect risks with respect to "231" offences.
A special section dedicated to this subject is available on the Company's website at www.italiaonline.it.

On May 11, 2017, the Board of Directors of the Company appointed, pursuant to Legislative Decree No. 231/2001, the following members of the Supervisory Body (hereinafter also "SB"), setting the term of their office to 2 years: Giancarlo Russo Corvace (Chairman), Angelo Jannone (Head of Internal Audit and Compliance of the Company) and Giuseppe Vaciago.
The above composition of the Supervisory Body and professional skills of their members is consistent with the indications of the Report accompanying Legislative Decree 231/2001, with the prevailing guidelines, the necessary requirements of autonomy, independence, professionalism and continuity of action.
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 Body.
The Supervisory Body is responsible for the following activities:

- monitoring the effectiveness of the organizational, management and control Model to ensure that conduct within the Company complies with it;
- monitoring the effectiveness of the controls required by the Model with respect to the objective of preventing offences;
- updating the Model by promoting appropriate modifications following environmental and/or organizational changes;

For the purpose of conducting the activities listed above, the Supervisory Body avails itself of the assistance of the Internal Audit & Compliance Department.
When carrying out its duties, the Supervisory Body 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 Body or upon the occurrence of events or circumstances that are significant for the purposes of the activities of the Supervisory Body.
The Supervisory Body met four times in 2017 and once since January 1, 2018 to the date of this report.
In 2017, the Supervisory Body:

- evaluated and examined the documentation updating activities pursuant to Legislative Decree 231/2001, which concluded with the preparation of the Special Parts of the 231 Organizational Model, presented to the company's Board of Directors for approval at the meeting held on February 20, 2018;
- continued the ordinary supervision activities pursuant to Legislative Decree 231/2001;
- evaluated the implementation of the whistleblowing system, pursuant to the paragraph below.

<u>The whistleblowing system</u>
In compliance with the comments on art. 7 of the Corporate Governance Code as well as Law no. 179 11/30/2017 - "Provisions for the protection of the authors of reports of offences or irregularities which come to the attention of an entity as part of a public or private employment relationship", which made significant changes, inter alia, to Legislative Decree 231/2001, the company possesses the appropriate platform, which can also be reached from outside. It should be noted that the main provisions were already provided for within Guidelines 231 approved by the company in December 2016.
Through this system, which allows an entity to be identified or remain anonymous, it is possible to report violations of the Code of Ethics or conduct particularly worthy of mention of which knowledge is gained.
The whistleblowing system represents, in particular, an effective tool for the Supervisory Body, for which an immediate disclosure is provided, if facts are reported that have a direct impact for the purposes of Legislative Decree 231 (in any case, the Supervisory Body will, nonetheless, be informed of further reports, through periodic summary reporting).
The Supervisory Body, resolved - in line with the guideline issued in that regard also by the Board of Statutory Auditors - that the management of the technical platform of the whistleblowing system, entrusted to the Internal Audit & Compliance Department (which ensures its independence), may be subject to periodic auditing, including independent, by said Body and the Board of Statutory Auditors.

Independent Auditors

At their ordinary meeting of May 12, 2016, the shareholders resolved to appoint KPMG S.p.A. to carry out the legally-required audit for the 2016-2024 period.

Manager in charge of financial reporting (as per Art. 154 bis TUF- Consolidated Finance Act)

At their extraordinary meeting on 19 April 2007, the shareholders, 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 Manager in charge of financial reporting and to determine their term of office. Such manager 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 organizational structure.
At the meeting held on January 12, 2017, after consulting the Board of Statutory Auditors, the Board of Directors, resolved to appoint Gabriella Fabotti - who had taken over since January 1, 2017 as person in charge of the Company's Finance, Administration and Control Department - as the Manager in charge of financial reporting. Her term of office is set to expire at the Shareholders´ Meeting called to approve the financial statements at December 31, 2017.
The Board also resolved that the Manager in charge of financial reporting (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 Manager in charge of financial reporting 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 Manager in charge of financial reporting 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, who also establishes their remuneration.
That said, it should be noted that:

- at their Meeting of April 23, 2015 the shareholders appointed as Standing Statutory Auditors, until the financial statements as at and 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 Massimo Parodi died on September 5, 2015; 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 24, 2018, by Resolution no. 20273, 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 control body is deemed reduced to 2%.
Lists must be submitted to the Company's registered office at least 25 days before the Shareholders' Meeting held to appoint the Board of Statutory Auditors. In order to prove ownership of the aforementioned rights, copies of ownership certificates issued by authorized 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 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 pass 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 no. 11971 of May 14, 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 Ownership Structure; this document provides information on the list presented upon renewal of the Corporate bodies.

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 shareholders by their asset manager GoldenTree Asset Management LP, who presented the list, as well as disclosing their overall percentage shareholding (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://www.italiaonline.it/assemblee-azionisti/assemblea-ordinaria-seat-pg-del-23-aprile-2015/

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://www.italiaonline.it/wp-content/uploads/2015/03/3132015comunicatolistaminoranzaITADEF.pdf

In conclusion, it should be noted that the Company, during the Shareholders' Meeting on April 23, 2015, through the press release accessible at http://www.italiaonline.it/wp-content/uploads/2015/04/23-04-2015ComunicatoSeatAssembleadegliazionisti_ITA.pdf informed the public of the appointment of Board of Directors and the Board of Statutory Auditors.

The Shareholders´ Meeting

As is well-known, the "Shareholders Rights" (Legislative Decree no. 27 of January 27, 2010 and subsequent amendments and additions) 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 shareholders' 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 at their Extraordinary Meeting of April 20, 2011, the shareholders 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]; for said reason, at their Extraordinary Meeting of April 20, 2011, the shareholders 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, at their Extraordinary Meeting of April 20, 2011, the shareholders 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 Municipality 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 at 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.
At their Extraordinary Meeting held on October 22, 2012, the shareholders 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 appoint 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.
The directors will make every effort to facilitate the maximum possible participation of shareholders at Shareholders' Meetings and the exercise of shareholders' rights. 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.C.3 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 Chairperson 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 Chairperson 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 Chairperson 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.

It should be noted that, on April 6, 2017, 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 and San Bernardino County Employees' Retirement Association, presented, pursuant to Art. 126-bis of Legislative Decree No. 58/1998, a request for the integration of the agenda of the Ordinary Shareholders' Meeting called for April 27, 2017, on single call. The shareholders asked that a new item be presented to the shareholders' meeting regarding the distribution of a portion of the distributable reserves resulting from the financial statements of Italiaonline S.p.A. as at and for the year ended December 31, 2016, through the payment to the shareholders of total extraordinary dividends of €79,419,475.38. The report on said additional item drafted by the requesting shareholders pursuant to art. 126-bis of TUF [Consolidated Finance Act], together with the report of the company's Board of Directors, was made available on April 10, 2017 at the end of the Board meeting which resolved, pursuant to art.126-bis of Legislative Decree 58/1998, to supplement the agenda of the shareholders' meeting.

Shareholders´ Meetings in 2017

The following Shareholders´ Meetings were held in 2017:

1) Ordinary and Extraordinary Shareholders' Meetings

At their Ordinary Meeting held on April 27, 2017the shareholders resolved:

- to approve the company's 2016 financial statements, whose draft had been approved by the Board of Directors on March 15, 2017 which closed with a profit of €28,210,588.26 and to allocate it (i) to the Legal Reserve for €81.93, to the distribution of a unitary dividend to the savings shareholders of €90.00 (as aggregate of the preferred dividends for years 2014, 2015 and 2016) to each outstanding savings share, for a total amount of €612,270.00 and to carry forward the residual profit of €27,598,236.33;
- to approve the distribution of an extraordinary dividend equal to €0.692, gross of withholding taxes, for each of the 114,768,028 outstanding shares of the Company, for a total amount equal to €79,419,475.38, in compliance with the proposal formulated 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. and San Bernardino County Employees' Retirement Association. The dividend was made available for payment from May 10, 2017, against presentation of coupon No. 1, both for ordinary shares and for savings shares, ex-dividend date set to May 8, 2017 and record date, pursuant to Art. 83-terdecies of Legislative Decree No. 58, dated February 24, 1998, set to May 9, 2017;
- 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 called to approve the financial statements at December 31, 2017;
- to approve Section I of the Remuneration Report pursuant to Article 123-ter of Legislative Decree nr. 58 of February 24, 1998.

2) Meeting of the Savings Shareholders

a) At their special Meeting held on April 27, 2017, Savings Shareholders of the Company resolved:
- to assign a mandate to their Common Representative of savings shareholders to contact the Company to assess a proposal for a savings shares split;
- to assign a mandate to their Common Representative of savings shareholders to conduct an in-depth study, also by making use of consultants, of the impact on savings shares of the distribution of extraordinary dividends - resolved on the same date at the Ordinary Shareholders' Meeting referred to above - as well as to assess the necessary actions to be taken to protect this share category.

b) At their special Meeting held on May 16, 2017, Savings Shareholders, in continuation of the meeting called on April 27, 2017, then resolved not to approve:
- the proposal to withdraw from the proceedings before the Court of Turin to contest the resolution of the Ordinary Shareholders' Meeting of April 23, 2015 for the part concerning the allocation of the profit of the year ended December 31, 2014;
- the settlement proposal concerning said proceedings and the conversion of savings shares into ordinary shares according to terms reviewed before the Court of Turin.

Shareholder relations

The Board of Directors will take the necessary steps to provide prompt and easy access to information concerning the company and of particular significance for shareholders, to allow them to exercise their rights in a fully informed manner.
Dedicated departments look after relations with the national and international financial communities (Investor Relations) and with shareholders (Corporate and Regulatory Affairs).
To promote dialogue with all players in the financial market, the Company has made available on its website, in 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, interim 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

For Italiaonline, the largest Italian Internet Company, the respect and the attention paid to all stakeholders and to the ecosystem in which it operates also incorporate the implementation of good environmental practices at Company level, which minimize the impact on all areas in which it operates, supporting a responsible business culture and equal opportunities: from the reduction of the paper printing of emails, drafts, presentations and internal communications; the collection and recycling of waste, printer toner cartridges, and paper (as part of the Cartesio Project); the implementation of good practices with regard to energy resources, which involve not only the conduct of the employees, but also, for example, the choice of equipment and energy providers, for a responsible safeguarding of health, safety and eco-friendliness in the Company.
For paper publishing products, the Company only works with suppliers and printers that observe the strictest qualitative and environmental certification standards and that use 100% recycled paper that is Ecolabel Blue Angel certified, a procedure owned and guaranteed by the German Ministry of Environment and verified by RAL gGmbH: this certification is conferred on the basis of the criteria developed by the Federal Environmental Agency and the Independent Environmental Label Jury and reviewed every three-four years to ensure that the organizations are constantly improving and are always at the leading edge.
Regarding the control of the overall raw material requirements, the Italian PagineGialle and PagineBianche have played a leading role in Europe in the use of lightweight paper for directories: since 1995, these have been printed on 34 gr/sq.m. paper.
In addition, with regard to the phone directories, the Company has been carrying out for a while a parallel process of dematerialization, producing and offering the directories to the public also in a digital format on web and mobile app.

SOCIAL RESPONSIBILITY

The core mission of the new Italiaonline S.p.A., the leading Italian digital group, born from the merger of Seat Pagine Gialle and Italiaonline, is to help companies in this process and to support Italy in its digital growth. We are the market leader in large account digital advertising and in local marketing services to SMEs and combine creativity and technology in a mix that projects our Company into the future and innovation. All this can be summarized in the three words that accompany our brand: Passion for Business.
On the one hand, we have the most visited web portals, the most popular email services and leading directories of the market: on the other, we offer online communication solutions ranging from advertising, to web design and web marketing, to guarantee our customers unprecedented visibility on the market. Lastly, about 800 all over the country, we have the widest network in Italy of digital consultants dedicated to companies.
Behind all this, there is a strong and deep-rooted sense of corporate social responsibility which influences and shapes industrial and commercial decisions and actions, and is the key to lasting and sustainable development over time.

The Digital Business Tour

Also in 2017, the properties of Italiaonline were further enriched by new and useful content for citizens and guests of Italian territories and the Company continued to promote the digitization of Italian SMEs, with the first workshops of the Digital Business Tour, a touring event that allows Italiaonline to meet companies, consortia and associations in the places where they operate and help them, free of charge, discover the growth opportunities offered by the digital economy, with the participation of IAB and Google as guests and with the Heads of the Italiaonline Local Area Departments.

"Cresci digitale" (grow digitally) with Italiaonline

Italiaonline's new ad went on air in September 2017, dedicated to raising SMEs' awareness of the digital opportunity to relaunch their business and accelerate the exit from the crisis of the European economic system. The 30-minute commercial presents the broad offering of digital tools dedicated to businesses by the largest national internet company. SMEs are the target, which have an ever-pressing need to learn to manage their digital presence and plan effective business growth campaigns. The video was broadcast on TV on the Discovery network (Nove, DMAX, Focus, Giallo and Real Time), on the radio, on social media channels and on the web properties of Italiaonline.

Golden Wedding Anniversary of PAGINEGIALLE and Italian business: 50 years and 50 stories of Italian business excellence.

In the first few months of 2017, PagineGialle celebrated the first 50 years of its directories, with their unmistakeable color, by launching a project: 50 covers telling 50 stories from the world of Italian SMEs, which are the real engine of the country.
The distribution of the directories in recycled paper, started in Turin and Milan, was completed according to the usual plan of distribution of the directories all over Italy, a complex distribution process organized over the entire year in more than one hundred provinces on the mainland and the islands.
The 2017 edition of PagineBianche, distributed with PagineGialle and Tuttocittà, was restyled thanks to collaboration with a young illustrator and instagrammer, Luciano Cina, also known as Luccico, who reinterpreted the 40 covers, giving them a fresh and contemporary look, showing the capitals of the Italian regions and other important business locations.

Italiaonline: media partner of the Public Administration

The Parent has built an increasingly close relationship with the Public Administration, by reorganizing the institutional relations with individual municipalities. The commercial element has adequate space but Italiaonline has, above all, become an indispensable partner in providing information to Italian citizens, whether in an emergency or in everyday life. For this reason, more and more public administrations are deciding to use the front sections of Smartbooks to inform citizens of their most significant and strategic initiatives: from Turin to Milan, to Venice, down to Florence, Chieti, to Rome, Naples and Catania, one region after another.
The new single volume, published in 113 editions, of which 18.5 million copies distributed in a certified way throughout all urban areas, is used throughout the year by more than 19 million Italians, of all social groups, generating more than one billion queries. Integrated in the multichannel system of service information dedicated to municipal authorities, are the mobile apps - such as Assisi and Foligno - tools that have been synergistically structured on mobile platforms, online, social media and through telephone information services.

The new SUPEREVA portal: the publishing choices of Italiaonline focus on public interests and awareness.

For a publisher, the issue of information processing and how this might influence the awareness and involvement of people is among the most sensitive issues of Corporate Social Responsibility. The new superEva portal project is inspired by US brands such as Buzzfeed and prestigious publications such as Forbes, but it is based entirely on a data-driven publishing strategy, following social and search trends and launching, for the first time in Italy, a new way of producing content, publishing topics 100% based on SEO and social trends, hence acquiring an audience of more than 2 million unique users and 16 million pages visited monthly*: a completely original development in the Italian publishing scenario.

Italiaonline and support for schools in the areas hit by earthquake: the “Coding Project” and “Donando si impara” (you learn by giving) supporting high schools in the areas affected by the earthquake.

As the leading Internet Company in the country, support for new technologies and the training of young digital natives is a strategic central mission: in particular, the strategy to involve students was first implemented in 2014, with ‘Regali di classe’ (‘Class Gifts’), an initiative to set up computer labs at three high schools in Milan, Pisa and Rome. The following year, it continued with ‘Operation Code Santa Claus’, by funding coding classes at the same schools, as well as at a school in Turin.
In 2017, as part of the “Donando si Impara” project, Italiaonline completed donations - IT equipment and coding courses - to three high schools in the Center of Italy most affected by the earthquake last year, focusing on the areas nearest to the epicenter, with the goal of supporting students in a learning process that includes coding as a fundamental tool for the future development of their career. The schools that have achieved prominence in this area are: the Comprehensive Scientific Secondary School in Amatrice, the Sansi-Leonardi-Volta Scientific Secondary School in Spoleto, the Antonio Orsini Scientific Secondary School in Ascoli Piceno.

‘A life on Social Media’: Together with State Police and Ministry of Education, Italiaonline continues to alert young people to the dangers of the Internet.

Also in 2017, thanks to the extraordinary media reach of its portals Libero and Virgilio, Italiaonline continued to perform the role of effective media partner for ‘A life on Social Media’, the most important travelling educational campaign on raising awareness and protection from the risks and dangers of the internet, run by the State Police, with the Ministry of Education and the Child and Adolescent Protection Authority and numerous major companies that are key players in the international digital arena: from Facebook, Fastweb, Google, H3G, Microsoft, TIM TelecomItalia, to Twitter, Norton by Symantec, Skuola.net, Vodafone, Wind, Youtube, Poste Italiane.
The Postal and Communications Police, supported by partner companies, met with 1 million students, 106,125 parents and 59,451 teachers at 8,548 schools; 30,000 km covered and 150 cities visited with the objective of combatting and eradicating the extremely serious episodes of cyber-bullying and all the various forms of abuse related to a distorted use of technology. The initiative’s Facebook page collected 78,000 likes and 12 million monthly users searching on issues of online security and safety.

Safer Internet Day 2017: Italiaonline and internet security.

Internet fraud and the theft of personal data are in the news every day. "Be the change: unite for a better internet" was the slogan chosen for the 2017 Safer Internet Day, the global day devoted to internet security. The standards of Italiaonline, as the leading Italian internet Company, counting Libero Mail among its assets, with more than 8 million active accounts, have always been in line with international best practices. During the year, the renewal of the theme-based web properties continued with the launch of Libero Tecnologia, the vertical portal to find all things concerning technology, innovation and digital life and daily applications for citizens and consumers: contents dedicated to security are among the most appreciated. Libero Mail has been the first in Italy to develop a Secure Password service, an antispam system to block dangerous traffic; reputation services that can block and limit dangerous emails with platforms to monitor the traffic at risk, content filtering through patented algorithms that can also identify variations in spam messages as being part of the same threat and therefore block them: all these services are fed by Cloudmark's Global Threat Network data, the largest system in the world of collection of threats from messaging. Italiaonline has also partnered with data solutions provider Return Path, implementing – first in Italy – a DMARC record (Domain-based Message Authentication, Reporting & Conformance) to provide additional protection from email fraud.

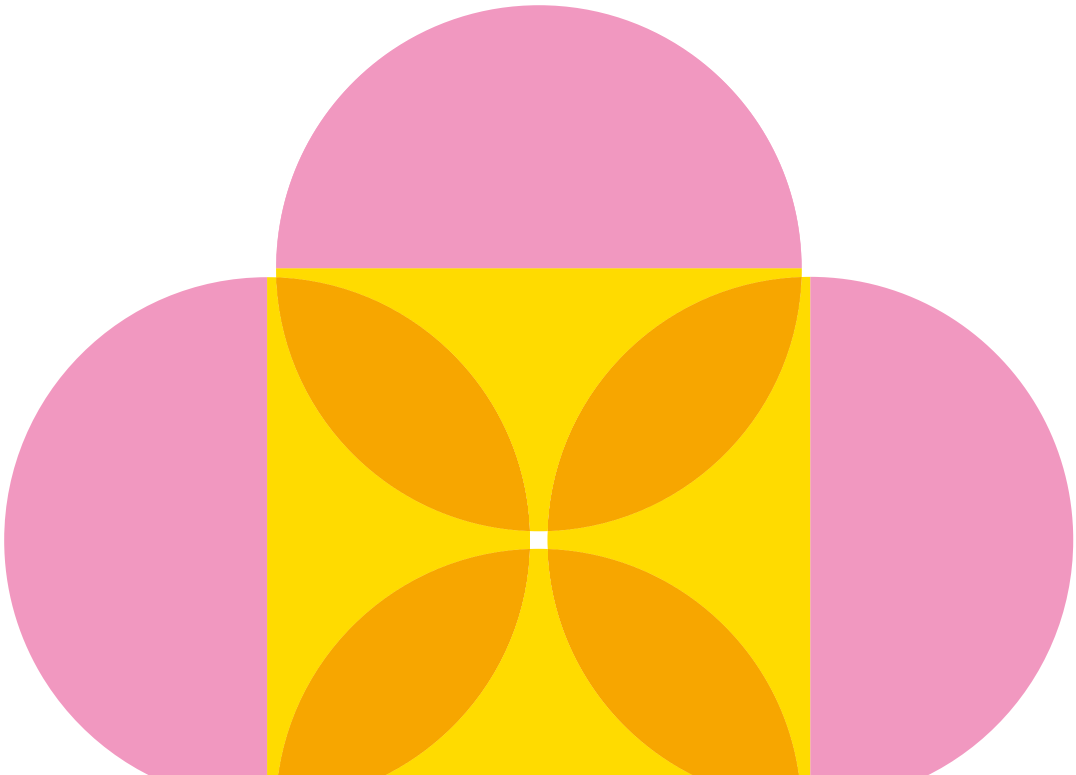
The corporate reorganization of the new Italiaonline in the context of social responsibility.

Also a company merger with particular awareness of the social impact of this type of operations can become an opportunity for social and philanthropic initiatives. In the case of Italiaonline, the recovery of movable property and office equipment arising from the reorganization of the Milan and Turin offices has provided the occasion for supporting many charitable initiatives, by means of the collaboration with "Donio, donare senza sbagliare" ("Donio, give without mistakes") - a young digital startup born within the I3P incubator of the Turin Polytechnic and the first marketplace that brings together donors and all agencies working for the social good - and the commitment of an important and historical Foundation such as Giorgio Valsania Onlus, which supports a large number of small communities, reception centers, solidarity banks, soup kitchens for the poor and families, in a structured and continuous manner. This approach has ensured that activities have taken place within a secure and validated "donation framework", central to which is safety and quality for the benefit of the most vulnerable and needy population groups.

Corporate Social Responsibility: a calling for Italiaonline

Italiaonline's attitude to continuous innovation and change and its predisposition to a "networked social context" - also from an ethical, cultural, social and point of view - in addition to its widespread presence throughout the country, places it in a closely interdependent relationship with the local communities in which it operates and with their socio-economic development, and maximizes the capability of working alongside and supporting customers within and outside the Company.
In particular, the social awareness and charity initiatives aimed at involving Company personnel launched in 2017 include participation in Project Libellula, the first network of companies united against violence to women, on March 8, and International Day against Homophobia in May, organized by the global federation which fights to gain equal rights for the lgbti community in 125 countries.
To celebrate the Easter holidays and at the end of the year, local flea markets were organized at the Assago and Turin sites, which non-government voluntary organizations of national significance were invited to take part in - Aism, Associazione Luisa Berardi (Luisa Berardi Association), Cifa, Emergency, Ente Nazionale Protezione Animali (National Animal Protection Agency), Libera Opera, Wamba, ABIO, Freedhome, Lega Anti Vivisezione (Anti-Vivisection League), Medici senza frontiere (Doctors without borders), SOLEOnlus, Terramia - that were able to introduce themselves to employees, gathering funds to support ongoing projects and proposing voluntary collaborations.
As regards company gifts, the Code of Ethics adopted by Italiaonline sets forth that gifts cannot be accepted from or given to external public authorities, customers, suppliers or third parties that have or could have business relations with the company: this is in order to protect full autonomy and independence.
In 2017, items that could not be returned, for various reasons, were donated to charity, to the association Pane Quotidiano (Daily bread association), which distributes them to the most needy population groups, and to the Letizia Verga committee for the study and treatment of children with leukaemia, which puts the goods received up for auction each year.
All initiatives were shared and supported effectively through structured internal communication activities, highlighting both the actions and the results for a full involvement of everyone, stimulating the ability to express themselves, to evaluate and enrich the activities with new personal contributions.

Creativity



CONSOLIDATED FINANCIAL STATEMENTS OF ITALIAONLINE GROUP

Statement of financial position

Assets

(euro/thousand)		AT 12.31.2017	AT 12.31.2016	NOTE
Non-current assets				
Intangible assets with an indefinite useful life		250,720	250,720	(5)
Intangible assets with a finite useful life		56,193	66,605	(7)
Property, plant and equipment		9,430	8,654	(8)
Other equity investments		2,699	2,111	(9)
Other non-current financial assets		2,901	3,469	(10)
Deferred tax assets, net		117	152	(27)
Other non-current assets		23,852	23,560	(13)
Total non-current assets	**(A)**	**345,912**	**355,271**	
Current assets				
Inventories		1,279	2,210	(11)
Trade receivables		137,794	161,786	(12)
Current tax assets		10,194	7,215	(27)
Other current assets		37,113	40,177	(13)
Current financial assets		666	610	(17)
Cash and cash equivalents		74,476	121,566	(17)
Total current assets	**(B)**	**261,522**	**333,564**	
Non-current assets held for sale and discontinued operations	**(C)**	-	**11,801**	(29)
Total assets	**(A+B+C)**	**607,434**	**700,636**	

Liabilities

(euro/thousand)		AT 12.31.2017	AT 12.31.2016	NOTE
Equity attributable to the owners of the Parent				
Share capital		20,000	20,000	(14)
Share premium reserve		117,217	117,217	(14)
Legal reserve		4,000	4,000	(14)
Actuarial reserve		(1,386)	(1,691)	(14)
Other reserves		149,345	205,161	(14)
Profit for the year		26,417	22,650	
Total equity attributable to the owners of the Parent	**(A)**	**315,593**	**367,337**	**(14)**
Non-controlling interests				
Share capital and reserves		-	-	
Profit (loss) for the year		-	-	
Total non-controlling interests	**(B)**	**-**	**-**	**(14)**
Total equity	**(A+B)**	**315,593**	**367,337**	**(14)**
Non-current liabilities				
Non-current provision for employees		18,270	19,015	(19)
Net deferred tax liabilities and non-current tax liabilities		12,661	9,267	(26)
Other non-current liabilities		19,505	31,540	(20)
Total non-current liabilities	**(C)**	**50,436**	**59,822**	
Current liabilities				
Current financial liabilities		2,195	59	(17)
Trade payables		101,113	111,027	(22)
Liabilities for services to be provided and other current liabilities		96,333	110,407	(22)
Current provision for risks and charges		35,966	33,798	(21)
Current tax liabilities		5,798	4,260	(27)
Total current liabilities	**(D)**	**241,405**	**259,551**	
Liabilities directly associated with non-current assets held for sale and discontinued operations	**(E)**	**-**	13,926	(29)
Total liabilities	**(C+D+E)**	**291,841**	**333,299**	
Total liabilities and equity	**(A+B+C+D+E)**	**607,434**	**700,636**	

Income statement

(euro/thousand)	YEAR 2017	YEAR 2016	NOTE
Revenue from sales	731	1,677	(23)
Revenue from services	335,194	387,799	(23)
Revenue from sales and services	**335,925**	**389,476**	(23)
Other income	4,565	4,031	(24)
Total revenue	**340,490**	**393,507**	
Costs of materials	(2,321)	(13,939)	(24)
Costs for external services	(180,222)	(192,130)	(24)
Personnel expense	(77,599)	(99,782)	(24)
Allowances for impairment	(7,570)	(14,894)	(12; 24)
Accruals to provisions for risks and charges, net	(2,434)	(5,422)	(20; 21; 24)
Other operating costs	(2,683)	(3,393)	
Operating income before amortization, depreciation, non-recurring and restructuring costs, net	**67,661**	**63,947**	
Amortization, depreciation and impairment losses	(35,909)	(54,104)	(5, 8)
Net non-recurring charges	(1,930)	(9,356)	(24)
Net restructuring income (charges)	(2,061)	252	(24)
Operating profit	**27,761**	**739**	
Financial expense	(639)	(2,486)	(25)
Financial income	1,320	2,555	(25)
Impairment losses on financial assets and losseson the disposal of equity investments	-	(1,499)	(26)
Pre-tax profit (loss)	**28,442**	**(691)**	
Tax benefit (expense)	(2,025)	23,341	(27)
Profit for the year	**26,417**	**22,650**	
- of which attributable to the owners of the Parent	26,417	22,650	
- of which attributable to non-controlling interests	-	-	

		AT DECEMBER 31, 2017	AT DECEMBER 31, 2016
Number of Italiaonline S.p.A. shares		114,768,028	114,768,028
- ordinary shares	*no.*	*114,761,225*	*114,761,225*
- saving shares	*no.*	*6,803*	*6,803*
Shares outstanding (*)		*114,768,028*	*114,761,257*
Profit for the year	€/thousand	26,417	22,650
Earnings (per share	€	0.230	0.197

(*) The 2016 figure refers to the average number of shares outstanding following the completion of the merger

Statement of comprehensive income

(euro/thousand)	YEAR 2017	YEAR 2016	NOTE
Profit (loss) for the year	**26,417**	**22,650**	
Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss:			
Actuarial gains (losses), net of tax	306	(868)	
Total other comprehensive income (expense) that will not be subsequently reclassified subsequently to profit or loss	306	(868)	(15)
Other comprehensive income (expense) that will be subsequently *reclassified to profit or loss:*			
Net fair value gains (losses) on AFS securities and investments	589	-	
Total other comprehensive income (expense) that will be subsequently reclassified to profit or (loss)	589	-	(15)
Total other comprehensive income (expense), net of tax	**895**	**(868)**	
Total comprehensive income for the year	**27,312**	**21,782**	
- of which attributable to the owners of the Parent	27,312	21,782	
- of which attributable to non-controlling interests	-	-	

Statement of cash flows

(euro/thousand)		YEAR 2017	YEAR 2016	NOTE
Cash flows from operating activities				
Operating profit		27,761	739	
Amortization, depreciation and impairment losses		35,909	54,104	(5)-(7)-(8)
Stock option costs		978	606	
Gains on disposal of non-current assets		(29)	(22)	
Change in working capital		(2,574)	(3,705)	
Income taxes paid		(795)	(1,147)	
Change in non-current liabilities		(3,077)	9,801	
Exchange differences and other changes		(2,129)	67	
Cash flows from operating activities	**(A)**	**56,044**	**60,443**	
Cash flows from investing activities				
Purchase of intangible assets with a finite useful life		(21,758)	(21,053)	(7)
Purchase of property, plant and equipment		(4,565)	(2,102)	(8)
Other investments		444	(1,103)	
Proceeds from disposal of non-current assets		170	746	
Cash flows used in investing activities	**(B)**	**(25,709)**	**(23,512)**	
Cash flows from financing activities				
Repayment of non-current loans		-	(1,118)	
Paid interest and financial expense, net		417	1,856	
Change in other financial asset and liabilities		2,190	(40,669)	
Dividend distribution		(80,032)	-	
Cash flows used in financing activities	**(C)**	**(77,425)**	**(39,931)**	
Cash flows from non-current assets held for sale and discontinued operations	**(D)**	**-**	**1,000**	
Cash flows of the year	**(A+B+C)**	**(47,090)**	**(2,000)**	
Opening cash and cash equivalents		**121,566**	**123,566**	**(17)**
Closing cash and cash equivalents		**74,476**	**121,566**	

Statement of changes in equity for 2017

(euro/thousand)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	STOCK OPTION RESERVE	ACTUARIAL RESERVE	OTHER RESERVES	PROFIT (LOSS) FOR THE YEAR	TOTAL	NON-CONTROLLING INTERESTS	TOTAL
At 12.31.2016	**20,000**	**117,217**	**4,000**	**1,396**	**(1,691)**	**203,765**	**22,650**	**367,337**	**-**	**367,337**
Allocation of previous year profit	-	-	-	-	-	22,650	(22,650)	-	-	-
Dividend distribution	-	-	-	-	-	(80,032)	-	(80,032)	-	(80,032)
Stock option valuation	-	-	-	978	-	-	-	978	-	978
Comprehensive income for the year	-	-	-	-	306	589	26,417	27,312	-	27,312
Other changes	-	-	-	-	(1)	(1)	-	(2)	-	(2)
At 12.31.2017	**20,000**	**117,217**	**4,000**	**2,374**	**(1,386)**	**146,971**	**26,417**	**315,593**	**-**	**315,593**

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 YEAR	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	-	-	-	-	-	4,052	(4,052)	-	-	-
Share-based payments	-	-	-	606	-	-	-	606	-	606
Comprehensive income 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**

Notes to the consolidated financial statements at December 31, 2017

1. Corporate information

Italiaonline is the leading internet company in Italy, with 5.4 million unique users, including 2.6 million from mobile and 54% market reach. Italiaonline provides web marketing and digital advertising services, including advertising campaign management and lead generation through social networks and search engines. The strategic corporate target is to consolidate the Italian leadership in the digital advertising market, for large accounts and in the local marketing services. The corporate mission is the digitalization of Italian SMEs, to which the company offers a complete product portfolio, integrated with the entire value chain of digital services.
The Parent Italiaonline S.p.A. has its registered office in Assago, Via del Bosco Rinnovato 8, and a share capital of €20,000 thousand; the duration is fixed as until December 31, 2100 as required by the Articles of Association.
The Group's main activities are described in the Report on Operations, under the heading "Performance by Business Segment".

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 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 statement of financial position* was prepared by classifying assets and liabilities as "current/non-current" and showing "non-current assets/liabilities directly associated with non current assets 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 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, are not included 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 managers' end-of-office entitlement.
- the *statement of comprehensive income* shows the cost and/or revenue items not yet recognized in the income statement with an impact on Group equity as at the reporting date;
- the *statement of cash flows* was prepared by recognizing 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, checks, 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-monetary 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.

The data are shown in euros and all figures have been rounded off to the nearest thousand, unless otherwise indicated.
Publication of the consolidated financial statements of the Italiaonline group at December 31, 2017 was authorized by resolution of the Board of Directors of March 15, 2018.

2.1 *Assessment of the Group's ability to continue as a going concern*
The annual financial report at December 31, 2017 was prepared on the assumption of the Group's ability to continue as a going concern continuation of the company's activity, since there is a reasonable expectation that Italiaonline S.p.a. 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 in the table under annex 1. These financial statements have been amended to align them with the accounting policies adopted by the Parent, where necessary

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 Parent 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 acquisition date, 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 consolidation policies were also used:
- recognition of assets, liabilities, costs and revenue in their total amount, not considering the amount of the investment held, and attributing 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 income statement and statement of financial position.

2.3 *Discretionary assessments and accounting estimates*
Pursuant to IFRS, when preparing consolidated financial statements and corresponding notes, the management must make estimates and assumptions that affect the amounts of revenue, costs, and assets and liabilities recognized 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, amortization 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 herein.

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, 2017

The following new IFRS were in effect as of January 1, 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 disclosures for changes in liabilities and assets arising from financing activities.

Amendments to IAS 12 – Income taxes
On January 19, 2016, the IASB published certain amendments to IAS 12 Income Taxes. The document "Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)" clarifies the necessary requirements for the accounting of deferred tax assets related to debt instruments measured at fair value.

Annual Improvements to the International Financial Reporting Standards (2014-2016 Cycle)
With Regulation (EU) no. 2018/182 of February 7, 2018, published in the Official Journal of the European Union on February 8, 2018, the document "Improvements to the IFRS (2014-2016 Cycle)" was adopted and the following Standards were amended:

- IAS 28 Investments in Associates and Joint Ventures - it is effective retrospectively for annual periods beginning on or after January 1, 2017;
- IFRS 1 First Time Adoption of IFRS - it is effective for annual periods beginning on or after January 1, 2017;
- IFRS 12 Disclosure of Interests in Other Entities - it is effective retrospectively for annual periods beginning on or after January 1, 2017

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

At the time of preparing this annual financial report, the competent bodies of the European Union had completed the approval process necessary for the adoption of the accounting standards and amendments mentioned below.

IFRS 15 - Revenue from Contracts with Customers and Amendments
On May 28, 2014, the IASB and the FASB published, under the IFRS-US GAAP convergence program, IFRS 15 "Revenue from Contracts with Customers". This document was adopted by the European Union with Regulation No. 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, insurance contracts and financial instruments). IFRS 15 replaces the previous standards on revenue: IAS 18 Revenue and IAS 11 Construction contracts, as well as IFRIC 13 Customer Loyalty Programs, 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 revenue under IFRS 15 (five step model) requires revenue to be recognized at the transfer of goods or services to the customer's control and at the consideration to which the entity expects to be entitled.

On September 11, 2015, the IASB issued an Amendment to IFRS 15 which postponed the entry into force of the standard to January 1, 2018. Earlier application is, however, permitted. In addition, on April 12, 2016, the IASB issued some clarifications regarding IFRS 15 Revenue from Contracts with Customers.

IFRS 15 must be applied retrospectively from January 1, 2018 through one of the following transition 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 as 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 for comparative scope of quantitative and qualitative information for each financial statement item impacted by the new standard.

The Italiaonline Group elected to adopt the simplified retrospective transition method.

The assessment of impacts, resulting from the application of the new standard, was completed together with the formalization of the functional requirements for the technical implementation that allowed for the completion, within time scheduling, of the development step of changes on systems/processes that are necessary to comply with the new standard. The main cases impacted by the changes introduced by the new accounting standard are described below:

Bundle contracts: with reference to those contracts through which Italiaonline sells, within predefined bundles, different products/services, the new standard will result in a different allocation of revenue among the different performance obligations identified in the contract. The revenue allocation method shall be defined on the basis of the "relative fair value" method, attributing to each performance obligation identified any discount provided by the contract, in proportion to the stand-alone selling price of each of them. If the service sold within the bundle is not sold also separately, the stand-alone selling price will be estimated by applying a mark-up to the production cost incurred.
The different distribution of the amount of the contractual performance obligations will result particularly in a different temporal allocation of revenue in those contracts containing both print advertising services (whose revenue is recognized "at point in time") and web services (whose revenue is recognized "over time", for the duration of the contract).

Principal vs agent: the new 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 one of the elements to be considered. The contractual analysis activities performed have led in some cases to different conclusions with respect to the accounting treatment carried out according to existing standards. The change in the accounting treatment will have an insignificant reclassification impact on revenue and operating costs and will have no estimate impact on profit or loss for the reporting period.

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 recognized in the income statement on a systematic basis, in line with the timing of recognition of revenue. Italiaonline pays agents/call centers commissions for the acquisition of new customers that are higher than those established during contract renewal. These incremental costs for the acquisition of new customers will be accounted for in "Current assets" and recognized in the income statement over the expected term of the relationship with the customer, currently estimated at approximately two years.
Based on information available at the drafting date of this Report, it is estimated that the cumulative effect of the first application of the standard recognized as an adjustment to equity at the transition date (January 1, 2018) will be around €6 million, almost entirely attributable to incremental contractual costs capitalization borne to obtain new contracts.

This impact will be partly reversed in the 2018 income statement and partly in following years. The impact of the opening balance on the 2018 income statement will be partially offset by contractual costs, which will originate in 2018 and that will be recognized along the expected duration of the relationship with the customer, which is estimated, as mentioned above, at around two years.
It is therefore estimated that the impact of the new IFRS 15 on the 2018 income statement will not have a significant impact on Italiaonline's operating profit.

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 No. 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 on classification and measurement, derecognition, impairment and hedge accounting. Among the main changes, it is noted that with regard to classification and evaluation, the business model used to manage financial assets and liabilities and the characteristics of cash flows should be taken into consideration. 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 to annual reporting periods beginning on or after January 1, 2018.
With special reference to the assessment of credit losses, the Italiaonline Group deems that estimate criteria, which are currently being used, are substantially consistent with provisions set out by the new standard.

IFRS 16 – Leases
On January 13, 2016 the IASB published the new standard IFRS 16 Leases, which superseded IAS 17. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019. The new standard eliminates the difference in the accounting of operating and finance leases, including in the presence of elements that allow application to be simplified, and introduces the concept of control within the definition of a lease. In particular, in order to determine 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 asset for a specified period of time.

IFRS 16 is applicable retrospectively from January 1, 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. The adoption of the simplified method will in any case require the quantitative and qualitative disclosure for each budget line impacted by the application of the new standard for comparative purposes.

Earlier application is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers.
The European Union endorsed IFRS 16 with Regulation 1986/2017 of October 31, 2017.

The Italiaonline Group elected to apply this standard in advance as from January 1, 2018, by using the simplified method.

IFRS 16, from the point of view of the lessee, provides, for all leases in which it is lessee (without distinguishing between operating leases and finance leases), for:
- the recognition in the statement of financial position of a liability, represented by the present value of future lease payments, against the corresponding entry in assets of the "right-of-use assets and
- a different nature and classification of related costs (depreciation of the "right-of-use asset" and "interest" with respect to the "Costs for use of third-party assets"), with a subsequent impact on operating profitability. In addition, the combination of the depreciation on a straight-line basis of the "right-of-use asset" and the effective interest rate method applied to lease liabilities results, with respect to IAS 17, in higher expenses in the income statement in the early years of the lease and decreasing costs in later years.

The task of assessing the impacts arising from the application of the new standard was completed, especially the main contractual cases impacted are property rental contracts, contracts for the long-term rental of motor vehicles, warehouse lease contracts, as well as lease contracts for data centers and printers.
At the transition date January 1, 2018, due to the adoption of the simplified method, the new standard will involve the recognition of a value in use equal to financial liabilities, currently estimated at around €43 million. The estimated impact on operating profit will be approximately €8.5 million in 2018, based on information available at the drafting date of this Report.

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

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

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 annual reporting periods beginning on or after January 1, 2018. Early application is permitted. Endorsement by the EU is expected in 2018.

Amendments to IAS 28 – Improvements to IFRS (Cycle 2014-2016)
In December 2016, the IASB clarified that the following options provided for by IAS 28 can be exercised for each individual investment:

a) option of IAS 28.18, which allows for certain types of entities (e.g.: venture capital, mutual funds, etc.) to measure their own investments in associates and/or JVs at fair value;
b) option of IAS 28.36A, which allows entities that are not investment entities to carry at equity investments in associates and JVs that are investment entities, maintaining the fair value measurement applied by the latter with reference to their investments. This amendment applies to annual reporting periods beginning on or after January 1, 2018. Early application is permitted. Endorsement by the EU is expected in 2018.

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, investment property. This amendment applies to annual reporting periods beginning on or after January 1, 2018. Early application is permitted. Endorsement by the EU is expected in 2018.

IFRIC Interpretation 22 – Effects of changes in foreign exchange rates
In December 2016, the IASB published the document "IFRIC Interpretation 22 – Foreign currency transactions and advance consideration" which aims to clarify the rate of exchange to be used for translating any advances paid or received in foreign currency, which relate to goods, charges or revenue to be recognized in future financial statements, into functional currency. This document applies to annual reporting periods beginning on or after January 1, 2018. Early application is permitted. Endorsement by the EU is expected in 2018.

IFRIC interpretation 23 – Uncertainty over income tax treatments
In June 2017, the IASB published the document "IFRIC Interpretation 23 – Uncertainty over income tax treatments" which aims to clarify how to calculate current and deferred taxes in cases where there are uncertainties regarding the tax treatment adopted by the reporting entity that may not be accepted by the tax authorities. This document applies to annual reporting periods beginning on or after January 1, 2019. Early application is permitted. Endorsement by the EU is expected in 2018.

IFRS 17 – Insurance Contracts
IFRS 17 – Insurance Contracts supersedes the previous standard IFRS 4 – Insurance Contracts and solves the comparison problems created by the latter. It is now established that accounting of all insurance contracts shall be consistent with the benefit of both investors and insurance companies. Insurance obligations shall be accounted for by using current rates instead of historical rates. Information shall be updated on a regular basis, by supplying information that is more useful to the users of the financial statements. The standard applies to annual reporting periods beginning on January 1, 2021.

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 group. Intangible assets acquired separately as well as internally generated development costs are recognized at cost of acquisition and/or production cost, including expenses directly associated with preparing the asset for operations, net of accumulated amortization 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 recognized at their fair values at the acquisition date.
Amortization 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 recognized as finite or indefinite.

Intangible assets with a finite useful life are amortized 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 group 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 occurred 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 recognized at cost and then assessed 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 useful life.

Intangible assets produced internally, excluding development costs, are not capitalized and are recognized in the income statement in the reporting period 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 a 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 recognized in the income statement when incurred.

(d) Research and 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's usefulness is demonstrated for the production of 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 or economically usable. If in an identified internal project for the creation of an intangible asset, the research phase cannot be distinguished from the development phase, the cost of this project is entirely expensed.

(e) Marketing-related activities
Customer Relationships and Databases 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 capitalized only if they increase the future economic benefits of the asset to which they refer. All other costs are recognized in the income statement at the time they are incurred.
Costs incurred to maintain the efficiency of an asset are recognized in the income statement of the year in which they are incurred. Costs relating to the extension, modernization or improvement of facilities that are owned or leased, are capitalized 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 portion 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 rewards 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 recognized under financial liabilities. Financial expense is allocated directly to the income statement.

Leases pursuant to which the lessor essentially retains all risks and rewards related to ownership of the assets are classified as operating leases. Operating lease payments are recognized 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 recognized 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 the reason for an impairment loss recognized 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 amortization/depreciation.
The recoverable amount is the higher of the fair value of an asset or cash-generating unit, less costs of disposal 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.

Equity investments in associates

Equity 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 associate 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, of purchase or subscription, plus any changes (subsequent to acquisition) in the share of net assets of the associates attributable to the owners of the Parent. Goodwill relating to the associate is included in the carrying amount of the equity investment and is not subject to amortization. After the initial recognition of an equity investment, the group determines whether it is necessary to recognize any impairment losses. The income statement reflects the share of the profits (losses) from attributable to the owners of the parent. If an associate records adjustments directly in equity, the Group records its respective share of the adjustments and, where applicable, recognizes 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 equity investments

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

Other equity investments classified as "available-for-sale financial assets" are measured at fair value. Changes in the value of these equity investments are recognized 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 loss which is deemed to be permanent.
Other unlisted equity 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 recognized in the income statement, in accordance with the provisions of IAS 39.
Impairment losses on other equity investments classified as "available-for-sale financial assets" cannot be subsequently reversed.
Changes in the value of other equity investments classified as "financial assets at fair value through profit or loss" are recognized 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, held-to-maturity investments and available-for-sale financial assets. Initially all financial assets are recognized 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 recognized in the income statement;
- *held to maturity investments* are recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the investment is derecognized or impaired, as well as through the amortization process;
- *loans and receivables* are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, and through the amortization process;
- *available-for-sale financial assets*: these are measured at fair value based on internal estimates, and the corresponding gains and losses are recognized in a separate item under equity until such assets are derecognized 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 recognized in the income statement.

Tests 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 reporting period.

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 recognized at amortized cost.
Non-current loans and borrowings are recognized 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, consumables and supplies*, which are measured at acquisition cost, including additional costs, calculated using the 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 amortization 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 assets. They are recognized at the original invoice amount net of the allowance for impairment, accrued based on estimates of the risk of non-recoverable amounts at the reporting date.
Trade receivables are initially recognized at fair value and subsequently measured at amortized cost, which is the amount measured at initial recognition net of principal repayments, plus or minus the cumulative amortization 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 recognized 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 recognized 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 measurement at amortized cost.

Provisions for risks and charges

These provisions are recognized 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 fulfill its obligation, and when the amount of the obligation can be reliably estimated.
They can be broken down into:

- *provision for agents' termination indemnities;*
- *provision for commercial risks;*
- *provision for contractual risks and other operating risks;*
- *non-operating provisions;*
- *provision for restructuring.*

Changes in estimates are reflected in the income statement in the period in which they occurred.
In the case of provisions for future risks – after 12 months – the liability, if significant, is discounted using a pre-tax rate, 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 recognizes past-employment benefits (TFR), which are considered a defined benefit and defined contribution pension plan. Defined benefit pension plans are based on the expected remaining average working life of the employees involved in 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 recognized in the income statement are measured by independent actuaries using the projected unit credit method.
Actuarial gains and losses are immediately recognized 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 recognized in the income statement as a cost, where applicable.

Past-employment benefits
Past-employment benefits, insofar as they continue to represent an obligation for the group, are considered to be a defined benefit plan and are accounted for as described above.

Share-based payment
The fair value of stock option is determined by an external appraicer 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 recognition. 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 the year represents the change in cumulative expense recognized at the beginning and end of the year. Any dilutive effect of outstanding options is 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 amortized cost using the effective interest rate.
Financial liabilities are recognized at amortized cost, which is the amount measured at initial recognition net of principal repayments, plus or minus the cumulative amortization 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
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 of disposal.
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: "Non-current assets held for sale and discontinued operations" and "Liabilities directly associated with non-current assets held for sale and discontinued operations";
- In one specific item of the consolidated income statement: "Profit/(loss) from non-current assets held for sale and discontinued operations";
- In one specific item of the consolidated statement of cash flows: "Cash flows from non-current assets held for sale and discontinued operations".

The corresponding income statement and statement of cash flows 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 recognized in the consolidated financial statements at the acquisition date 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, recognized at fair value;

- in the case of a business combination carried out in several stages, the fair value when control of the equity interest already held in the acquired company is obtained;

b) the fair value of the identifiable assets acquired, net of the identifiable liabilities assumed, measured when control is obtained.

In accordance with IFRS 3, the following is also called for:

- related costs associated with the business combination must be recognized in the 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 when control is obtained, recognizing the difference in the 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 rewards 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 expense
Interest income and interest expense and other income and expenses are recognized and stated in accordance with the principle of accruals.

Income taxes

Current taxes
Current income taxes, which are recognized 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 at 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 recognized 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 recognized in the financial statements.
Deferred tax assets are recognized 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 results for the financial year calculated for the financial statements or the results for the financial year calculated for tax purposes.
Taxable temporary differences associated with equity investments in subsidiaries and associates for which the relevant deferred tax liabilities are not recognized 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. Unrecognized 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 realized 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.

Earnings per share
Earnings per ordinary share are calculated by dividing the group's profit or loss by the average number of ordinary shares outstanding during the reporting period.

5. Intangible assets with an indefinite useful life
Intangible assets with an indefinite useful life amounted to €250,720 thousand at December 31, 2017 (unchanged compared to December 31, 2016) and comprise: i) €71,997 thousand for goodwill generated in the acquisition of the Seat Group ii) €9,317 thousand for 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.

6. 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 intangible assets with an indefinite useful life represented by trademarks and 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 no indications of possible impairment losses on assets as:

1. the market price (market capitalization) is higher than the carrying amount of consolidated net equity. This indicator, although significant, must always be evaluated considering the market situation as a whole and the limited number of IOL floating shares treated on the market.
2. the trend of group revenue for the year 2017 is substantially in line with than expected in the 2017-2019 plan. In addition it should be noted that the Group achieved overall profitability, in the final balance, higher than expected in the 2017-2019 plan.

It is highlighted 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 flows generated by each trademark cannot be separated; this makes impossible to determine the current and prospective fair value of the individual trademarks at the impairment test reference date. The test was conducted on consolidated amounts.
Impairment tests are governed by IAS 36, which provides for two different forms of recoverable amount: value in use and fair value less costs of disposal. Under IAS 36, paragraph 18, the "Recoverable amount" 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, 2017, as it was not possible to identify the fair value of assets subject to impairment testing, was estimated using amounts based on value in use, considering the cash flows from operating activities calculated using the best information available at the time of the estimate and based on the updated 2018-2020 business Plan approved by the Parent board oof directors, discounted. The value in use was compared with net operating invested capital ("carrying amount"), including goodwill and other assets with an indefinite useful life, with a surplus of about 31% with respect to the carrying amount. It should be noted that both the recoverable amount and the carrying amount have been appropriately adjusted to take the CGU into account in its current conditions (IAS 36.14), as well as the adoption of IFRS 16 on January 1,2018.
The discounting rate (Wacc) was calculated as follows:

Cost of equity:
It has been estimated with reference to the following parameters:

- the *risk free rate* was equal to the average rate of return on 10-year government bonds, 2.1%;
- the equity risk premium, equal to 5.5%;
- beta, this coefficient was based on the panel of comparable listed companies active in the market in which the Group operates, equal to 0.98;
- addtional rsk premium equal to 3.7%.

Cost of debt:
it has been estimated at a rate equal to the 10-year EurIRS (0.8%), increased by a specific spread (equal to 3.9%) that emerges from the credit spread analysis of a panel of comparable companies.
A debt/equity ratio of 38% was also adopted, based on the average debt ratio of a panel of comparable companies.
The WACC thus obtained amounts to 10.2% (pre-tax WACC 13.8%).
The terminal value was calculated on a perpetual basis, assuming a growth rate of zero (g=0) and a cash flow from operating activities based on the last year of the business Plan (2020).
The Group also performed a sensitivity analysis of the model, changing the above parameters to test its robustness and validity.

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 sensitivity analysis considered.
Finally, further stress test analysis were developed, showing that the central value of the recoverable amount is always higher than the carrying amount.
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 Group's trademarks and goodwill is recoverable.

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

	BASE SCENARIO	WACC	GROWTH RATE	CASH FLOWS FROM OPERATING ACTIVITIES
WACC	10.20%	**12.80%**	10.20%	10.20%
Growth rate "g"	0.00%	0.00%	**(3.2%)**	0.00%
Cash flows from operating activity	100%	100%	100%	**86.1%**

With reference to intangible assets with a finite life, including the customer relationships and databases (totalling €21,750 thousand), 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.

7. Intangible assets with a finite useful life

Intangible assets with a finite useful life totaled €56,193 thousand at December 31, 2017 (€66,605 thousand at December 31, 2016) and can be broken down as follows:

(euro/thousand)	YEAR 2017					YEAR 2016
	CUSTOMER RELATIONSHIPS AND DATABASE	SOFTWARE	PATENTS, CONCESSION, BRANDS AND LICENCES	OTHER INTANGIBLE ASSETS	TOTAL	TOTAL
Opening balance	**26,983**	**36,033**	**142**	**3,447**	**66,605**	**93,360**
- Investments	-	19,082	551	2,125	21,758	21,053
- Purchases	*-*	*11,869*	*551*	*903*	*13,323*	*13,012*
- Capitalized costs	*-*	*7,213*	*-*	*1,222*	*8,435*	*8,041*
- Amortization	(5,228)	(26,313)	(219)	(262)	(32,022)	(42,874)
- Impairment losses		(108)		(31)	(139)	(5,291)
- Change in consolidation scope (**)	-	-	-	-	-	420
- Changes	1	2,645	(1)	(2,654)	(9)	(63)
Closing balance	**21,756**	**31,339**	**473**	**2,625**	**56,193**	**66,605**
of which:						
Cost	*35,128*	*228,851*	*915*	*22,366*	*287,260*	*229,527*
Accumulated amortization	*(13,372)*	*(197,512)*	*(442)*	*(19,741)*	*(231,067)*	*(162,922)*

(**) At December 31, 2016 this includes the items of the 12.54 service sold in 2017

Intangible assets with a finite useful life consist of:

- Customer Relationship and Database, of €21,756 thousand at December 31, 2017, relating to assets called Customer Relationships for €18,477 thousand and Database for €3,279 thousand. In 2017, this item decreased as a result of the amount of amortization for the year, which came to €5,228 thousand.
- Software, for €31,339 thousand at December 31, 2017 which includes the costs for purchases from third parties and the internal implementation of programs owned and used under license mainly to improve the algorithms used by search engines and to support new commercial offers regarding Internet & Mobile services. During 2017, the item decreased due to amortization of €26,313 thousand, but investments were made for €19,082 thousand, of which €7,213 thousand related to personnel expense, to support, in particular, the new commercial offers on the Internet & Mobile platforms in Italiaonline S.p.A..
- *patents, concessions, trademarks and licenses*, amounted to €473 thousand at December 31, 2017 (€142 thousand at December 31, 2016);
- *other intangible assets*, amounting to €2,625 thousand at December 31, 2017 (€3,447 thousand at December 31, 2016), refer primarily to software projects in progress.

Capital expenditure, referred to intangible assets and property, plant and equipment, amounting to €26,323 thousand, relates to the following areas of activity:

- ITALIAONLINE segment: €24,128 thousand in 2017 (of which €6,689 thousand related to Italiaonline S.p.A. personnel expense) for:
  i) configuration and commissioning of Supernap Italia data center dedicated to hosting the Group's IT services;
  ii) purchase of three-year licenses for the Open X-Change mail system;
  iii) structural and plant modifications for the Florence, Pisa and Assago headquarters;

iv) product license for use of the "AdVantage Platform" (Matchcraft) that allows the use of application services for the implementation and management of marketing campaigns;
v) development of the IOL Audience platform for the integrated management of Google ADwords, Google Display and Facebook Adv campaigns;
vi) support for improvements to the on-line, publishing and commercial sectors.

- Consodata S.p.A. €2,168 thousand in the year 2017 (of which €1,027 thousand for personnel expense) for the development of software platforms, the enrichment of the database and the purchase of databases.

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

	YEAR 2017
Customer relationships and Databases	13-25%
Software	20-100%
Patents, concessions, brands and licenses	20-100%
Other intangible asssets	20%

8. Property, plant and equipment

Property, plant and equipment amounted to €9,430 thousand at December 31, 2017. This item was recorded net of accumulated depreciation totaling €42,377 thousand at the reporting date, which as a proportion of the gross amount was 81.80%.
These are broken down as follows:

	YEAR 2017				YEAR 2016
(euro/thousand)	PROPERTY	PLANT AND EQUIPMENT	OTHER ASSETS	TOTAL	TOTAL
Opening balance	**1,624**	**638**	**6,392**	**8,654**	**11,752**
- Investments	630	602	3,333	4,565	2,102
- Depreciation and impairment losses	(603)	(368)	(2,810)	(3,781)	(5,134)
- Disposals and other changes	1	97	(106)	(8)	(66)
Closing balance	**1,652**	**969**	**6,809**	**9,430**	**8,654**
of which:					
Cost	*5,870*	*2,239*	*43,698*	*51,807*	*47,408*
Accumulated depreciation	*(4,218)*	*(1,270)*	*(36,889)*	*(42,377)*	*(38,754)*

Property, plant and equipment include:

- *property* of €1,652 thousand at December 31, 2017 (€1,624 thousand at December 31, 2016). During 2017, the assets were depreciated by €603 thousand;
- *plant and equipment* of €969 thousand at December 31, 2017 (€638 thousand at December 31, 2016). This item decreased during the year, mainly as a result of depreciation, by €368 thousand;
- *other assets* of €6,809 thousand at December 31, 2017 (€6,392 thousand at December 31, 2016), of which €5,295 thousand related to IT equipment and systems. This item decreased during the year, mainly as a result of depreciation, by €2,810 thousand. Investments during the year amounted to €3,333 thousand, of which €2,423 thousand of Italiaonline S.p.A. mainly related to the technological upgrading of the Data Center.

The accumulated depreciation (€42,377 thousand at December 31, 2017) 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:

	YEAR 2017
Improvements to third party assets	14-39%
Plant and equipment and improvements to third party assets	15-57%
Other assets	10-50%

9. Other equity investments

This item includes the fair value measurement of 16.24% of the equity investment held by Italiaonline S.p.A. in 11880 Solutions AG for €2,699 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 equity investment at fair value at December 31, 2017 resulted in positive effect of € 589 thousand.

10. Other non-current financial assets

Other non-current financial assets as at December 31, 2017 totaled €2,901 thousand (€3,469 thousand at December 31, 2016) and specifically include loans to employees for €2,609 thousand, disbursed at market rates for transactions of this nature.

11. Inventories

The amount of inventories can be broken down as follows:

	YEAR 2017				YEAR 2016 TOTAL
(euro/thousand)	RAW MATERIAL, SUPPLIERS AND CONSUMABLES	WORK IN PROGRESS AND SEMI-FINISHED PRODUCTS	FINISHED GOODS	TOTAL	
Opening balance	**1,031**	**1,176**	**3**	**2,210**	**3,789**
Increase (decrease)	(948)	(89)	(154)	(1,191)	(1,297)
(Accrual to) Release of the provision for the write-down of inventory	-	-	-	-	(22)
Reversal of Held for sale recognition (*)	3	105	155	263	(263)
Other changes	-	(1)	(2)	(3)	3
Closing balance	**86**	**1,191**	**2**	**1,279**	**2,210**

(*) This includes the reversal of the classification of Consodata items as Held for Sale recognized at December 31, 2016..

Inventories at December 31, 2017 amounted to €1,279 thousand (€2,210 thousand at December 31, 2016); 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.

12. Trade receivables

(euro/thousand)	YEAR 2017 TRADE RECEIVABLES	YEAR 2017 ALLOWANCE FOR IMPAIRMENT	YEAR 2017 CARRYING AMOUNT	YEAR 2016 CARRYING AMOUNT
Opening balance	**203,917**	**(42,131)**	**161,786**	**197,070**
Accruals	-	(7,948)	(7,948)	(13,726)
Utilization	(17,358)	17,358	-	36,300
Reclassification of receivables previously recognized as Held for sale (*)	7,853	(3,196)	4,657	(4,657)
Estimation revised	-	2,256	2,256	100
Other changes	(22,956)	(1)	(22,957)	(52,097)
Change in consolidation scope (**)		-	-	(1,204)
Closing balance	**171,456**	**(33,662)**	**137,794**	**161,786**

(*) This includes the reversal of the classification of Consodata items as Held for Sale recognized at December 31, 2016..
(**) This includes the deconsolidation of Europages Group at December 31, 2016.

Trade receivables, net of the allowance for impairment amounted to €137,794 thousand at 31 December 2017. The change in these receivables included the reversal, equal to €4,657 thousand, of the reclassification of Consodata S.p.A. assets as held for sale made at December 31, 2016, following the 2017 decision by the Parent not to sell its stake in Consodata S.p.A.
The *allowance for impairment* amounted to €33,662 thousand at December 31, 2017 (€42,131 thousand at December 31, 2016), entirely relating, in the amount of €32,634 thousand, to Italiaonline S.p.A., and is considered sufficient to cover estimated losses for customer insolvency.
During 2017, the allowance was used directly as a result of unrecoverable amounts, for €17,358 thousand (including €17,038 thousand relating to Italiaonline S.p.A.) without affecting profit or loss and was reinstated with an accrual of €7,948 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.
For a more detailed analysis of the Group's credit risk, see Note 18 herein.

13. Other assets (current and non-current)

Other assets (current and non-current) amounted to €60,965 thousand at December 31, 2017 (€63,737 thousand at December 31, 2016), detailed as follows:

(euro/thousand)	AT 12.31.2017	AT 12.31.2016	CHANGE
Advances on sales commissions and other amounts due from agents	17,139	21,702	(4,563)
Prepayments	6,306	6,624	(318)
Advances to suppliers	838	534	304
Other receivables	12,830	11,317	1,513
Total other current assets	**37,113**	**40,177**	**(3,064)**
Other non-current assets	**23,852**	**23,560**	**292**
Total other current assets and non-current assets	**60,965**	**63,737**	**(2,772)**

Specifically:
- *advances on sales commissions and other amounts due from agents* amounted to €17,139 thousand at December 31, 2017 (€21,702 thousand at December 31, 2016) and are recognized net of the related allowance for impairment for an amount totaling €3,822 thousand at December 31, 2017 (€11,630 thousand at December 31, 2016);
- *prepaiments* amounted to €6,306 thousand at December 31, 2017 (€6,624 thousand at December 31, 2016). This item includes the deferral of direct production costs with the same time periods with which the corresponding revenue is recognized in the income statement;
- *advances to suppliers*, totaling €838 thousand at December 31, 2017 (€534 thousand at December 31, 2016);
- *other receivables*, amounting to €12,830 thousand at December 31, 2017 (€11,317 thousand at December 31, 2016), mainly include amounts due from INPS for €3,328 thousand, guarantee deposits equal to €228 thousand and receivables amounting to €5,971 thousand, which arose as a result of the provisional payment made for the pending judgment related 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) on the so-called "Senior loan";
- *other non-current assets* of €23,852 thousand at December 31, 2017 relate to: *i)* €4,518 thousand tax assets for the reimbursement of the excess 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)* €18,900 thousand corporation tax (IRES) asset, including interest, emerging from the national tax consolidation of the Italiaonline Group reported in previous tax periods requested for reimbursement by the Parent submitted in the 2014 Global National Consolidation form (Consolidato Nazionale Mondiale).

14. Equity

Equity is broken down as follows:

(euro/thousand)	AT 12.31.2017	AT 12.31.2016	CHANGE
Share capital	20,000	20,000	-
Share premium reserve	117,217	117,217	-
Legal reserve	4,000	4,000	
Actuarial reserve	(1,386)	(1,691)	305
Other reserves	149,345	205,161	(55,816)
Profit for the year	26,417	22,650	3,767
Total equity attributable to the owners of the Parent	**315,593**	**367,337**	**(51,744)**
Total equity attributable to non-controlling interests	**-**	**-**	**-**
Total equity	**315,593**	**367,337**	**(51,744)**

Share capital

The share capital stood at €20,000 thousand at December 31, 2017.
At December 31, 2017, the share capital consisted of 114,761,225 ordinary shares and 6,803 savings shares.
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 in this amount, as Italiaonline S.p.A. is not planning to repay this portion of the capital.

Share premium reserve

The share premium reserve stood at €117,217 thousand at December 31, 2017.
It 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. Deferred tax liabilities were not calculated since the Group is not planning to distribute the share premium reserve.

Legal reserve

The share capital stood at €4,000 thousand at December 31, 2017.
It should be noted that this reserve is subject to taxation in the event of distribution with regard to €1,499 thousand pursuant to article 109 of the consolidated income tax act, and with regard to €2,501 thousand due to the realignment carried out in 2005 pursuant to Law no. 342/2000.

Actuarial reserve

The actuarial reserve at December 31, 2017 was a negative €1,386 thousand (€1,691 thousand at December 31, 2016) and included the effect of recording actuarial gains (losses) on the Past-employment benefits – the portion remaining in the group due to their recognition in the consolidated financial statements pursuant to IAS 19, paragraph 93 as a defined benefit plan.
For more details on how these amounts were determined, see Note 19 herein.

Other reserves

Other reserves show a balance of €149,345 thousand at December 31, 2017 (of which €21,401 thousand included in this reserve is subject to taxation in case of distribution) and refer to:

- *purchase price allocation reserve* amounting to €17,446 thousand, recorded in 2016 following the allocation to the assets and liabilities of the respective "Purchase Cost" fair value, net of the related tax effect;
- *reserve for stock options* equal to €2,374 thousand;
- *other reserves and retained earnings (losses carried forward*) equal to €129,303 thousand.

15. Other comprehensive income (losses)

Other comprehensive income (losses) is broken down as follows:

(euro/thousand)	YEAR 2017	YEAR 2016
Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss for the year		
Net actuarial gains (losses)	403	(1,197)
Tax effect of net actuarial gains (losses)	(97)	329
Other changes of the year	-	-
Total other comprehensive income (expense) that will not be subsequently reclassified to profit or loss for the year	306	(868)
Other comprehensive income (expense) that will be subsequently reclassified to profit or loss		
Net fair value gains (losses) on AFS securities and investments	589	
Other changes of the year	-	-
Total other comprehensive income (expense) that will be subsequently reclassified to profit or loss	589	
Total other comprehensive income (expense), net of tax effect	**895**	**(868)**

16. Earnings per share

Earnings per share are calculated by dividing profit or loss by the average number of outstanding shares throughout the year.

		AT DECEMBER 31, 2017	AT DECEMBER 31, 2016
Number of Italiaonline S.p.A. shares		114,768,028	114,768,028
- *ordinary shares*	*no.*	*114,761,225*	*114,761,225*
- *saving shares*	*no.*	*6,803*	*6,803*
Shares outstanding (*)		*114,768,028*	*114,761,257*
Profit for the year	€/thousand	26,417	22,650
Earnings per share	€	0.230	0.197

(*) The figure at December 31, 2016 refers to the average number of shares outstanding following the completion of the merger

Moreover, earnings per share are reported below also considering the shares granted under the stock option plan of the Parent (4,409,580).

		AT DECEMBER 31, 2017	AT DECEMBER 31, 2016
Number of Italiaonline S.p.A. shares	*no.*	119,177,608	117,788,149
Diluted earnings per share	€	0.222	0.192

17. Net financial indebtedness

The net financial indebtedness at December 31, 2017 improved by €72,947 thousand (positive in the amount of €122,117 thousand at December 31, 2016).
As at December 31, 2017, the net financial indebtedness was structured as follows

(euro/thousand)		AT 12.31.2017	AT 12.31.2016	CHANGE
A	Cash and cash equivalents	74,476	121,566	(47,090)
B	Other cash and cash equivalents	-	-	-
C	Trading securities	-	-	-
D=(A+B+C)	**Liquidity**	**74,476**	**121,566**	**(47,090)**
E.1	**Current financial receivables due from third parties**	**666**	**610**	**56**
E.2	**Current financial receivables due from related parties**	**-**	**-**	**-**
F	Current bank debt	-	-	-
G	Current portion of non-current debt	-	-	-
H.1	Other current financial debt to third parties	2,195	59	2,136
H.2	Other current financial debt due to related parties	-	-	-
I=(F+G+H)	**Current financial debt**	**2,195**	**59**	**2,136**
J=(I-E-D)	**Net current financial indebtedness**	**(72,947)**	**(122,117)**	**49,170**
K	Non-current bank debt	-	-	-
L	Bond issues	-	-	-
M.1	Other non-current loans due to third parties	-	-	-
M.2	Other non-current loans due to related parties	-	-	-
N=(K+L+M)	**Non-current financial debt**	**-**	**-**	**-**
O=(J+N)	**Net financial indebtedness (ESMA)**	**(72,947)**	**(122,117)**	**49,170**

The change in the net financial position with respect to December 31, 2016 reflects the payment of ordinary and extraordinary dividends on May 10, 2017, for a total amount of €80,032 thousand. For further details, please refer to paragraph "Main events of 2017" of the Report on operations.
In addition, on February 23, 2017, Italiaonline S.p.A. signed the deeds for the sale of the two remaining finance lease agreements, related to the buildings of the Turin office, in place with Mediocredito Italiano S.p.A., to the company Engineering Ingegneria Informatica S.p.A. Therefore the residual financial liability, which as at December 31, 2016 had been reclassified as a non-current liability held for sale, was derecognized.
A description of the items which constitute the net financial indebtedness is provided below:

Current financial debt

At December 31, 2017, it amounted to €2,195 thousand (€59 thousand at December 31, 2016) and related to *Other current financial debt due to third parties*. In particular, it related, in the amount of €2,136 thousand, to the amount, disbursed to all shareholders, for an advance payment on the sale of Emittente Titoli.

Current financial receivables

Current financial receivables amounted to €666 thousand at December 31, 2017 (€610 thousand at December 31, 2016) and mainly refer to loan assets amounting to €630 thousand (€519 thousand at December 31, 2016) and €36 thousand in loans to employees (€91 thousand at December 31, 2016).

Cash and cash equivalents
Cash and cash equivalents amounted to €74,476 thousand at December 31, 2017 (€121,566 thousand at December 31, 2016) and mainly refer to the Parent Italiaonline S.p.A. (€74,238 thousand). Approximately 3.19% of cash is subject to constraint/guarantee following the deed of arrangement.
To this purpose, it should be noted that, on February 2, 2018 the Parent obtained a favorable ruling from the Court of Turin, for the release of the amounts destined to the payment of untraceable or disputed suppliers.

18. Information on financial risks

Risk associated with financial debt
No risks related to financial indebtedness are recognized with respect to the financial position at December 31, 2017.

Credit risk
Italiaonline group's business is characterized 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 group 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 solicit, 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 collection through 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 80% of sales to SMEs (+2% per annum), which allows our group to better manage the dynamics of receipts at due dates.
The Company has also updated the software 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.
At December 31, 2017, trade receivables of the Italiaonline Group amounted to €137.8 million, almost entirely referred to the Parent Italiaonline S.p.A. (€135.8 million), which, at December 31, 2017, had around 200,000 customers spread all over Italy consisting mainly of small and medium-sized enterprises.
The amount of overdue trade receivables of Italiaonline at December 31, 2017 amounted to approximately €55 million (€68 million at December 31, 2016) with an average coverage percentage of the allowance for impairment amounting to about 59%, in line with prior years and deemed adequate. The monitoring at an early stage of the credit collection process described above has led the Group to gradually decrease overdue trade receivables compared to total receivables, the main macroscopic indicator of credit quality.
Exposure to credit risk - represented in the consolidated 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 December 31.
At December 31, 2017 the allowance for impairment related to Italiaonline S.p.A. amounted to €32.6 million (€33.7 million at Group level), down compared to December 31, 2016 (€42.1 million at Group level) because, despite their utilization, the valuation of receivables outstanding at December 31, 2017 was qualitatively better, due to the reduction of the overdue outstanding time period and gradual improvement of receipts at due dates.

Financial instruments

The assets and liabilities at December 31, 2017 in accordance with to IAS 39 and on the basis of IFRS 7 indications, are recognized at cost with the exception of the investment held by Italiaonline S.p.A. in 11880 Solutions AG, which under IAS 39 represents an available-for-sale financial asset. The fair value is based on market prices (level 1).

19. Non-current provisions for employees

Italiaonline 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 fulfills 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 (€3,516 thousand in 2017).
Defined-benefit plans are either unfunded, as in the case of past-employement benefits 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 2017

	YEAR 2017			YEAR 2016
(euro/thousand)	PAST-EMPLOYMENT BENEFITS - PORTION REMAINING WITH THE GROUP	DEFINED CONTRIBUTION PLANS	TOTAL	TOTAL
Opening balance	**17,832**	**1,183**	**19,015**	**18,393**
Accruals	1,170	3,516	4,686	4,878
Contributions	-	953	953	1,104
Benefits paid/disbursements	(2,455)	(4,246)	(6,701)	(5,028)
Discount interest	234	-	234	281
Actuarial losses (gains) recognised in equity	(403)	-	(403)	1,197
Change in consolidation scope (*)	-	-	-	194
Reversal of Held for sale recognition (**)	834	168	1,002	(1,002)
Other changes	(67)	(449)	(516)	(1,002)
Closing balance	**17,145**	**1,125**	**18,270**	**19,015**

(*) In 2016 this includes data relating to the deconsolidation of Europages Group and data referring to employees of 12.54 service.
(**) This includes in 2017 the reversal of the classification of Consodata items as Held for Sale recorded in 2016.

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.

Past employement benefits - portion remaining in the Group

Past employment benefits portion remaining with the Group, amounting to €17,145 thousand at December 31, 2017 (€17,832 thousand at December 31, 2016), were measured (being considered a defined benefit plan according to the indications contained in revised IAS 19.
Following the entry into effect of the supplementary pension reform (Legislative Decree No. 252 of December 5, 2005), the structure past employment benefits, as of January 1, 2007, changed from a defined benefit plan to a defined contribution plan. Consequently, the liability recorded in the consolidated financial statements represents the defined benefit plan liability – measured based on IAS 19 criteria – for employees for service up to December 31, 2006.
In addition, during 2017 changes in equity were recognized in the amount of €403 thousand (€306 thousand, net of the tax effect), of which €241 thousand is attributable to the Parent Italiaonline S.p.A.. Pursuant to IAS 19, paragraph 93A, such gains are recorded, net of the related tax effects, directly in the statement of comprehensive income.

	(euro/thousand)	AT 12.31.2017	AT 12.31.2016
A.	**Change in defined benefit obligations**		
	1. Opening defined benefit obligations	17,832	17,000
	2. Current service cost	1,170	760
	3. Financial expense	234	281
	4. Benefits paid by plan/group	(2,455)	(640)
	5. Other changes and change in consolidation scope	767	(766)
	6. Changes recognised in equity (OIC effect)	(403)	1,197
	a. Effects due to changes in demographic assumptions	-	-
	b. Effects due to changes in financial assumptions	15	334
	c. Effects due to changes in actuarial assumptions	(1)	1,053
	d. Effects due to changes of assumptions from experience	(417)	(190)
	7. Curtailment		
	Closing defined benefit obligations	17,145	17,832
B.	**Reconciliation of assets and liabilities recognized in the statement of financial position**		
	Plans that are fully unfunded Plans that are wholly or partly funded		
	1. Present value of unfunded defined-benefit obligations at the end of the period	17,145	17,832
	2. Other changes		
	Net liability recognised in the statement of financial position	17,145	17,832
	Amounts in the statement of financial position		
	1. Liabilities	17,145	17,832
	2. Assets	-	-
C.	**Cost component**		
	Amounts recognized in the income statement		
	1. Current service costs	1,170	760
	2. Interest expense	234	281
	Total cost recognised in the income statement		

(euro/thousand)		AT 12.31.2017	AT 12.31.2016
D.	**Main actuarial ssumptions**		
	Weighted-average assumptions to determine defined benefit obligations		
	1. Discount rate	1.30%	1.31%
	2. Rate of inflation	1.50%	1.50%
	3. Annual increase rate of the past-employment benefits	2.63%	2.63%
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.
F.	**Sensitivity analysis - benefit obligation evaluation based on underlying assumptions**		
	1. Discount rate		
	a. Discount rate -0,25%	16,787	17,323
	a. Discount rate +0,25%	16,012	17,914
	2. Rate of inflation		
	a. Rate of inflation -0,25%	16,139	18,078
	b. Rate of inflation +0,25%	16,651	17,171
	3. Turnover rate		
	a. Turnover rate -1%	16,518	17,759
	b. Turnover rate +1%	16,281	17,490
	4. Weighted-average duration of benefit obligation (years)		
	- ITALIAONLINE S.p.A.	10	10.4
	- DLS	20.3	21
G.	**Expected cash flow for next year**		
	1. Contributions for the next year		
	2. Contributions forecast to reimbursements		
	- ITALIAONLINE S.p.A.	-	-
	- DLS	600	795
	2. Expected payments of total services		
	Year 1	1,974	1,346
	Year 2	829	1,036
	Year 3	876	1,059
	Year 4	962	978
	Year 5	1,035	1,044

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

20. Other non-current liabilities

Other non-current liabilities amounting to €19,505 thousand at December 31, 2017 (€31,540 thousand at December 31, 2016), are detailed as follows:

(euro/thousand)	YEAR 2017				YEAR 2016
	PROVISION FOR AGENTS' TERMINATION BENEFITS	OTHER NON-CURRENT OPERATING LIABLITIES	PROVISION FOR REORGANIZA-TION	TOTAL	TOTAL
Opening balance	**19,283**	**1,070**	**11,187**	**31,540**	**33,531**
Accruals	423	-	-	423	12,159
Utilizations	(1,085)	(563)		(1,648)	(1,651)
Discounting losses (gains)	(25)	-	209	184	980
Change in consolidation scope (*)	-	-	-	-	(14)
Reversal of Held for sale recognition (**)	418	-	-	418	(418)
Other changes	(12)	(4)	(11,396)	(11,412)	(13,047)
Closing balance	**19,002**	**503**	**-**	**19,505**	**31,540**

(*) Includes data relating to the deconsolidation of Europages Group at December 31, 2016.
(**) This includes the reversal of the classification of Consodata items as Held for Sale at December 31, 2016.

The balances at December 31, 2017 for non-current provisions were calculated considering expected future cash flows using the pre-tax discount rate which reflects the current market valuation of the cost of money over time. The increase due to the passage of time and changes in the applied discount rate was recorded as a financial expense (€184 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, 2017 amounted to €19,002 thousand (€19,283 thousand at December 31, 2016) and decreased over the year by €281 thousand.
The *provision for reorganization*, non-current portion, at December 31, 2016 amounted to €11,187 thousand and it was related to the new personnel reorganization plan launched by the Parent in 2016. During 2017, it was entirely reclassified as current.

21. Current provisions for risks and charges (operating and non-operating)

These are broken down as follows:

(euro/thousand)	YEAR 2017 PROVISION FOR COMMERCIAL RISKS	YEAR 2017 PROVISIONS FOR CONTRACTUAL AND OTHER OPERATING RISKS	YEAR 2017 NON-OPERATING PROVISIONS	YEAR 2017 TOTAL	YEAR 2016 TOTAL
Opening balance	**4,963**	**11,874**	**16,961**	**33,798**	**36,048**
Accruals	504	1,993	2,592	5,089	18,180
Utilizations	(1,277)	(751)	(12,182)	(14,210)	(9,470)
Revision of estimates	-	(63)	(7)	(70)	(24,041)
Change in consolidation scope (*)	-	-	-	-	(7)
Other changes	1	(11)	11,369	11,359	13,088
Closing balance	**4,191**	**13,042**	**18,733**	**35,966**	**33,798**

(*) This item includes data relating to the deconsolidation of Europages Group at December 31, 2016.

Current provisions for risks and charges at December 31, 2017 amounted to €35,966 thousand (€33,798 thousand at December 31, 2016) and consist of:

- the *provision for commercial risks*, of €4,191 thousand at December 31, 2017 (€4,963 thousand at December 31, 2016), is commensurate with estimated charges for incomplete compliance with contractual obligations;
- the *provisions for contractual and other operating risks*, of €13,042 thousand (€11,874 thousand at December 31, 2016), include €5,862 thousand for legal disputes (€5,059 thousand at December 31, 2016) and €3,478 thousand for pending litigation with agents and employees (€3,359 thousand at December 31, 2016);
- the *non-operating provisions* - current portion - amounted to €18,733 thousand at December 31, 2017 (€16,961 thousand at December 31, 2016). They mainly include *(i)* €14,264 thousand for the *provision for restructuring - current portion*, mainly related, in the amount of €13,429 thousand to the new personnel reorganization launched by the Parent in 2016 and in the amount of €567 thousand, to the personnel reorganization process started in Consodata S.p.A. in 2017; *(ii)* €2,569 thousand of the *restructuring provision for the sales network*, of which €374 thousand were used in 2017; *(iii)* €750 thousand, unchanged compared to December 31, 2016, 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 favor of the TDL Fund, bearing in mind the winding-up proceedings applied.

22. Trade payables and other current liabilities

Trade payables and other current liabilities are detailed as follows:

(euro/thousand)	AT 12.31.2017	AT 12.31.2016	CHANGE
Payables to suppliers	64,671	66,845	(2,174)
Payables to agents	14,996	17,139	(2,143)
Payables to employees	15,921	21,299	(5,378)
Payables to social security institutions	4,984	5,158	(174)
Payables to others	541	586	(45)
Total trade payables	**101,113**	**111,027**	**(9,914)**
Liabilities for services to be provided	89,404	98,795	(9,391)
Advances from customers	2,397	3,855	(1,458)
Other current liabilities	4,532	7,757	(3,225)
Total liabilities for services to be provided and other current liabilities	**96,333**	**110,407**	**(14,074)**

All trade payables have a maturity of less than 12 months.
Specifically:

- *payables to suppliers*, of €64,671 thousand at December 31, 2017 (€66,845 thousand at December 31, 2016) include €61,828 thousand relating to Italiaonline S.p.A.;
- *payables to agents*, of €14,996 thousand (€17,139 thousand at December 31, 2016), are considered in conjunction with the item "advances on sales commissions" recognized in "other current assets" amounting to €17,139 thousand (€21,702 thousand at December 31, 2016);
- *liabilities for services to be provided* amounted to €89,404 thousand (€98,795 thousand at December 31, 2016); 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 on-line and on-voice services.

23. Revenue from sales and services

Revenue from sales and services amounted to €335,925 thousand in 2017, of which €330,232 thousand was attributable to revenue of the ITALIAONLINE segment (which includes revenue of Italiaonline S.p.A., Moqu and Digital Local Services).
For an analysis of revenue, please refer to the Report on Operations in the Economic and Financial Performance by Business segment section.

24. Other operating costs and revenue

24.1 Other income

Other income totaled €4,565 thousand in 2017 (€4,031 thousand in the previous year). The item includes €1,877 thousand relating to the recovery of costs from third parties (mainly administrative, legal and postal costs) and €2,688 thousand relating to other income of different nature.

24.2 Costs of materials

The costs of materials amounted to €2,321 thousand in 2017 down by €11,618 thousand compared to 2016 (€13,939 thousand). The decrease, compared to the previous year, is due to the decision to ask printers to buy the paper for the printing of smartbooks, without directly purchasing it.

24.3 Costs for external services

The costs for external services in 2017 amounted to €180,222 thousand (€192,130 thousand in the previous year). The strategic initiatives aimed at containing costs have involved all types of operating costs. In particular, the following cost cuts were implemented on the following:

- *commissions and other agent costs*, by €1,523 thousand, for a total of €47,010 thousand;
- *consulting and professional services*, amounting to €12,715 thousand, a decrease of €1,953 thousand;
- *distribution and stocking costs*, by €1,689 thousand, now amounting to €6,004 thousand;

24.4 Personnel expense

Personnel expense in 2017 amounted to €77,599 thousand (€99,782 thousand in 2016).
The Group's workforce - including directors, project collaborators and interns - was 1,830 people at December 31, 2017 (2,008 people at December 31, 2016). The active Group workforce, net of personnel under government-sponsored layoff schemes ("Cigs a zero ore") was 1,588 people at December 31, 2017, and 1,692 people at December 31, 2016. The full time equivalent (FTE) in 2017 was 1,492 people (1,794 people in 2016).

24.5 Allowances for impairment

Allowances for impairment losses are broken down as follows:

(euro/thousand)	YEAR 2017	YEAR 2016	CHANGE	
			ABSOLUTE	%
Allowance for impairment - trade receivables	5,780	13,726	(7,946)	(57.9)
Reversal of allowance for impairment - trade receivables	(88)	(104)	16	15.4
Impairment losses on other operating assets	1,878	1,097	781	71.2
Other impairment losses	-	175	(175)	(100.0)
Total allowances for impairment losses	**7,570**	**14,894**	**(7,324)**	**(49.2)**

24.6 Accruals to provisions for risks and charges, net

(euro/thousand)	YEAR 2017	YEAR 2016	CHANGE	
			ABSOLUTE	%
Provisions for commercial risk	504	1,208	(704)	(58.3)
Provisions for risks and operating charges	1,993	4,659	(2,666)	(57.2)
Reversal of provision for risks and current operating charges	(63)	(445)	382	85.8
Total accruals to provisions for risks and charges, net	**2,434**	**5,422**	**(2,988)**	**(55.1)**

For further details, see Note 21 herein.

24.7 Net non-recurring charges
The non-recurring charges came to €1,930 thousand (€9,356 thousand in 2016) and include the combined effect mainly resulting from the following:
- Income, amounting to €2,126 thousand, from 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.;
- Strategic consultancies, amounting to €2,106 thousand;
- Costs borne due to corporate reorganization, amounting to €943 thousand.

24.8 Net restructuring income (charges)
Net restructuring charges amounted to €2,061 thousand and almost entirely include the amount allocated to the provision for reorganization related to the personnel reorganization plan launched by Consodata S.p.A. in 2017.

25. Financial income and expense

25.1 Financial expense
Financial expense of €639 thousand in 2017 (€2,486 thousand in 2016) is detailed below:

(euro/thousand)	YEAR 2017	YEAR 2016	CHANGE ABSOLUTE	CHANGE %
Interest expense on lease liabilities	-	229	(229)	(100.0)
Exchange rate losses	16	44	(28)	(63.6)
Other financial expense	623	2,213	(1,590)	(71.8)
Total financial expense	**639**	**2,486**	**(1,847)**	**(74.3)**

Other financial expense are related, in the amount of €500 thousand, to interest expense mainly referring to Past-employment benefits. In 2016, this item also included €562 thousand for interest on the debt, 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.

25.2 Financial income
Financial income in 2017 amounted to €1,320 thousand (€2,555 thousand in 2016) including €435 thousand for interest income arising from the use of short-term liquidity in the banking system at market rates and €815 thousand for other financial income. In 2016, this item included €1,342 thousand related to the dividend distributed by the company Emittente Titoli S.p.A., as resolved at Shareholders' Meeting dated April 20, 2016.

26. Impairment losses on financial assets and losses on the disposal of equity investments

Impairment losses on financial assets and losses on the disposal of equity investments amounted, in 2016, to €1,499 thousand and mainly included €1,458 thousand related to the effects of the fair value measurement of the 16.24% in 11880 Solutions AG equity investment held by Italiaonline S.p.A..

27. Tax benefits (expense)

Tax expense for 2017 amounted to €2,025 thousand (tax benefits of € 23,341 thousand in 2016) and is broken down as follows

(euro/thousand)	YEAR 2017	YEAR 2016	CHANGE	
			ABSOLUTE	%
Current income taxes	(1,357)	(1,393)	36	2.6
Provision (reversal) of deferred tax assets	(4,975)	21,617	(26,592)	n.s.
(Provision) reversal of deferred tax liabilities	1,639	2,512	(873)	(34.8)
Income taxes referred to the previous year	2,668	605	2,063	n.s.
Total tax benefit (expense) for the year	**(2,025)**	**23,341**	**(25,366)**	**n.s.**

Current income taxes for the year 2017 amounted to €1,357 thousand (€1,393 thousand in 2016). The mainly relate to current IRAP tax.
The reversal of deferred tax assets equal to €4,975 thousand (provision for €21,617 thousand in 2016), mainly refers to the change in the provisions for risks and the portion of interest expense recovered in the current year from the Parent.
In addition, recoverability evaluations of the tax losses carried forward indefinitely and non-deductible interest expense as per Article 96 of the Consolidated Income Tax Law were made in the time horizon of the business plan available. This did not lead to further registrations already carried out in 2016. In this regard, it is noted that, for cumulative tax losses carried forward indefinitely for approximately €220 million, deferred tax assets calculated on the portion expected to be recovered amounted to €28 million at the end of the period.
Income tax for previous years equal to € 2,668 thousand mainly refers to the conversion of the portion of the deduction of 2016 ACE (Allowance for corporate equity) into IRAP tax assets pursuant to Legislative Decree 201/2011.
The reconciliation of the income taxes reported in the consolidated 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, 2017 and December 31, 2016 respectively is as follows:

(euro/thousand)	YEAR 2017	YEAR 2016
Pre-tax profit (loss)	**28.442**	**(691)**
Income taxes calculated with theoretical tax rate (27.90% from 2017, beforen 2017, 31.40%)	**(7.935)**	**217**
Tax effect on non-deductable expense for IRAP purposes (personnel expense, interest income and expense, etc.)	(3.435)	(5.150)
Deferred tax adjustment due to rate change	-	(1.301)
Benefits on tax losses not recognized in previous years	2.668	604
Non-deductible interest expense of previous years	-	15.401
Deferred tax assets recognisable in the year	5.342	20.587
IRES Tax effect due to the reduction of liabilities for deed of arrangement	-	16
Permanent differences and other movements	1.336	(7.033)
Total tax benefit (expense)	**(2.025)**	**23.341**

The permanent differences that comprise an income of €1,336 thousand are mainly attributable to:
- tax effect on tax losses for the year on which no further deferred tax assets have been recorded, as it is not considered possible to recover them over the available plan horizon;
- IRAP deductions for tax wedges and further deduction of costs for employees with open-ended contracts introduced by Law 190/2014.

Net deferred tax assets and liabilities

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

(euro/thousand)	AS AT 12.31.2016	CHANGES DURING THE YEAR			AS AT 12.31.2017
		INCOME TAXES ACCOUNTED FOR IN THE INCOME STATEMENT	INCOME TAXES ACCOUNTED FOR IN EQUITY	FOREIGN EXCHANGE ADJUSTMENTS AND OTHER MOVEMENTS AND CHANGE IN CONSOLIDATION SCOPE	
Deferred tax assets					
Tax losses	7,394	(9)	-	-	7,385
Allowance for impairment	9,973	(2,271)	-	-	7,702
Provisions for contractual risks	14,564	(1,632)	-	-	12,932
Deferred tax assets not recognized	(5,344)	5,344	-	-	-
Interest expense	15,401	(4,811)	-	-	10,590
Provision for employees	202	658	(39)	-	821
Goodwill [1]	2,069	(833)	-	-	1,236
Other	1,709	(1,421)	-	-	288
Total deferred tax assets	***45,968***	***(4,975)***	***(39)***	***-***	***40,954***
Deferred tax liabilities					
Data Base	(1,651)	549	-	-	(1,102)
Customer Relationship	(6,060)	910	-	-	(5,150)
Brands	(49,004)	-	-	1,740	(47,264)
Provision for employees	78	-	(58)	-	20
Other	1,556	181	-	(1,740)	(3)
Total deferred tax liabilities	***(55,081)***	***1,640***	***(58)***	***-***	***(53,499)***
Net deferred tax liabilities	**(9,113)**	**(3,335)**	**(97)**	**-**	**(12,545)**
Shown in the statement of financial position:					
Deferred tax assets	*152*				*117*
Deferred tax liabilities	*(9,265)*				*(12,661)*

[1] It dues not refer to Goodwill accounted in the Consolidated Financial Statements at December 31, 2017.

The changes during the year include the release of deferred tax assets related to the movement of the provisions for risks and the portion of interest expense recovered in the current year referring to the portion of interest expense recovered in the current year.
It should therefore be noted that, at the end of the period, the residual interest expense that can be carried forward amounts to approximately €579 million and that deferred tax assets calculated on approximately €44 million are recognized, quantified on gross operating profit (as per Article 96 of the Consolidated Law of Income Taxes) that is expected to be made within the plan horizon available to date, making it possible to deduct in the future a portion of the interest expense reported by the previous tax periods.

Current tax assets

Current tax assets amounted to €10,194 thousand at December 31, 2017 (€7,215 thousand at December 31, 2016) and are detailed as follows:

(euro/thousand)	AT 12.31.2017	AT 12.31.2016	CHANGE
Income tax assets	9,838	6,845	2,993
Other tax assets	356	370	(14)
Total current tax assets	**10,194**	**7,215**	**2,979**

Current tax assets of €9,838 thousand at December 31, 2017 are related for €8,175 thousand to the Parent.

Current tax liabilities

Current tax liabilities amounted to €5,798 thousand at December 31, 2017 (€4,260 thousand at December 31, 2016) and are detailed as follows:

(euro/thousand)	AT 12.31.2017	AT 12.31.2016	CHANGE
Income tax liabilities	1,409	759	650
Other tax liabilities	4,389	3,501	888
Total current tax liabilities	**5,798**	**4,260**	**1,538**

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

Dispute with the Italian Tax-Authorities for failure to apply tax withholding

In 2014 and 2015 the the Italian Tax-Authorities - Lombardy Regional Office (Agenzia delle Entrate - Direzione Regionale della Lombardia, hereinafter "DRE"), notified Italiaonline S.p.A. (the Parent) a total of 6 tax assessment notices claiming the Parent had failed to apply withholding taxes on interest paid to the Royal Bank of Scotland (Milan branch) on the "Senior loan" in the year 2009 (notice of assessment notified on December 24, 2014) and in the years 2010, 2011 and 2012 (5 notices of assessment notified on October 5, 2015).
The Parent, supported by its own tax advisors, has challenged the aforementioned assessment notices.
Both the Provincial Tax Commission of Milan with a ruling filed on December 1, 2015 (hereafter, the "First Instance Ruling 2009") and the Regional Tax Commission of Lombardy with a ruling filed on February 6, 2018 (hereinafter, the "Second instance 2009'') upheld the Parent's appeal against the assessment notice for the 2009 tax period and ordered its cancellation.
On the other hand, the Provincial Tax Commission of Milan with a ruling filed on 29 May 2017 (hereinafter the "First Instance ruling 2010-2011-2012"), with a decision opposed to that adopted by the Provincial Tax Commission of Milan with the First ruling 2009, confirmed the legitimacy of the 2010, 2011 and 2012 Notices istance on thus regard. The Parent appealed against this decision, on December 19, 2017.
The Parent, supported by its consultants, taking into account the arguments put forward to support the correctness of its actions and the favorable decisions set forth in the First Instance ruling 2009 and in the Second Instance ruling 2009, believes that, despite the unfavorable decision reported in the First Instance ruling 2010-2011-2012, the risk of having to use resources to produce economic benefits relative to the notices of assessment notified by DRE should not be considered probable, but possible, at most. Therefore, pursuant to IAS 37, no provision was made for tax risks and charges on this basis.
More information on the dispute with the Tax Authorities for alleged failure to apply withholding taxes and other more significant disputes are reported in the Report on Operations in the section "Administrative, judicial and arbitration proceedings in which the Italiaonline Group is involved".

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

The Stock Option Plan issued by the Parent is structured in two tranches, Tranche A and Tranche B, for a total of no 3,399,921 option rights, the performance periods of which correspond to:
- for Tranche A, the period between January 1, 2014 and December 31, 2016;
- for Tranche B, for the period between January 1, 2016 and December 31, 2018.

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. Once the exercise period has come to an end, unexercised options shall be cancelled.
The options can be exercised individually by the beneficiaries during the Exercise Period except during blackout periods.
This long term time horizon is defined in line with the strategic planning cycle of the Parent, with the aim of focusing the beneficiaries on creating medium to long-term value and the need to put in place retention tools over the long-term period.
The Stock Option Plan is aimed at managers and Executive Directors identified by the Board of Directors who hold organizational positions of significant importance to the Parent or its subsidiaries, or otherwise deemed worthy of incentivization and/or 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. The Board of Directors of May 11, 2017 ratified the achievement of the financial objective as regards Tranche A.
- Tranche B: target of cumulative EBITDA for 2016-2018 consisting of the post-merger Company EBITDA for 2016, 2017 and 2018.

In the event that the minimum level of performance is not achieved, 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 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 for 2017 is approximately €978 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.).
For the assumptions regarding the parameters used in the calculation of fair value, with regard to volatility, the historical average of a panel of comparable data, considered to be representative of the business and the characteristics of the Parent, was used.

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

It should be noted that as a result of the Parent's decision not to divest its shareholding in Consodata S.p.A., the assets and liabilities relating to the subsidiary were no longer classified under "Non-current assets held for sale" and the relative asset and liability balances at December 31, 2017 were therefore shown separately in the respective items of the statement of financial position. In line with the provisions of IFRS 5, the assets and liabilities relating to Consodata S.p.A. were measured at the lower of the recoverable amount calculated at the date on which the decision was taken not to sell and their carrying amount before the assets were classified as held for sale, adjusted for any amortization, depreciation, impairment losses and reversals of impairment losses that would have been recognized had the assets not been classified as held for sale.
At December 31, 2016, these items included amounts related to the residual debt and portion of intangible assets recorded in the Assets of the financial statements and related to two remaining finance leases, related to the buildings of the branch of Turin, in place with Mediocredito Italiano S.p.A., following the sale of the agreements to the company Engineering Ingegneria Informatica S.p.A..

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

(euro/thousand)	AT 12.31.2017	*AT 12.31.2016 CONSODATA S.P.A*	*AT 12.31.2016 LEASING*	AT 12.31.2016
Lease assets	-	-	5,859	5,859
Inventories	-	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***
Non-current provisions for personnel	-	*1,002*	-	*1,002*
Other non-current liabilities	-	*414*	-	*414*
Non-current loans and borrowings	-	-	*6,824*	6,824
Current loans and borrowings	-	-	*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***

30. 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, 2017 and the results of operations for the year then ended are summarized 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 that may represent a conflict of interest and there were no changes or developments of related party transactions described in the latest approved financial statements that had a material effect on the financial position or results of operations of the Group.

Income statement

(euro/thousand)	YEAR 2017	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Revenue from sales and services	335,925	-	-	2	-	2
Other income	4,565	-	-	-	338	338
Costs for external services	(180,222)	-	-	-	(4,388)	(4,388)
Personnel expense	(77,599)	-	-	-	(3,018)	(3,018)

(*) "Other related parties" include Directors, statutory auditors, key management personnel

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

(*) "Other related parties" include Directors, statutory auditors, key management personnel

Statement of financial position

(euro/thousand)	DECEMBER 31, 2017	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Assets						
Intangible assets with finite useful life	56,193	-	-	-	8	8
Property, plant and equipment	9,430	-	-	-	117	117
Other non-current financial assets	2,901	-	-	-	-	-
Other current assets	37,113	90	-	-	129	219
Liabilities						
Trade payables	101,113	-	-	-	2,737	2,737
Liabilities for services to be provided and other current liabilities	96,333	-	-	-	242	242

(*) "Other related parties" include Directors, statutory auditors, key management personnel

(euro/thousand)	AS 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

(*) "Other related parties" include Directors, statutory auditors, key management personnel

Statement of cash flows

(euro/thousand)	YEAR 2017	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Cash flows used in operating activities	56,044	-	-	36	(6,728)	(6,692)
Cash flows used in investing activities	(25,709)	-	-	-	-	-
Cash flows used in financing activities	(77,425)	-	-	-	-	-
Cash flows from non-current assets held for sale and discontinued operations	-	-	-	-	-	-
Cash flows of the year	**(47,090)**	**-**	**-**	**36**	**(6,728)**	**(6,692)**

(*) "Other related parties" include Directors, statutory auditors, key management personnel

(euro/thousand)	YEAR 2016	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Cash flows used in operating activities	60,443	-	-	102	(9,285)	(9,183)
Cash flows used in investing activities	(23,512)	-	-	-	-	-
Cash flows used in 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)**	**-**	**-**	**102**	**(9,285)**	**(9,183)**

(*) "Other related parties" include Directors, statutory auditors, key management personnel

31. 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	315,487	26,311	72,947	(47,090)
Net non-recurring and restructuring costs	(3,991)	(3,991)	(20,635)	(20,635)
of which:				
- Strategic consulting and other non- recurring charges	*2,106*	*2,106*	*(4,749)*	*(4,749)*
- Cash in from sale of 12.54 activities	*-*	*-*	*1,000*	*1,000*
- Income from taking over finance lease agreements related to buildings	*2,126*	*2,126*	*-*	*-*
- Personnel and agents reorganization	*3,004*	*3,004*	*(13,323)*	*(13,323)*
impact%	*-1.3%*	*-15.2%*	*-28.3%*	*n.s*

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

32. Other information

Summary of fees paidto the independent auditors and the entities belonging to its network.

Under Article 149 duodecies of the Consob Issuer Regulation (Resolution no. 11971/1999 and subsequent amendments), the following table shows the 2017 fees charged for audit services to Italiaonline group companies by KPMG S.p.A. and the entities belonging to its network and by PwC S.p.A.

(euro/thousand)	YEAR 2017	YEAR 2016
KPMG S.p.A.		
Italiaonline S.p.A.		
- Audit	239	209
- Agreed-upon procedures on subsidiaries	72	72
- Other audit services	60	
Consultanties	38	
Total	**409**	**281**
Subsidiaries		
- Audit	12	12
- Other Audits by entities of the KMPG network	-	8
Total	**12**	**20**
Subsidiaries audited by PWC		
- Audit	49	78
- Other services and assignments to entities of the PricewaterhouseCoopers network	27	-
Total	**76**	**78**

List of equity 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/QUOTA CAPITAL		ORDINARY SHARES/QUOTAS HELD		% HELD BY ITALIAONLINE
				%	BY	
ITALIAONLINE S.p.A.	Assago (Italy)	Euro	20,000,410			
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 in liquidation (online advertising)	Dublin (Ireland)	Euro	1	100.00	Moqu Adv S.r.l.	100.00
COUPONING ITALIA S.r.l. in liquidation (e-commerce)	Milan (Italy)	Euro	100,000	100.00	Italiaonline S.p.A.	100.00
CONSODATA S.p.A. (direct marketing services, database creation, management and distribution)	Assago (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 in liquidation (holding)	Munich (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 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. in liquidation (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 BRESCIA 1 S.r.l. in liquidation (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

Company (business)	REGISTERED OFFICE	SHARE/QUOTA CAPITAL		ORDINARY SHARES/QUOTAS HELD %	ORDINARY SHARES/QUOTAS HELD BY	% HELD BY ITALIAONLINE
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. in liquidation (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 liquidation (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
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. (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

Company (business)	REGISTERED OFFICE	SHARE/QUOTA CAPITAL		ORDINARY SHARES/QUOTAS HELD		% HELD BY ITALIAONLINE
				%	BY	
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 liquidation (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
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. in liquidation (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. in liquidation (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

Company (business)	REGISTERED OFFICE	SHARE/QUOTA CAPITAL		ORDINARY SHARES/QUOTAS HELD		% HELD BY ITALIAONLINE
				%	BY	
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 liquidation (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
Digital Local Services TORINO 1 S.r.l. in liquidation (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services TORINO 2 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services TORINO 3 S.r.l. (commercial consultancy and marketing)	Turin (Italy)	Euro	10,000	100.00	Italiaonline S.p.A.	100.00
Digital Local Services TORINO 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 liquidation (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 VERONA 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

Company (business)	REGISTERED OFFICE	SHARE/QUOTA CAPITAL		ORDINARY SHARES/QUOTAS HELD		% HELD BY ITALIAONLINE
				%	BY	
Digital Local Services VENETO 2 S.r.l. in liquidation (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

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 2017.

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, 2017:
   - 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, 2018

Chief Executive Officer
Antonio Converti

Chief Financial Officer
Gabriella Fabotti

KPMG

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Italiaonline S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Italiaonline Group (the "Group"), which comprise the statement of financial position as at 31 December 2017, the income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Italiaonline Group as at 31 December 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Italiaonline S.p.A. (the "Company") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Recoverability of the carrying amount of intangible assets with an indefinite useful life

Notes to the consolidated financial statements: Notes 5 "Intangible assets with an indefinite useful life" and 6 "Impairment testing"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2017 include intangible assets with an indefinite useful life of €250,720 thousand, comprising the Libero, Virgilio, Pagine Bianche and Pagine Gialle trademarks of €169,406 thousand and goodwill of €81,314 thousand. The Group tests the carrying amounts for impairment annually and, in any case, whenever there are indicators of impairment, by estimating the related recoverable amounts. The Group calculated the recoverable amount of goodwill and intangible assets with an indefinite useful life by estimating their value in use, using a method that discounts its expected cash flows. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about: — the expected cash flows, calculated by taking into account the general economic performance and that of the Group's sector, the actual cash flows for past years and the projected growth rates; — the parameters used to calculate the discount rate. For the above reasons and due to the materiality of the relevant captions, we believe that the recoverability of the carrying amount of intangible assets with an indefinite useful life is a key audit matter.	Our audit procedures included: — understanding the process adopted to prepare the impairment tests approved by the Company's board of directors. — understanding the process adopted to prepare the forecasts from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used by the Group to prepare the forecasts; — checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; — comparing the expected cash flows used for impairment testing to those used for the forecasts and analysing the reasonableness of any discrepancies; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of comparison with external data and information; — checking the sensitivity analysis presented in the notes in relation to the key assumptions used for impairment testing; — assessing the appropriateness of the disclosures provided in the notes about intangible assets with an indefinite useful life and the related impairment tests.

Recognition of revenue from sales and services

Notes to the consolidated financial statements: Notes 23 "Revenue from sales and services" and 4 "Accounting policies - Recognition of revenue"

Key audit matter	Audit procedures addressing the key audit matter
Revenue from sales and services amounted to €335,925 thousand for 2017. The Group recognises revenue from sales and services and applies the accruals basis of accounting differently depending on the type of revenue. Specifically, certain services it provides have the following characteristics: — the contract terms are complex, with a low standardisation level; — the recognition of the related revenue may alternatively be based on the measurement of the quantity of services provided, the timing, the amount of activities carried out or other parameters. For the above reasons and due to the materiality of the relevant financial statements caption, we believe that the recognition of revenue from sales and services is a key audit matter.	Our audit procedures included: — understanding the process for the recognition of revenue and the related IT environment and assessing the design and operation of controls and performing procedures to assess the operating effectiveness of material controls; — comparing the main components of revenue from sales and services to the previous year and budgeted figures and discussing the results with the relevant internal departments; — sending requests for written confirmation of receivable balances at 31 December 2017 to a sample of customers; analysing the replies received and performing alternative procedures for any missing replies; — checking the documentation supporting a sample of sales selected on the basis of their volumes, timing and counterparties; checking whether the service has been actually provided and the related revenue recognised on an accruals basis; — assessing the appropriateness of the disclosures provided in the notes about the recognition of revenue from sales and services.

Measurement of trade receivables

Notes to the consolidated financial statements: Notes 12 "Trade receivables" and 18 "Information on financial risks - Credit risk"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2017 include trade receivables of € €137,794 thousand, net of the allowance for impairment of €33,662 thousand. The Group's business is characterised by a large number of customers and the complexity of the high number of transactions. The Group estimates the allowance for impairment based on a collective assessment by groups of similar assets in terms of their nature and due date and an	Our audit procedures included: — understanding the process adopted to monitor and manage credit risk; — assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — sending written requests for information to the legal advisors assisting the Group with credit recovery;

Key audit matter	Audit procedures addressing the key audit matter
individual assessment of disputed receivables. The allowance for impairment is based on the estimated credit losses that the Group expects to incur considering many factors, including: — the age of the receivable; — the customer's solvency; — the risk level of the related geographical segment; — historical figures. Accordingly, calculating the allowance for impairment requires a high level of judgement. For the above reasons and considering the materiality of the financial statements caption, we believe that the measurement of trade receivables is a key audit matter.	— analysing, on a sample basis, the reasonableness of the recoverability estimates through discussions with the relevant internal departments and legal advisors and analysing the supporting documentation; — analysing the reasonableness of the assumptions used to estimate the allowance for impairment based on the collective assessment by groups of similar assets, taking into account historical figures; — assessing the appropriateness of the disclosures provided in the notes about the measurement of trade receivables.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Italiaonline S.p.A. for the consolidated financial statements

The 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 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 12 May 2016, the shareholders of Italiaonline S.p.A. appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2016 to 31 December 2024.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The directors of Italiaonline S.p.A. are responsible for the preparation of the Group's directors' report and report on corporate governance and ownership structure at 31 December 2017 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the Group's consolidated financial statements at 31 December 2017 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific 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 at 31 December 2017 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Italiaonline S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

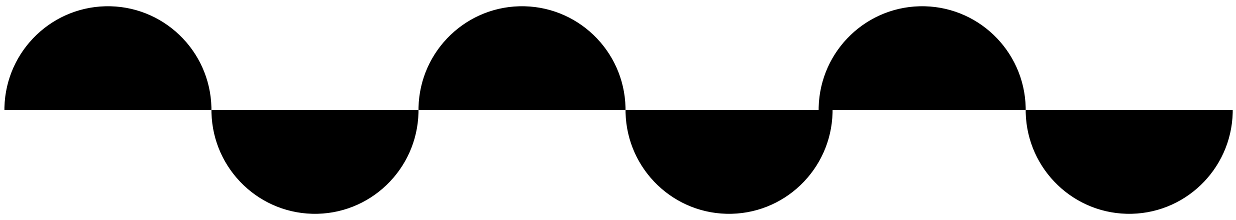
Milan, 4 April 2018

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 December 31, 2017

Assets

(euro/thousand)		AT 12.31.2017	AT 12.31.2016	CHANGE	NOTE
Non-current assets					
Intangible assets with an indefinite useful life		250,720	250,720	-	(6)
Intangible assets with a finite useful life		54,472	66,603	(12,131)	(7)
Property, plant and equipment		8,385	7,255	1,130	(8)
Equity investments		5,942	5,435	507	(9)
Other non-current financial assets		2,901	3,469	(568)	(10)
Deferred tax assets, net		-	-	-	(27)
Other non-current assets		23,445	23,155	290	(13)
Total non-current assets	**(A)**	**345,865**	**356,637**	**(10,772)**	**-**
Current assets					
Inventories		1,279	2,210	(931)	(11)
Trade receivables		135,804	161,635	(25,831)	(12)
Current tax assets		8,250	5,932	2,318	(27)
Other current assets		40,329	45,230	(4,901)	(13)
Current financial assets		1,208	929	279	(17)
Cash and cash equivalents		74,238	120,738	(46,500)	(17)
Total current assets	**(B)**	**261,108**	**336,674**	**(75,566)**	**-**
Non-current assets held for sale and discontinued operations	**(C)**	**-**	**5,859**	**(5,859)**	(29)
Total assets	**(A+B+C)**	**606,973**	**699,170**	**(92,197)**	**-**

Liabilities

(euro/thousand)		AT 12.31.2017	AT 12.31.2016	CHANGE	NOTE
Equity					
Share capital		20,000	20,000	-	(14)
Share premium reserve		117,217	117,217	-	(14)
Legal reserve		4,000	4,000	-	(14)
Actuarial reserve		(1,260)	(1,443)	183	(14)
Stock option reserve		2,374	1,396	978	(14)
Purchase Price Allocation reserve		17,446	17,446	-	(14)
Other reserves		100,102	178,932	(78,830)	(14)
Retained earnings (losses carried forward)		27,598	-	27,598	(14)
Profit for the year		23,923	28,211	(4,288)	(14)
Total equity	**(A)**	**311,400**	**365,759**	**(54,359)**	(14)
Non-current liabilities					
Non-current financial liabilities		-	-	-	(17)
Non-current provision for employees		14,754	16,314	(1,560)	(19)
Net deferred tax liabilities		12,661	9,267	3,394	(27)
Other non-current liabilities		19,878	32,285	(12,407)	(20)
Total non-current liabilities	**(B)**	**47,293**	**57,866**	**(10,573)**	
Current liabilities					
Current financial liabilities		13,509	11,657	1,852	(17)
Trade payables		99,468	108,335	(8,867)	(22)
Liabilities for services to be provided and other current liabilities		95,640	110,843	(15,203)	(22)
Current provision for risks and charges		36,152	33,570	2,582	(21)
Current tax liabilities		3,511	3,156	355	(27)
Total current liabilities	**(C)**	**248,280**	**267,561**	**(19,281)**	
Liabilities directly associated with non-current assets held for sale and discontinued operations	**(D)**	**-**	**7,984**	**(7,984)**	(29)
Total liabilities	**(B+C+D)**	**295,573**	**333,411**	**(37,838)**	
Total liabilities and equity	**(A+B+C+D)**	**606,973**	**699,170**	**(92,197)**	

Income statement of Italiaonline S.p.A.

(euro/thousand)	YEAR 2017	YEAR 2016	CHANGES ABSOLUTE	CHANGES %	NOTE
Revenue from sales	634	1,587	(953)	(60.1)	(23)
Revenue from services	329,595	367,789	(38,194)	(10.4)	(23)
Revenue from sales and services	**330,229**	**369,376**	**(39,147)**	**(10.6)**	**(23)**
Other income	15,978	16,739	(761)	(4.5)	(24)
Total revenue	**346,207**	**386,115**	**(39,908)**	**(10.3)**	
Costs of materials	(2,070)	(13,887)	11,817	85.1	(24)
Costs for external services	(210,408)	(216,220)	5,812	2.7	(24)
Personnel expense	(53,683)	(71,752)	18,069	25.2	(24)
Allowances for impairment	(9,418)	(11,055)	1,637	14.8	(24)
Accruals to provisions for risks and charges, net	(1,754)	(5,518)	3,764	68.2	(24)
Other operating costs	(2,445)	(3,008)	563	18.7	(24)
Operating profit before amortization, depreciation, non-recurring and restructuring costs, net	**66,429**	**64,675**	**1,754**	**2.7**	
Amortization, depreciation and impairment losses	(35,054)	(43,873)	8,819	20.1	(8)
Net non-recurring charges	(1,077)	(8,700)	7,623	87.6	(24)
Net restructuring income charges	(11)	294	(305)	n.s.	(24)
Operating profit	**30,287**	**12,396**	**17,891**	**n.s.**	
Financial expense	(3,934)	(9,846)	5,912	60.0	(25)
Financial income	1,285	7,715	(6,430)	(83.3)	(25)
Impairment losses on financial assets and losses on the disposal of equity investments	(2,287)	(6,117)	3,830	62.6	(26)
Pre-tax profit	**25,351**	**4,148**	**21,203**	**n.s.**	
Tax benefit (expense)	(1,428)	24,063	(25,491)	n.s.	(27)
Profit (loss) on continuing operations	**23,923**	**28,211**	**(4,288)**	**(15.2)**	
Profit (loss) from non-current assets held for sale and discontinued operations	-	-	-	n.s.	(29)
Profit for the year	**23,923**	**28,211**	**(4,288)**	**(15.2)**	

		AT 12.31.2017	AT 12.31.2016
Number of Italiaonline S.p.A. shares		114,768,028	114,768,028
- *ordinary shares*	*n.*	*114,761,225*	*114,761,225*
- *saving shares*	*n.*	*6,803*	*6,803*
weighted average shares outstanding		114,768,028	114,761,257
Profit for the year	€/thousand	23,923,126	28,211
Earnings per share	€	**0.20845**	**0.24582**
Diluted earnings per share	€	0.2007	0.2395

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

(euro/thousand)	YEAR 2017	YEAR 2016
Profit for the year	**23,923**	**28,211**
Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss		
Net actuarial gains (losses)	*183*	*(764)*
Total other comprehensive income (expense) that will not be subsequently reclassified to profit or loss	183	(764)
Other comprehensive income (expense) that will be subsequently reclassified to profit or loss		
Net fair value gains (losses) on AFS securities and investments	*589*	*-*
Net fair value gains (losses) on warrants	*-*	*(3,771)*
Total other comprehensive income (expense) that will be subsequently reclassified to profit or loss	589	(3,771)
Total other comprehensive income (expense), net of tax	**772**	**(4,535)**
Total comprehensive income for the year	**24,695**	**23,676**

Statement of cash flows of Italiaonline S.p.A.

(euro/thousand)		DECEMBER 2017	YEAR 2016	CHANGE
Cash flows from operating activities				
Operating profit		30,287	12,396	17,891
Amortization, depreciation and impairment losses		35,054	43,873	(8,819)
Stock options		978	606	372
(Gain) loss on disposal of non-current assets		-	(21)	21
Change in working capital		(2,231)	(8,724)	6,493
Income taxes		(587)	(369)	(218)
Change in non-current liabilities and other changes		(4,675)	10,697	(15,372)
Cash flows generated by operating activities	**(A)**	**58,826**	**58,458**	**368**
Cash flows from investing activities				
Purchase of intangible assets with a finite useful life		(19,562)	(18,173)	(1,389)
Purchase of property, plant and equipment		(4,508)	(1,997)	(2,511)
Other investments		(38)	(2,017)	1,979
Proceeds from disposal of non-current assets		64	1,748	(1,684)
Cash flows used in investing activities	**(B)**	**(24,044)**	**(20,439)**	**(3,605)**
Cash flows from financing activities				
Repayment of non-current loans		-	(1,118)	1,118
Paid/collected interest and financial income/ expense, net		481	6,455	(5,974)
Change in other financial asset and liabilities		(1,731)	(45,233)	43,502
Dividends paid		(80,032)	-	(80,032)
Warrants		(0)	62	(62)
Cash flows used in financing activities	**(C)**	**(81,282)**	**(39,834)**	**(41,448)**
Cash flows from non-current assets held for sale and discontinued operations	**(D)**	**-**	**1,000**	**(1,000)**
Cash flows for the year	**(A+B+C+D)**	**(46,500)**	**(815)**	**(45,685)**
Opening Cash and cash equivalents		**120,738**	**113,039**	**7,699**
Cash and cash equivalent from merger		**-**	**8,514**	**(8,514)**
Closing Cash and cash equivalents		**74,238**	**120,738**	**(46,500)**

Statement of changes in equity of Italiaonline S.p.A. for 2017

(euro/thousand)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	ACTUARIAL RESERVE	OTHER RESERVES	OTHER RESERVES	RETAINED EARNINGS (LOSSES) CARRIED FORWARD	RESERVE FOR PPA	RESERVE FOR STOCK OPTIONS	PROFIT (LOSS) FOR THE YEAR	TOTAL
At 12.31.2016	**20,000**	**117,217**	**4,000**	**(1,443)**	**178,972**	**(40)**	**-**	**17,446**	**1,396**	**28,211**	**365,759**
Allocation of previous year profit	-	-	-	-	-	-	28,211	-	-	(28,211)	-
Dividend distribution	-	-	-	-	(79,419)	-	(613)	-	-	-	(80,032)
Other changes	-	-	-	-	-	-	-	-	978	-	978
Other comprehensive income for the year	-	-	-	183	-	589	-	-	-	23,923	24,695
At 12.31.2017	**20,000**	**117,217**	**4,000**	**(1,260)**	**99,553**	**549**	**27,598**	**17,446**	**2,374**	**23,923**	**311,400**

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

(euro/thousand)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	ACTUARIAL RESERVE	OTHER RESERVES	OTHER RESERVES	RETAINED EARNINGS (LOSSES) CARRIED FORWARD	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	-	-	-	-	-	-	(27,114)	-	-	27,114	-
Warrant	-	62	-	-	-	-	-	-	-	-	62
Merger	-	-	-	-	178,973	-	-	-	-	-	178,973
Purchase Price Allocation	-	-	-	-	-	-	-	17,446	-	-	17,446
Other movements	-	-	-	-	-	-	(10,328)	-	1,396	-	(8,932)
Other comprehensive income for the year	-	-	-	(764)	-	(3,771)	-	-	-	28,211	23,676
At 12.31.2016	**20,000**	**117,217**	**4,000**	**(1,443)**	**178,973**	**(40)**	**(1)**	**17,446**	**1,396**	**28,211**	**365,759**

Notes to the separate financial statements at December 31, 2017

1. Corporate information

Italionline S.p.A. is a public company listed on the Stock Exchange of Milan, whose duration is fixed until December 31, 2100 as provided in the Articles of Association.
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 separate financial statements refer to the year of January 1 - December 31, 2017.
Italiaonline is the leading company in Italy, with 5.4 million unique users, including 2.6 million from mobile and 54% market reach. Italiaonline provides web marketing and digital advertising services, including advertising campaign management and lead generation through social networks and search engines. The strategic corporate target is to consolidate the Italian leadership in the digital advertising market, for large accounts and in the local marketing services. The corporate mission is the digitalization of Italian SMEs, to which the company offers a complete product portfolio, integrated with the entire value chain of digital services.
The Group's main activities are described in the Report on Operations, under the heading "Performance by Business Segment".

2. Basis of 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 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 Interpretations Committee (SIC), and in compliance with the applicable Consob regulations.
Italiaonline S.p.A. 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 equity investments (classified among the assets available for sale), 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 directly associated with non-current assets 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) 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;
  - costs linked to directors' and department managers' end-of-office entitlement.
- the *statement of comprehensive income* shows the cost and/or revenue items not yet recognized in the income statement and with effect on equity at the reporting date;

- the *statement of cash flows* was prepared by recognizing 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, checks, 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-monetary 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 for the year;
  – the breakdown of comprehensive income/(expense);
  – the effect of errors or possible changes in accounting policies.

The data are shown in euros and all figures have been rounded off to the nearest thousand, unless otherwise indicated.
Publication of the separate financial statements of Italiaonline S.p.A. at December 31, 2017 was authorized by resolution of the Board of Directors of Thursday, March 15, 2018.
However, final approval of the separate financial statement of Italiaonline S.p.A. is the responsibility of the Shareholders.
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 its separate financial statements in XBRL format, as it is listed on a regulated market.

2.1 *Assessment of the Company's ability to continue as a going concern*

The 2017 annual financial report was prepared on the assumption of the Company's ability to continue as a going concern, insofar as there is a reasonable expectation that Italiaonline S.p.A. will continue to operate in the foreseeable future (and in any case for a timespan of more than twelve months).

2.2 *Discretionary assessments and accounting estimates*

Pursuant to IAS/IFRS, when preparing separate financial statements and corresponding notes, the management must make estimates and assumptions that affect the amounts of revenue, costs, and assets and liabilities recognized in the financial statements, as well as the information on contingent assets and liabilities 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, amortization and depreciation, impairment losses, employee benefits, taxes, restructuring provisions and other accruals and provisions for risks and contingent liablities.
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 Notes to the Consolidated Financial Statements at December 31, 2017 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 notes to the Consolidated financial statements at December 31, 2017, except for the measurement criteria which relate to "Equity investments" which are illustrated below.

Equity 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 equity 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, less costs of disposal and its value in use. This is to identify any impairment losses which would then be recognized in the income statement under "impairment losses 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 losses.
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 equity investments

Other equity 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;
- "financial assets at fair value through profit or loss", under current assets where held for trading.

Other equity investments classified as "available-for-sale financial assets" are measured at fair value. Changes in the value of these equity investments are recognized 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 loss which is deemed to be permanent.
Other unlisted equity 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 recognized in the income statement, in accordance with the provisions of IAS 39 (Financial Instruments: Recognition and Measurement).
Impairment losses on other equity investments classified as "available-for-sale financial assets" cannot be subsequently reversed.
Changes in the value of other equity investments classified as "financial assets at fair value through profit or loss" are recognized directly in the income statement.

5. Impairment testing

Impairment testing the separate financial statements is performed on the carrying amount of recognized equity investments. With regard to the equity investments in the separate financial statements of Italiaonline S.p.A. (Digital Local Services and Moqu Adv. S.r.l.), considering that the equity of the subsidiaries is higher than the relevant carrying amount, no trigger events or circumstances have emerged that suggest an impairment in these investments and therefore there was no need to develop a formal estimate of their recoverable value.
With reference to goodwill and intangible assets with an indefinite and finite useful life, please refer to the "Impairment testing" section of the Consolidated Financial Statements

6. Intangible assets with an indefinite useful life

(euro/thousand)	YEAR 2017 GOODWILL	YEAR 2017 OTHER INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE	YEAR 2017 TOTAL	YEAR 2016 TOTAL
Opening Balance	81,314	169,406	**250,720**	**-**
Merger	-	-	-	**132,579**
Increase	-	-	-	71,997
Purchase Price Allocation effect	-	-	-	1,282
Other changes - Reclassification from Intangible assets with a finite useful life	-	-	-	44,862
Closing balance	**81,314**	**169,406**	**250,720**	**250,720**

Intangible assets with an indefinite useful life amounted to €250,720 thousand at December 31, 2017 and comprise: *i)* €81,314 thousand relating to goodwill (including €71,997 thousand relating to goodwill generated in the acquisition of the Seat Group by Italiaonline and €9,317 thousand relating to the acquisition of Matrix by Italiaonline) and *ii)* €169,406 thousand relating to the Libero (€70,262 thousand), Virgilio (€53,000 thousand), PagineGialle® (€30,859 thousand) and PagineBianche® (€15,285 thousand) trademarks.

7. Intangible assets with a finite useful life

(euro/thousand)	YEAR 2017 MARKETING RELATED ASSETS	YEAR 2017 SOFTWARE	YEAR 2017 OTHER INTANGIBLE ASSETS	YEAR 2017 TOTAL	YEAR 2016 TOTAL
Opening Balance	**26,983**	**36,031**	**3,589**	**66,603**	**106,684**
- Merger		-	-	-	13,882
- PPA	-	-	-	-	11,035
- Investments	-	17,887	1,675	19,562	18,173
- Purchases	*-*	*11,710*	*455*	*12,165*	*11,934*
- Capitalization of personnel expense	*-*	*6,177*	*1,220*	*7,397*	*6,239*
- Disposals	-	-	-	-	-
- Amortization and impairment losses	(5,227)	(26,089)	(366)	(31,682)	(38,665)
- Other changes - Reclassification from Intangible assets with an indefinite useful life	-	-	-	-	(44,862)
- Other changes	-	2,644	(2,655)	(11)	356
Closing balance	**21,756**	**30,473**	**2,243**	**54,472**	**66,603**
of which:					
Cost	*33,954*	*205,600*	*2,698*	*242,252*	*227,527*
Accumulated amortization	*(12,198)*	*(175,127)*	*(455)*	*(187,780)*	*(160,924)*

Intangible assets with a finite useful life consist of:

- *Marketing related assets*, of €21,756 thousand at December 31, 2017 (€26,983 thousand at December 31, 2016), relating to the assets called Customer Relationships for €18,477 thousand and Database for €3,279 thousand.
- *Software*, for €30,473 thousand at December 31, 2017 (€36,031 thousand at December 31, 2016) which includes the costs for purchases from third parties and the internal implementation of programs owned and used under license mainly to improve the algorithms used by search engines and to support new commercial offers regarding Internet & Mobile services.
  During 2017, the item decreased due to amortization equal to €26,089 thousand, but investments were made for €17,887 thousand (of which €6,177 thousand related to capitalization of personnel expense) to support, in particular *i)* support for improvements to the on-line, publishing and commercial sectors and *ii)* licenses for the Open X-Change mail system and product license for use of the "AdVantage Platform" (Matchcraft) that allows the use of application services for the implementation and management of marketing campaigns and development of the IOL Audience platform for the integrated management of Google ADwords, Google Display and Facebook Adv campaigns.
- *Other intangible assets*, amounting to €2,243 thousand at December 31, 2017 (€3,589 thousand at December 31, 2016), refer primarily to software projects in progress.

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

	YEAR 2017
Marketing related assets	*13-25%*
Software	*20-100%*
Patents, concessions, trademarks and licenses	*20-100%*
Other intangible asssets	*20%*

8. Property, plant and equipment

These are broken down as follows:

	YEAR 2017				YEAR 2016
(euro/thousand)	PROPERTY	PLANT AND EQUIPMENT	OTHER ASSETS	TOTAL	TOTAL
Opening Balance	**743**	**547**	**5,965**	**7,255**	**5,068**
- Merger	-	-	-	-	4,687
- Investments	630	576	3,302	4,508	1,997
- Disposals	-	(2)	(15)	(17)	(125)
- Depreciation and impairment losses	(295)	(338)	(2,737)	(3,370)	(4,437)
- Other changes	1	100	(92)	9	65
Closing balance	**1,079**	**883**	**6,423**	**8,385**	**7,255**
of which:					
Cost	3,893	1,825	40,445	46,163	43,882
Accumulated depreciation	(2,814)	(942)	(34,022)	(37,778)	(36,627)

Property, plant and equipment include:

- *buildings*, equal to €1,079 thousand at December 31, 2017 (€743 thousand and December 31, 2016), mainly related to improvements on third-party assets made at the headquarters of Assago, Florence and Pisa;
- *plant and equipment* of €883 thousand at December 31, 2017 (€547 thousand at December 31, 2016). These refer to telephone exchanges and leasehold improvements;
- *other assets* of €6,423 thousand at December 31, 2017 (€5,965 thousand at December 31, 2016), mainly including €5,264 thousand related to IT equipment and systems, €673 thousand related to assets under construction and €448 thousand to furniture and fixtures. Investments for the year amounted to €3,302 thousand, mainly related to the technological upgrading of the Data Center.

The accumulated depreciation (€37,778 thousand at December 31, 2017) 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:

	YEAR 2017
Improvements to third party assets	14-39%
Plant and equipment and improvements to third party assets	15-57%
Other assets	10-50%

9. Equity investments

Equity investments in subsidiaries, associates and joint ventures amounted to €5,942 thousand on December 31, 2017.
The following table shows details of the equity investments and the changes over the reporting year:

	AT 12.31.2016				CHANGE				AT 12.31.2017		
(euro/thousand)	% OWNERSHIP	COSTS	ALLOWANCE FOR IMPAIRMENT	TOTAL	PURCHASES	IMPAIRMENT LOSSES	IMPAIRMENT LOSSES FOR FAIR VALUE MEASUREMENT	TOTAL	COSTS	ALLOWANCE FOR IMPAIRMENT	TOTAL
Subsidiaries		**3,243**	**-**	**3,243**	**4,530**	**-**	**(4,530)**	**-**	**3,243**	**-**	**3,243**
Consodata S.p.A.	100.00%	-	-	-	2,500	-	(2,500)	-	-	-	-
Digital Local Services S.r.l.	100.00%	2,133	-	2,133	-	-	-	-	2,133	-	2,133
Couponing Italia S.r.l - in liquidation single-member company	100.00%	-	-	-	1,540	-	*(1,540)*	-	-	-	-
Prontoseat S.r.l.	100.00%	-	-	-	490	-	(490)	-	-	-	-
Moqu Adv S.p.A.	100.00%	1,110	-	1,110	-	-	-	-	1,110	-	1,110
Telegate Holding GmbH in liquidation	100.00%	-	-	-	-	-	**-**	-	-	-	-
Associates		**82**	**-**	**82**	**-**	**(82)**	-	(82)	**-**	**-**	**-**
Gold Five S.r.l. in liquidation	20.00%	82	-	82	-	(82)	-	(82)	-	-	-
Other equity investments		**2,110**	**-**	**2,110**	**-**	**-**	**589**	**589**	**2,699**	**-**	**2,699**
11 88 0 Solutions GmbH	16.24%	2,110	-	2,110	-	-	*589*	589	2,699	-	2,699
Total equity investments		**5,435**	**-**	**5,435**	**4,530**	**(82)**	**(3,941)**	**507**	**5,942**	**-**	**5,942**

The changes over the reporting year mainly concern:

- the conversion of the loan asset with respect to Consodata S.p.A. into a €2,500 thousand equity investment;
- the conversion of the loan asset with Couponing Italia S.r.l. in liquidation into an equity investment of €1,540 thousand;
- higher fair value valuation of the 16.24% equity investment held by Italiaonline S.p.A. in 11880 Solutions AG. This in reason of the fact that, for the Company, at December 31, 2017 an increased quotation of the equity investment was recognized pursuant to IAS 39. This equity investment is an available-for-sale financial asset which, pursuant to IAS 39, is measured with reference to level 1 (listed market) of the fair value hierarchy. The sale of this investment was formalized in February 2018 as described in the paragraph "Events after the reporting date".

10. Other non-current financial assets

Other non-current financial assets as at December 31, 2017 totaled €2,901 thousand (€3,469 thousand at December 31, 2016) and specifically include loans to employees for €2,609 thousand, disbursed at market rates for transactions of this nature.

11. Inventories

These are broken down as follows:

	YEAR 2017				YEAR 2016
(euro/thousand)	RAW MATERIALS, SUPPLIERS AND CONSUMABLES	WORK IN PROGRESS AND SEMI-FINISHED PRODUCTS	FINISHED GOODS	TOTAL	TOTAL
Opening balance	**1,031**	**1,176**	**3**	**2,210**	**3,508**
Increase (decrease)	(945)	15	(1)	(931)	(1,298)
Closing balance	**86**	**1,191**	**2**	**1,279**	**2,210**

The measurement of the average weighted cost of raw materials is broadly in line with their current values. Raw materials, consumables and supplies include inventories related to the print products. The reduction of raw materials is due to the decision to use suppliers who directly buy printing paper for smartbooks. Work in progress includes the already processed advertising items for future Smartbook editions.

12. Trade receivables

These are broken down as follows:

	DECEMBER 2017					
(euro/thousand)	TRADE RECEIVABLES	ALLOWANCE FOR IMPAIRMENT	TRADE RECEIVABLES FROM SUBSIDIARIES	TRADE RECEIVABLES FROM ASSOCIATES	TRADE RECEIVABLES FROM PARENTS	CARRYING AMOUNT
Opening balance	**203,638**	**(42,131)**	**4**	**34**	**90**	**161,635**
Accruals	-	(7,628)	-	-	-	(7,628)
Utilization	(17,038)	17,038	-	-	-	-
Revision of estimates	-	88	-	-	-	88
Merger	-	-	-	-	-	-
Other changes	(18,618)	(1)	362	(34)	-	(18,291)
Closing balance	**167,982**	**(32,634)**	**366**	**-**	**90**	**135,804**

Trade receivables amounted to €135,804 thousand on December 31, 2017 and included €599 thousand for past due receivables for more than 12 months.
The *allowance for impairment* is deemed sufficient to cover estimated losses;
During 2017, the allowance for impairment was used directly as a result of unrecoverable amounts, for €17,038 thousand and was reinstated with an accrual of €7,628 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 18 to the Consolidated Financial Statements.

13. Other assets (current and non-current)

These are broken down as follows:

(euro/thousand)	AT 12.31.2017	AT 12.31.2016	CHANGE
Current assets			
Advances on sales commissions and other amounts due from agents	17,069	21,702	(4,633)
Other amounts due from subsidiaries	4,541	5,318	(777)
Prepayments	6,102	6,577	(475)
Advances to suppliers	725	530	195
Other receivables	11,892	11,103	789
Total other current assets	**40,329**	**45,230**	**(4,901)**
Other non-current assets	**23,445**	**23,155**	**290**
Total other current assets and non-current assets	**63,774**	**68,385**	**(4,611)**

Specifically:

- *advances on sales commissions and other amounts due from agents* amounted to €17,069 thousand at December 31, 2017 (€21,702 thousand at December 31, 2016) and are recognized net of the related allowance for impairment for an amount totaling €3,822 thousand at December 31, 2017 (€11,630 thousand at December 31, 2016);
- *other amounts due from subsidiaries* amounted to €4,541 thousand at December 31, 2017 (€5,318 thousand at December 31, 2016); they refer for €3,840 thousand from the Digital Local Services relating mainly to the recovery of costs for seconded personnel;
- *prepayments* amounted to €6,102 thousand at December 31, 2017 (€6,577 thousand at December 31, 2016); the item includes the deferral of direct production costs with the same time periods with which the corresponding revenue is recognized in the income statement;
- *other receivables*, amounting to €11,892 thousand at December 31, 2017 (€11,103 thousand at December 31, 2016), mainly include amounts due from INPS for €3,328 thousand, guarantee deposits equal to €228 thousand and receivables amounting to €5,971 thousand, which arose as a result of the provisional payment made for the pending judgment related 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) on the so-called "Senior" loan;
- *other non-current assets*, equal to €23,445 thousand at December 31, 2017 are mainly related to: *i)* €4,518 thousand tax assets for the reimbursement of the excess 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)* €18,900 thousand corporation tax (IRES) asset, including interest, emerging from the national tax consolidation of the Italiaonline Group reported in previous tax periods requested for reimbursement by the Parent submitted in the 2014 Global National Consolidation form (Consolidato Nazionale Mondiale).

14. Equity

Equity is broken down as follows:

(euro/thousand)		AT 12.31.2017	AT 12.31.2016	CHANGE
Share capital		20,000	20,000	-
Share premium reserve	A,B,C	117,217	117,217	-
Legal reserve	B	4,000	4,000	-
Purchase Price Allocation reserve	B	17,446	17,446	-
Retained earnings (losses carried forward)	A,B,C	27,598	-	27,598
Actuarial reserve	B	(1,260)	(1,443)	183
Stock option reserve	B	2,374	1,396	978
Other reserves	A,B,C	100,102	178,932 (*)	(78,830)
Profit for the year		23,923	28,211	(4,288)
Total equity		**311,400**	**365,759**	**(54,359)**

A: Reserve available for capital increase
B: Reserve available for covering losses
C: Reserve available for distribution to shareholders
(*) this amount included the goodwill arising on the merger of €178,973 thousand not available for an amount of €71,997 thousand related to the goodwill.

Share capital

It amounted to €20,000,409 thousand at December 31, 2017 and is divided into 114,761,225 ordinary shares and 6,803 savings shares, without par value.
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 in this amount, as Italiaonline S.p.A. is not planning to repay this portion of the capital.

Share premium reserve

It amounted to €117,217 thousand at December 31, 2017 unchanged with respect to December 31, 2016. It is to be considered fully subject to taxation upon 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. Deferred tax liabilities were not calculated since the Company is not planning to distribute the share premium reserve.

Legal reserve

It amounted to €4,000 thousand at December 31, 2017 unchanged with respect to December 31, 2016. This reserve is entirely subjected to taxation upon distribution as a result of the realignment carried out in 2005 pursuant to Law no. 342/2000.

Actuarial reserve

The actuarial reserve showed a negative balance of €1,260 thousand at December 31, 2017 (€1,443 thousand at December 31, 2016) and includes the net effect of recognizing the portion of actuarial gains (losses) on post-employment benefits which remained with the company, following their recognition in the separate financial statements in accordance with IAS 19, paragraph 93A.
For more details on how these amounts were determined, see Note 19 “Non-current provisions for employees”.

Stock option reserve

The share premium reserve stood at €2,374 thousand (€1,396 thousand at December 31, 2016). This includes 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 January 1, 2014 and December 31, 2016 (633,021 existing rights);
- for Tranche B, for the period between January 1, 2016 and December 31, 2018 (2,766,900);

For more details, please refer to Note 28 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

They amounted to €100,102 thousand at December 31, 2017 (€178,932 thousand at December 31, 2016). The change, equal to €78,830 thousand is attributable, in the amount of €79,419 thousand, to the distribution of an extraordinary dividend. It is noted that part of this reserve, amounting to €21,401 thousand, is subject to taxation upon distribution.

15. Other comprehensive income

Other comprehensive income (expenses) is broken down as follows.

(euro/thousand)	YEAR 2017	YEAR 2016
Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss		
Net actuarial gains (losses)	241	(1,008)
Tax effect of actuarial gains (losses)	(58)	244
Total other comprehensive income (expense) that will not be subsequently reclassified to profit or loss	183	(764)
Other comprehensive income (expense) that will be subsequently reclassified to profit or loss		
Net fair value gains (losses) on AFS securities and investments	589	-
Net fair value gains (losses) on warrants	-	(3,771)
Total other comprehensive income (expense) that will be subsequently reclassified to profit or loss	589	(3,771)
Total other comprehensive income (expense), net of tax effect	**772**	**(4,535)**

16. Earnings per share

Earnings per share is calculated by dividing profit or loss by the average number of outstanding shares throughout the year.
Moreover, earnings per share are reported below considering also the shares granted under the stock option plan amounting to 4,409,580.

		AT 12.31.2017	AT 12.31.2016
Number of Italiaonline S.p.A. shares		114,768,028	114,768,028
- ordinary shares	*n.*	*114,761,225*	*114,761,225*
- saving shares	*n.*	*6,803*	*6,803*
weighted average shares outstanding		114,768,028	114,761,257
Earnings for the year	€/thousand	23,923,126	28,211
Earnings per share	€	**0.20845**	**0.24582**
Diluted earnings per share	€	0.2007	0.2395

17. Net financial indebtedness

The net financial indebtedness at December 31, 2017 improved by €61,937 thousand (€110,010 thousand at December 31, 2016).

(euro/thousand)		AT 12.31.2017	AT 12.31.2016	CHANGE
A	Cash and cash equivalents	74,238	120,738	(46,500)
B	Other cash and cash equivalents	-	-	-
C	Trading securities	-	-	-
D=(A+B+C)	**Liquidity**	**74,238**	**120,738**	**(46,500)**
E.1	**Current financial receivables due from third parties**	**657**	**610**	**47**
E.2	**Current financial receivables due from related parties**	**551**	**319**	**232**
F	Current bank debt	-	-	-
G	Current portion of non-current debt	-	-	-
H.1	Other current financial debt to third parties	2,142	6	2,136
H.2	Other current financial debt due to related parties	11,367	11,651	(284)
I=(F+G+H)	**Current financial debt**	**13,509**	**11,657**	**1,852**
J=(I-E-D)	**Net current financial indebtedness**	**(61,937)**	**(110,010)**	**48,073**
K	Non-current bank debt	-	-	-
L	Bond issues	-	-	-
M.1	Other non-current loans due to third parties	-	-	-
M.2	Other non-current loans due to related parties	-	-	-
N=(K+L+M)	**Non-current financial debt**	**-**	**-**	**-**
O= (J+N)	**Net financial indebtedness (ESMA)**	**(61,937)**	**(110,010)**	**48,073**

The change in the net financial position with respect to December 31, 2016 reflects the payment of ordinary and extraordinary dividends on May 10, 2017, for a total amount of €80,032 thousand. For further details, please refer to paragraph "Main events of 2017" of the Report on operations.
In addition, on February 23, 2017, Italiaonline S.p.A. signed the deeds for the sale of the two remaining finance lease agreements, related to the buildings of the Turin office, in place with Mediocredito Italiano S.p.A., to the company Engineering Ingegneria Informatica S.p.A.. Therefore the residual financial liability, which as at December 31, 2016 had been reclassified as a non-current liability held for sale, was derecognized.
A description of the items which constitute the net financial indebtedness is provided below:

Current financial debt

These amounted to €13,509 thousand at December 31, 2017 (€11,657 thousand at December 31, 2016) and are broken down as follows:

(euro/thousand)	AT 12.31.2017	AT 12.31.2016	CHANGE
Current portion of non-current financial debt	-	-	-
Other current financial debt to third parties	2,142	6	2,136
Other current financial debt due to related parties	11,367	11,651	(284)
Current financial debt	**13,509**	**11,657**	**1,852**

Other current financial debts due to related parties and amounting to €11,367 thousand at December 31, 2017 (€11,651 thousand at December 31, 2016) refer to amounts due to Digital Local Services for €9,961 thousand and to Moqu AdV S.r.l. for €1,406 thousand.
Other financial debts to third parties include €2,136 thousand related to the amount, disbursed to all shareholders, for an advance payment on the sale of Emittente Titoli.

Current financial receivables

(euro/thousand)	AT 12.31.2017	AT 12.31.2016	CHANGE
Current financial receivables from third parties	657	610	47
Current financial receivables from related parties	551	319	232
Current financial receivables	**1,208**	**929**	**279**

Current financial receivables amounted to €1,208 thousand (€929 thousand at December 31, 2016) and mainly refer to receivables from third parties for €657 thousand (of which €554 thousand related to a previous transaction of securitization of receivables of Italiaonline S.p.A.). At December 31, 2017, the loan asset from the subsidiary Consodata S.p.A., amounting to €8,315 thousand, was considered unrecoverable and thus fully impaired.

Cash and cash equivalents

Cash and cash equivalents amounted to €74,238 thousand at December 31, 2017 (€120,738 thousand at December 31, 2016), they are as follows:

(euro/thousand)	AT 12.31.2017	AT 12.31.2016	CHANGE
Current accounts	73,399	119,215	(45,816)
Postal accounts	372	628	(256)
Cash in hand	467	895	(428)
Cash and cash equivalents	**74,238**	**120,738**	**(46,500)**

At December 31, 2017, it is reported that approximately 3.19% of cash is subject to constraint/guarantee, following the deed of arrangement.
To this purpose, it should be noted that, on February 2, 2018 the Company obtained a favorable ruling from the Court of Turin, for the release of the amounts destined to the payment of untraceable or disputed suppliers.

18. Information on financial risks

Risk associated with financial debt

No risks related to financial indebtedness are recognized with respect to the financial availabilities at December 31, 2017.
For a thorough description on the credit risk, reference is made to Note 18 to the consolidated financial statements.

19. Non-current provisions for employees

These are broken down as follows:

	YEAR 2017			YEAR 2016
(euro/thousand)	POST-EMPLOYMENT BENEFITS	DEFINED CONTRIBUTION PLANS	TOTAL	TOTAL
Opening balance	**15,171**	**1,143**	**16,314**	**11,314**
Accruals	-	3,060	3,060	3,575
Contributions	-	953	953	1,104
Benefits paid	(1,374)	(3,699)	(5,073)	(4,343)
Discount interest	190	-	190	230
Actuarial losses (gains) recognised in equity	(241)	-	(241)	888
Merger	-	-	-	4,283
Other changes	-	(449)	(449)	(737)
Closing balance	**13,746**	**1,008**	**14,754**	**16,314**

The *post-employment benefits - portion remaining with the company* of €13,746 thousand (€15,171 thousand at December 31, 2016) were assessed by an independent actuary by using the projected unit credit method in accordance with revised IAS 19.
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 post-employment benefits 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 post-employment benefits 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)	AS AT 12.31.2017	AS AT 12.31.2016
A. Change in defined benefit obligations		
1. Opening defined benefit obligations	15,171	10,274
Opening defined benefit obligations - merger with ex IOL	-	4,304
2. Current service cost	-	-
3. Financial expense	190	230
4. Benefit paid by plan/company	(1,377)	(438)
5. Other changes and change in consolidation scope	-	(88)
6. Changes recognised in equity (OIC effect)	(241)	889
a. Effects due to changes of demographic assumptions	*-*	*-*
b. Effects due to changes of financial assumptions	*12*	*1,060*
c. Effects due to changes from experience	*(253)*	*(171)*
Closing defined benefit obligations	13,743	15,171
B. Reconciliaion of assets and liabilities recognised in the statement of financial position		
Plans that are fully unfunded and plans that are wholly or partly funded		
1. Present value of unfunded definedbenefit obligations at the end of the year	13,743	15,171
Net liablity recognised in the statement of financial position	13,743	15,171
Amounts in the statement of financial position	-	-
1. Liabilities	13,743	15,171
2. Assets	-	-
C. Cost component		
Amounts recognised in the income statement		
1. Current service costs	-	-
2. Interest expense	190	230
Total cost recognised in the income statement	190	230
D. Main actuarial assumptions		
Weighted-average assumptions to determine defined benefit obligations		
1. Discount rate	1.30%	1.31%
2. Inflation rate	1.50%	1.50%
2. Rate of price inflation	2.63%	2.63%
F. Sensitivity analysis - benefit obligation evaluation based on underlying assumptions		
1. Turnover rate		
a. Turnover rate +1%	13,717	15,088
b. Turnover rate -1%	13,857	15,272
2. Rate of inflation		
a. Rate of inflation + 0,25 basis points	13,969	15,408
b. Rate of inflation - 0,25 basis points	13,601	14,946
3. Discount rate		
a. Discount rate + 0,25 basis points	13,491	14,809
b. Discount rate - 0,25 basis points	14,086	15,555
4. Plan duration	10.0	10.4
G. Expected cash flow for next year		
3 Expected payments of total services		
Year 1	1,687	879
Year 2	689	882
Year 3	717	885
Year 4	779	782
Year 5	812	820

20. Other non-current liabilities

Other non-current liabilities of €19,878 thousand (€32,285 thousand at December 31, 2016) are broken down as follows

(euro/thousand)	YEAR 2017 PROVISION FOR AGENTS' TERMINATION BENEFITS	YEAR 2017 PROVISION FOR RESTRUCTURING	YEAR 2017 OTHER NON-OPERATING LIABILITIES	YEAR 2017 OTHER OPERATING LIABLITIES	YEAR 2017 TOTAL	YEAR 2016 TOTAL
Opening balance	**19,283**	**11,187**	**745**	**1,070**	**32,285**	**33,096**
Accruals	426	-	-	-	426	12,132
Utilizations	(1,083)	-	-	(563)	(1,646)	(1,601)
Discounting losses (gains)	17	-	-	-	17	978
Merger	-	-	-	-	-	725
Other changes	(13)	(11,187)	-	(4)	(11,204)	(13,045)
Closing balance	**18,630**	**-**	**745**	**503**	**19,878**	**32,285**

The provision for agents´ termination benefits, which totaled €18,630 thousand (€19,283 thousand at December 31, 2016), 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 reorganization*, non-current portion at December 31, 2016 amounted to €11,187 thousand and related to the 2016-2018 personnel reorganization plan. During this financial year 2017, this was entirely reclassified as current.
Other non-operating liabilities, amounting to €745 thousand. They 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 reimbursement 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 personnel and similar expenses. These are comparable with the tax receivables mentioned under Note 13 to the separate finanacial statements.

21. Current provisions for risks and charges (operating and non-operating)

These are broken down as follows

(euro/thousand)	YEAR 2017 PROVISION FOR COMMERCIAL RISKS	YEAR 2017 PROVISIONS FOR CONTRACTUAL AND OTHER OPERATING RISKS	YEAR 2017 NON-OPERATING PROVISIONS	YEAR 2017 TOTAL	YEAR 2016 TOTAL
Opening balance	**4,963**	**11,748**	**16,859**	**33,570**	**34,187**
Provisions	504	1,307	157	3,683	18,087
Utilizations	(1,278)	(639)	(10,486)	(12,403)	(9,214)
Revision of estimates	-	(57)	-	(57)	(23,915)
Merger	-	-	-	-	1,680
Other changes	2	(11)	11,368	11,359	12,745
Closing balance	**4,191**	**12,348**	**17,898**	**36,152**	**33,570**

Specifically:

- the *provision for commercial risks*, of €4,191 thousand (€4,963 thousand at December 31, 2016), is proportioned to estimated charges for incomplete compliance of contractual obligations;
- the *provision for contractual and other operating risks*, of €12,348 thousand (€11,748 thousand at December 31, 2016) includes €8,849 thousand for disputes with third parties, 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, judicial and arbitration procedures" of the Report on Operations.
- the *non-operating provisions* - current portion - amounted to €17,898 thousand at December 31, 2017 (€16,859 thousand at December 31, 2016). They mainly include *(i)* €13,429 thousand for the *provision for restructuring - current portion*, established last year; *(ii)* €2,569 thousand of the *restructuring provision for the sales network*; *(iii)* €750 thousand, unchanged compared to December 31, 2016, 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 favor of the TDL Fund, bearing in mind the winding-up proceedings applied.

22. Trade payables and other current liabilities

Trade payables and other current liabilities are detailed as follows:

(euro/thousand)	AT 12.31.2017	AT 12.31.2016	CHANGE
Payables to suppliers	61,828	66,357	(4,529)
Payables to agents	14,943	17,139	(2,196)
Payables to others	6,216	2,496	3,720
Payables to employees	12,456	17,949	(5,493)
Payables to social security institutions	4,025	4,394	(369)
Payables to parents	-	-	-
Total trade payables	**99,468**	**108,335**	**(8,867)**
Liabilities for services to be provided	89,474	98,796	(9,322)
Advances from customers	2,394	3,855	(1,461)
Other current liabilities	3,772	8,192	(4,420)
Total liabilities for services to be provided and other current liabilities	**95,640**	**110,843**	**(15,203)**

All *trade payables* have a due date of less than 12 months.
Payables to suppliers, equal to €61,828 thousand (€66,357 thousand at December 31, 2016) decreased by €4,529 thousand.
Payables to agents, equal to €14,943 thousand (€17,139 thousand at December 31, 2016), are considered in conjunction with the item " advances on sales commissions" under item "Other current assets" amounting to €17,069 thousand at December 31, 2017 (€21,702 thousand at December 31, 2016).
Liabilities for services to be provided and other current liabilities, equal to €95,640 thousand (€110,843 thousand at December 31, 2016) include €89,474 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.

23. Revenue from sales and services

Revenue from sales and services totaled €330,229 thousand (€369,376 thousand in 2016). for the analysis of trend revenue, please refer to the "Report on Operations, paragraph Performance by Business segment - Digital Italia").

24. Other operating costs and revenue

24.1 Other income

Other income of €15,978 thousand (€16,739 thousand during 2016) includes: *i)* €6,910 thousand for the recovery of costs incurred by Italiaonline S.p.A. for seconded staff (subsequently recharged to Group companies); *ii)* €6,226 thousand of other income of which €3,730 thousand for administrative and EDP services was from subsidiaries, and *iii)* €2,790 thousand mainly for the recovery of administrative, legal and postal costs, of which €562 thousand was from companies of the Group.

24.2 Costs of materials

Costs of materials amounted to €2,070 thousand in 2017 (€13,887 thousand in 2016). They specifically refer to goods and products for resale, amounting to €435 thousand, related to both the purchase of customized items used for merchandising activities and the purchase of fuel for the company's motor vehicles. The decrease, compared to the previous year, is due to the decision to ask printers to buy the paper for the printing of smartbooks, without directly purchasing it.

24.3 Costs for external services

The costs for external services in 2017 amounted to €210,408 thousand (€216,220 thousand in 2016); they relate in particular to:

- *costs for commissions and other agent costs* totaled €73,790 thousand (€77,365 thousand in 2016);
- *web publisher fees* amounting to €36,417 thousand related to the management of new web offers aimed at increasing web traffic (€37,462 thousand in 2016);
- consulting and professional services costs of €12,357 thousand (€14,220 thousand in 2016);
- *inbound call center services*, equal to €2,114 thousand, refer to the services 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE® services (€4,427 thousand for 2016);
- rental costs and use of third party assets amounted to €19,597 thousand (€18,258 thousand in 2016);

24.4 Personnel expense

Personnel expense amounted to €53,683 thousand in 2017 (€71,752 thousand in 2016) corresponding to an average workforce of 863 people (1,058 in 2016) and a workforce including directors, project workers and interns of 1,139 people at December 31, 2017 (1,217 people at December 31, 2016).

24.5 Allowances for impairment

These are broken down as follows

(euro/thousand)	YEAR 2017	YEAR 2016	CHANGE ABSOLUTE	CHANGE %
Allowance for impairment - trade receivables	7,628	10,033	(2,405)	(24.0)
Reversal of allowance for impairment - trade receivables	(88)	(70)	(18)	(25.7)
Impairment losses on other operating assets	1,878	1,092	786	72.0
Total allowances for impairment losses	**9,418**	**11,055**	**(1,637)**	**(14.8)**

24.6 Accruals to provisions for risks and charges, net

These are broken down as follows

(euro/thousand)	YEAR 2017	YEAR 2016	CHANGE ABSOLUTE	CHANGE %
Provisions for commercial risks	504	1,208	(704)	(58.3)
Provisions for risks and operating charges	1,307	4,687	(3,380)	(72.1)
Reversal of provisions for risks and operating charges	(57)	(377)	320	84.9
Total accruals to provisions for risks and charges, net	**1,754**	**5,518**	**(3,764)**	**(68.2)**

For more information please see Note 21.

24.7 Other operating costs

Other operating costs amounted to €2,445 thousand (€3,008 thousand in 2016). They mainly included €1,302 thousand for indirect and operating taxes and €161 thousand for membership fees.

24.8 Net non-recurring charges

The non-recurring charges came to €1,077 thousand (€8,700 thousand in 2016) and include the combined effect mainly resulting from the following:

- Income, amounting to €2,126 thousand, from 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.;
- Strategic consultancies, amounting to €1,382 thousand (€4,476 thousand for 2016, mainly due to the merger).

24.9 Net restructuring income (charges)

Net restructuring charges amount to €11 thousand (net restructuring income of €294 thousand in 2016) and includes the effects of streamlining in Italiaonline S.p.A..

25. Financial income and expense

25.1 Financial expense

Financial expense amounted to €3,934 thousand (€9,846 thousand in 2016). It includes:

- €3,358 thousand for the impairment loss on the financial receivable from Consodata S.p.A. since it was considered unrecoverable and thus fully impaired;
- €455 thousand of interest expense related mainly to the discounting of post-emplyment benefits.

25.2 Financial income

Financial income, amounting to €1,285 thousand in 2017 (€7,715 thousand in 2016), are related, in the amount of €435 thousand, to interest income resulting from the use of short-term liquidity at the market-rate banking system, and, in the amount of €801 thousand, to other financial income.
In 2016, this item included €5,075 thousand related to the dividend distributed by the company Telegate GmbH with resolution of June 29, 2016 and €1,342 thousand related to the dividend distributed by the company Emittente Titoli S.p.A. with shareholders' resolution made at their Meeting held on April 20, 2016.

26. Impairment losses on financial assets and losses on the disposal of equity investments

Impairment losees on financial assets and losses on the disposal of equity investments, amounting to €2,287 thousand (€6,117 thousand in 2016), were related for €1,715 thousand to the provision for risks relating to coverage of future losses of Consodata S.p.A. and for €590 thousand to the impairment losses of Prontoseat S.r.l., due to payments made to cover losses.

27. Tax benefit (expense)

Tax expense for 2017 is broken down as follows

(euro/thousand)	YEAR 2017	YEAR 2016	CHANGE	
			ABSOLUTE	%
Current income taxes	(760)	(782)	22	2.8
Provision (reversal) of deferred tax assets	(4,975)	21,983	(26,958)	n.s.
(Provision) reversal of deferred tax liabilities	1,639	2,267	(628)	(27.7)
Income taxes referred to previous years	2,668	595	2,073	n.s.
Total income taxes for the year	**(1,428)**	**24,063**	**(25,491)**	**n.s.**

27.1 Income taxes

Current income taxes for the year 2017 amounted to €760 thousand (€782 thousand in 2016). The mainly relate to current IRAP tax and to the taxes of the subsidiaries transferred from subsidiaries under the national tax consolidation scheme.
The reversal of deferred tax assets equal to €4,975 thousand (provision for €21,983 thousand in 2016), mainly refers to the change in the provisions for risks and the portion of interest expense recovered in the current year. In addition recoverability evaluations of the tax losses carried forward indefinitely and non-deductible interest expense as per Article 96 of the Consolidated Income Tax Law were made in the time horizon of the business plan available. This did not lead to further registrations already carried out in 2016; in this regard, it is noted that, for cumulative tax losses carried forward indefinitely for approximately €220 million, deferred tax assets calculated on the portion expected to be recovered amounted to €28 million at the end of the period.
Income tax for previous years equal to €2,668 thousand mainly refers to the conversion of the portion of the deduction of 2016 ACE (Allowance for corporate equity) into IRAP tax assets pursuant to Legislative Decree 201/2011.

The reconciliation of the income taxes reported in the separate financial statements and the theoretical income taxes resulting from the application of the tax rates in force in Italy to pre-tax profit for the years ended December 31, 2017 and December 31, 2016 respectively is as follows:

(euro/thousand)	YEAR 2017	YEAR 2016
Pre-tax profit	**25,351**	**4,148**
Income taxes calculated with the theoretical tax rate (27.90% from 2017, before 31.40%)	**(7,073)**	**(1,302)**
Tax effect on non-deductible expenses for IRAP purposes	(2,819)	(4,254)
Deferred tax adjustment due to the rate change	-	(1,212)
Income taxes relating to prior years	2,668	595
Non-deductible interest expense of previous years recoverable over the Plan	-	15,401
(Non recognizable deferred tax assets)/gain on revaluation	5,342	20,587
IRES tax effect due to the reduction of liabilities for deed of arrangement	-	16
Permanent differences and other movements	454	(5,769)
Total tax benefit (expense)	**(1,428)**	**24,063**

The permanent differences that comprise an income of €691 thousand are mainly attributable to:
- tax effect on tax losses for the year on which no further deferred tax assets have been recorded, as it is not considered possible to recover them over the available plan horizon;
- IRAP deductions for tax wedges and further deduction of costs for employees with open-ended contracts introduced by Law 190/2014.

27.2 Net deferred tax assets and liabilities

Net deferred tax assets and liabilities are detailed in the table below

(euro/thousand)	AS AT 12.31.2016	CHANGE OF THE YEAR		AS AT 12.31.2017		
		INCOME TAXES ACCOUNTED FOR IN THE INCOME STATEMENT	INCOME TAXES ACCOUNTED FOR IN EQUITY	TOTAL	OF WHICH IRES	OF WHICH IRAP
Deferred tax assets						
Allowance for impairment	10,009	(2,271)	-	7,738	7,738	-
Provisions for contractual risks	14,565	(1,632)	-	12,933	11,206	1,727
Post-employment benefits	58	658	(58)	658	658	-
Tax losses	7,317	-	-	7,317	7,317	-
Interest expense	15,401	(4,811)	-	10,590	10,590	-
Goodwill [1]	1,832	(833)	-	999	498	501
Other	1,893	(1,428)	-	465	465	-
(Non recognizable deferred tax assets) / revaluation of deferred tax assets	(5,342)	5,342	-	-	-	-
Total deferred tax assets	***45,733***	***(4,975)***	***(58)***	***40,700***	***38,472***	***2,228***
Deferred tax liabilities						
Customer Relationships	(6,065)	910	-	(5,155)	(4,433)	(722)
Database	(1,463)	549	-	(914)	(784)	(130)
Trademarks	(47,264)	-	-	(47,264)	(40,657)	(6,607)
Post-employment benefits	-	-	-	-	-	-
Other	(208)	180	-	(28)	(28)	-
Net deferred tax liabilities	***(55,000)***	***1,639***	***-***	***(53,361)***	***(45,902)***	***(7,459)***
Total net deferred tax	**(9,267)**	**(3,336)**	**(58)**	**(12,661)**	**(7,430)**	**(5,231)**

[1] It does not refer to Goodwill accounted in the Separate Financial Statements at December 31, 2017.

The changes during the year include the release of deferred tax assets related to the movement of the provisions for risks and the portion of interest expense recovered in the current year referring to the portion of interest expense recovered in the current year.

It should therefore be noted that, at the end of the year, the residual interest expense that can be carried forward amount to approximately €579 million and that deferred tax assets calculated on approximately €44 million are recognized, quantified on gross operating profit (as per Article 96 of the Consolidated Law of Income Taxes) that is expected to be made within the plan horizon available to date, making it possible to deduct in the future a portion of the interest expense reported by the previous tax periods.

27.3 Current tax assets

Current tax assets amounted to €8,250 thousand at December 31, 2017 (€5,932 thousand at December 31, 2016). These are broken down as follows:

(euro/thousand)	AT 12.31.2017	AT 12.31.2016	CHANGE
Income tax assets	8,175	5,857	2,318
Other tax assets	75	75	-
Total current tax assets	**8,250**	**5,932**	**2,318**

27.4 Current tax liabilities

These are broken down as follows:

(euro/thousand)	AT 12.31.2017	AT 12.31.2016	CHANGE
Income tax liabilities	140	-	140
Other tax liabilities	3,371	3,156	215
Total current tax liabilities	**3,511**	**3,156**	355

27.5 Dispute with the Italian Tax Autorities for failure to apply tax withholding

In 2014 and 2015 the the Italian Tax Autorities - Lombardy Regional Office (Agenzia delle Entrate - Direzione Regionale della Lombardia, hereinafter "DRE"), notified Italiaonline S.p.A. (the Company) a total of 6 tax assessment notices claiming the Company had failed to apply withholding taxes on interest paid to the Royal Bank of Scotland (Milan branch) on the "Senior" loan in the year 2009 (notice of assessment notified on December 24, 2014) and in the years 2010, 2011 and 2012 (5 notices of assessment notified on October 5, 2015).
The Company, supported by its own tax advisors, has challenged the aforementioned assessment notices.

Both the Provincial Tax Commission of Milan with a ruling filed on December 1, 2015 (hereafter, the "First Instance ruling 2009") and the Regional Tax Commission of Lombardy with a ruling filed on February 6, 2018 (hereinafter, the "Second instance ruling 2009'') upheld the Company's appeal against the assessment notice for the 2009 tax period and ordered its cancellation.
On the other hand, the Provincial Tax Commission of Milan with a ruling filed on 29 May 2017 (hereinafter the "First Instance ruling 2010-2011-2012"), with a decision opposed to that adopted by the Provincial Tax Commission of Milan with the First ruling 2009, confirmed the legitimacy of the 2010, 2011 and 2012 notices in this regards. The Company appealed against this decision, on 19 December 2017.
The Company, supported by its consultants, taking into account the arguments put forward to support the correctness of its actions and the favorable decisions set forth in the First Instance ruling 2009 and in the second Instance ruling 2009, believes that, despite the unfavorable decision reported in the first instance ruling 2010-2011-2012, the risk of having to use resources to produce economic benefits relative to the notices of assessment notified by the DRE should not be considered probable, but possible at most. Therefore, pursuant to IAS 37, no provision was made for tax risks and charges on this basis.
More information on the dispute with the Tax Authorities for alleged failure to apply withholding taxes and other more significant disputes are reported in the Report on Operations in the section "Administrative, judicial and arbitration proceedings in which the Italiaonline Group is involved".

28. 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 (633,021 option rights);
- for Tranche B, for the period between January 1, 2016 and December 31, 2018 (2,766,900 option rights).

The stock option allocation plan is set up as an "equity-settled" plan: the relevant cost for 2017 is approximately €978 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 Note 28 "Long-term incentive schemes with share-based payments" to the consolidated financial statements at December 31, 2017.

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

It should be noted that as a result of the company's decision not to divest its investment in Consodata S.p.A., the equity investment is no longer included in this section but it is disclosed under the note on Equity Investments.
At December 31, 2016, these items included amounts related to the residual debt and potion of intangible assets recorded in the Assets of the financial statements and related to two remaining finance leases, related to the buildings of the branch of Turin, in place with Mediocredito Italiano S.p.A., following the sale of the agreements to the company Engineering Ingegneria Informatica S.p.A.. In particular, €5,859 thousand were related to the value of financed fixed installations, included under "Non-current assets held for sale and discontinued operations", and €7,985 thousand were related to financial liabilities under "Non-current liabilities held for sale and discontinued operations".

30. 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 Italiaonline S.p.A. on the financial position at December 31, 2017 and the results of operations for the year then ended are summarized below.
The transactions carried out by Group companies, including intra-group 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 2017	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Revenue from sales and services	330,229	-	163	2	-	165
Other income	15,978	-	11,430	-	338	11,768
Costs for external services	(210,408)	-	(37,838)	-	(4,303)	(42,141)
Personnel expense	(53,683)	-	(272)	-	(3,018)	(3,290)
Financial income	1,285	-	10	-	-	10
Interest expense	(3,934)	-	(8)	-	-	(8)
Tax benefit (expense)	(1,428)	-	(77)	-	-	(77)

(*) "Other related parties" include Directors, statutory auditors, key management personnel

(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 for 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)
Tax benefit (expense)	25,403	-	(346)	-	-	(346)

(*) "Other related parties" include Directors, statutory auditors, key management personnel.

Statement of financial position

(euro/thousand)	DECEMBER 31, 2017	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Assets						
Intangible assets with a finite useful life	54,472	-	707	-	8	715
Property, plant and equipment	8,385	-	-	-	117	117
Other non-current financial assets	2,901	-	-	-	-	-
Trade receivables	135,804	-	366	-	-	366
Other current assets	40,329	90	4,541	-	129	4,760
Current financial assets	1,208	-	8,866	-	-	8,866
Liabilities						
Other non-current liabilities	-	-	744	-	-	744
Current financial liabilities	13,509	-	11,367	-	-	11,367
Trade payables	99,468	-	5,675	-	2,737	8,412
Liabilities for services to be provided and other current liabilities	95,640	-	434	-	242	676

(*) "Other related parties" include 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	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

(*) "Other related parties" include Directors, statutory auditors, key management personnel.

Statement of cash flows

(euro/thousand)	YEAR 2017	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Cash flows from operating activities	58,826		(22,450)	36	(6,603)	(29,017)
Cash flows from investing activities	(24,044)	-	(707)	-	(125)	(832)
Cash flows from financing activities	(81,282)		168	-	-	168
Cash flows from non-current assets held for sale and discontinued operations		-	-	-	-	-
Cash flows of the year	**(46,500)**		**(22,989)**	**36**	**(6,728)**	**(29,681)**

(*) Consociate, Amministratori, Sindaci, Dirigenti con responsabilità strategiche

(euro/thousand)	YEAR 2016	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Cash flows used in operating activities	58,458	-	(27,280)	83	(11,164)	(38,361)
Cash flows used in investing activities	(20,439)	-	(7)	-	-	(7)
Cash flows used in financing activities	(39,834)		8,565	-	-	8,565
Cash flows from non-current assets held for sale and discontinued operations	1,000	-	-	-	-	-
Cash flows of the year	**(815)**	**-**	**(18,722)**	**83**	**(11,164)**	**(29,803)**

(*) "Other related parties" include Directors, statutory auditors, key management personnel

Remuneration to key management personnel and directors' and statutory auditors' fees

(euro/thousand)	AS AT 12.31.2017	AS AT 12.31.2016
Position		
Key management personnel	2,308	2,307
Directors ' fees	985	1,096
Statutory Auditors' fees	210	247

Main financial statements balances with subsidiaries, associates, joint ventures and companies with significant influence over Italiaonline S.p.A.

Income statement

(euro/thousand)	YEAR 2017	YEAR 2016	TYPE OF TRANSACTION
REVENUE			
Consodata S.p.A.	163		
Europages S.A.	-	875	commissions
Others		2	
Total revenue from sales and services	**163**	**877**	
OTHER INCOME			
Consodata S.p.A.	734	1,188	recovery of costs for seconded personnel and refunds for services
Digital Local Services S.r.l.	10,399	11,171	recovery of costs for seconded personnel and refunds for services
Europages S.A.	-	211	recovery of costs for seconded personnel and refunds for services
Others	297	293	
Total other income	**11,430**	**12,862**	
COSTS			
Digital Local Services S.r.l.	29,234	31,787	commercial service and rent
Prontoseat S.r.l.	5,201	5,098	mainly referred to call center services
Moqu S.r.l.	2,313	-	mainly referred to web services
Consodata S.p.A.	1,090	1,895	mainly referred to the sale of direct marketing services
Others	-	1,097	
Total costs of materials and for external services	**37,838**	**39,876**	
Total personnel costs	**272**	**201**	costs of seconded personnel
Total other operating expenses	**-**	**-**	
FINANCIAL INCOME			
Consodata S.p.A.	9	11	interest income on the intercompany current account
Europages S.A.	-	84	interest income on loan to Europages
Telegate Holding GMBH	-	5,075	dividends
Others	1	3	
Total financial income	**10**	**5,173**	
FINANCIAL EXPENSE			
Digital Local Services S.r.l.	8	7	interest expense on current accounts due to subsidiaries
Total financial expense	**8**	**7**	
TAX BENEFIT (EXPENSE) of which			
Consodata S.p.A.	166	326	effects of the adhesion to the tax consolidation by the Italian subsidiaries
Moqu S.r.l.	(107)	-	effects of the adhesion to the tax consolidation by the Italian subsidiaries
Prontoseat S.r.l.	18	20	effects of the adhesion to the tax consolidation by the Italian subsidiaries
Total income taxes	**(77)**	**346**	

Statement of financial position

(euro/thousand)	AS AT 12.31.2017	AS AT 12.31.2016	TYPE OF TRANSACTION
OTHER NON-CURRENT LIABILITIES			
Consodata S.p.A.	352	352	non-current liabilities for national tax consolidation scheme
Prontoseat S.r.l.	392	392	non-current liabilities for national tax consolidation scheme
Total non-operating non-current liabilities	**744**	**744**	
TRADE RECEIVABLES			
Consodata S.p.A.	366	-	receivables for the sales of Europages products
Total trade receivables	**366**	**5**	
OTHER CURRENT ASSETS			
Consodata S.p.A.	424	547	services provided
Digital Local Services S.r.l.	3,840	4,628	services provided
Prontoseat S.r.l.	37	122	receivables for costs recovery for seconded personnel and for services provided
Moqu S.r.l.	239	-	receivables for costs recovery for seconded personnel and for services provided and receivables related to tax consolidation by the Italian subsidiaries
Others	1	21	
Total other current assets	**4,541**	**5,318**	
TRADE PAYABLES			
Digital Local Services S.r.l.	2,770	(17)	services provided
Moqu	1,038	397	services provided
Consodata S.p.A.	457	427	services provided
Prontoseat S.r.l.	1,410	1,103	services provided
Total Trade payables	**5,675**	**1,910**	
LIABILITIES FOR SERVICES TO BE PROVIDED AND OTHER CURRENT LIABILITIES			
Consodata S.p.A.	383	451	tax liabilities
Prontoseat S.r.l.	18	20	tax liabilities
Others	31	-	
Total Liabilities for services to be provided and other current liabilities	**432**	**471**	
CURRENT FINANCIAL ASSETS AND CASH AND CASH EQUIVALENTS of which			
Consodata S.p.A.	8,315	7,457	current account assets
Prontoseat S.r.l.	524	319	current account assets
Glamoo S.p.A.	-	1,540	
Others	27	-	
Total current financial assets and cash and cash equivalents	**8,866**	**9,316**	
CURRENT FINANCIAL LIABILTIES of which			
Digital Local Services S.r.l.	9,961	11,651	current account liabilities
Moqu S.r.l.	1,406	-	current account liabilities
Total current financial liabilities	**11,367**	**11,651**	

31. 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 2017 is as follows:

(euro/thousand)	EQUITY	PROFIT (LOSS) FOR THE YEAR	NET FINANCIAL DEBT	CASH FLOWS
Carrying amount	311,400	23,923	61,937	-
Net non-recurring and restructuring costs	(1,088)	(1,088)	(18,476)	(18,476)
of which:				
- Strategic consultancies and rebranding and M&A	*(2,106)*	*(2,106)*	*(4,749)*	*(4,749)*
- Cash in from sale of 12.54 activities	-	-	*1,000*	*1,000*
- Income from taking over finance lease agreements related to buildings	*2,126*	*2,126*	-	-
- Personnel and agents reorganization	-	-	*(11,618)*	*(11,618)*
Impact%	-0.3%	-4.5%	-29.8%	n.s.

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

32. Other information

Summary table of the fees paid to the Independent Auditors and entities belonging to the KPMG network.

Pursuant to Article 149-duodecies of Consob Issuer Regulation (Resolution No. 11971/1999 and subsequent amendments), the fees for audits and other services carried out for Italiaonline S.p.A. in 2016 by KPMG S.p.A. and entities belonging to the KPMG network are shown below.
The 2017 separate Financial Statements of Italiaonline S.p.A. were audited by KPMG S.p.A. as assigned by the Shareholders in their Meeting of May 12, 2016 for the years 2016-2024 to comply the requirements of the Consolidated Law on Financial intermediation (Legislative Decree no. 58 of February 24, 1998). The amount of fees paid to the independent auditors in 2017 is the following:

(euro/thousand)	**YEAR 2017**
KPMG S.p.A.	
Audit	239
Agreed-upon procedures on subsidiaries	72
Other audit services	60
Consultanties	38
Total	**409**

List of significant equity investments

Name	REGISTRED OFFICE	SHARE/QUOTA CAPITAL		OWNED BY	% HELD
CONSODATA S.p.A.	Roma (Italy)	Euro	2,446,330	Italiaonline S.p.A.	
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 in liquidation	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 liquidation	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 in liquidation	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 liquidation	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/QUOTA CAPITAL		OWNED BY	% HELD
Digital Local Services MILANO 2 srl in liquidation	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 in liquidation	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 in liquidation	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 liquidation	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 liquidation	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 in liquidation	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 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 liquidation	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100.00

Name	REGISTRED OFFICE	SHARE/QUOTA CAPITAL		OWNED BY	% HELD
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
Digital Local Services VERONA 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
Gold Five S.r.l. in liquidation	Milan (Italy)	Euro	250,000	Italiaonline S.p.A.	20.00
Moqu Adv S.r.l.	Assago (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	Munich (Germany)	Euro	26,100	Italiaonline S.p.A.	100.00
11 88 0 Solutions AG (ex TELEGATE AG)	Munich (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)	Munich (Germany)	Euro	25,000	Telegate Media AG	100.00
TELEGATE LLC	Yereva (Armenia)	Dram Armeno	50,000	Telegate AG	100.00

33. Information on management and coordination

Please note tha ItaliaOnline 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 2017.

2. The administrative and accounting procedures for the preparation of the separate financial statements as at December 31, 2017 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, 2017:
     - 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, 2018

Chief Executive Officer
Antonio Converti

Chief Financial Officer
Gabriella Fabotti

Italiaonline S.p.A.

Registered office in Assago (Milan), via del Bosco Rinnovato 8
Share capital: Euro 20,000,409.64
Companies' Register of Milan and VAT no. 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 2017, the Board of Statutory Auditors of ITALIAONLINE S.p.A. (ITALIAONLINE) fulfilled its supervisory function in compliance with the law, adjusting its activity into line with the rules of conduct of the Board of Statutory Auditors in limited companies with shares listed on regulated markets, approved by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Institute of Chartered Accountants), with the recommendations issued by Consob regarding corporate controls and the activities of the Board of Statutory Auditors and the guidelines contained in the Corporate Governance Code of listed companies which the Company adheres to.

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The current standing members of the Board of Statutory Auditors, confirmed in office by the Shareholders' Meeting of 23 April 2015, complied with the limit on total mandates set forth in art. 144 terdecies of the regulation approved by Consob by means of resolution 11971 of 14 May 1999 and subsequent amendments (Issuers' Regulation). The Board of Statutory Auditors' office will expire on approval of the financial statements for the year ended as at 31 December 2017.

As regards the independent audit tasks, the Shareholders' Meeting of 12 May 2016 assigned, based on a justified proposal of the Board of Statutory Auditors, the engagement to the company KPMG S.p.A., pursuant to Legislative Decree no. 58/1998 (TUF - Consolidated Finance Law) and Legislative Decree no. 39/2010, to whose reports reference should be made. The independent auditors' engagement lasts until the approval of the financial statements for the year ended as at 31 December 2024. KPMG S.p.A. is also assigned the engagement of the limited examination of the consolidated non-financial statement of the Italiaonline Group for the years ended as at 31 December 2017 through to 31 December 2024. This examination is targeted at issuing a declaration regarding the compliance of the information provided in said statement, drafted by ITALIAONLINE in accordance with Legislative Decree 254/2016, with the provisions of the aforementioned Legislative Decree 254/2016.

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Considering the above, in fulfilling its mandate, during 2017, the Board of Statutory Auditors met with the corporate functions, with particular reference to the manager in charge of preparing the company's accounting documents and the manager of the Internal Audit and Compliance Department, took part in the meetings of the Committees established by the Company, including therein those of the Supervisory Body established in accordance with Legislative Decree no. 231/2001, as well as the meetings of the Board of Directors, also obtaining information directly from the various corporate governance functions and promoting the necessary exchange of information with the independent auditors.

The authors could therefore rely on the information provided in a suitable and prompt manner by the Directors, as well as by the corporate functions, on the general operating performance, its business outlook, as well as on the transactions of the most significance, owing to their size or characteristics, entered into by the Company and its subsidiaries.

The above fact-finding and information-based activities, surveys and consultations allowed the Board to:

- acquire sufficient knowledge necessary to demonstrate the performance of activities on observance of the law, of the By-Laws as well as on respect for the principles of sound administration and the degree of adequacy of the Company's organisational structure;

- monitor the functioning and effectiveness of the internal control systems and the adequacy of the administrative and accounting system, particularly as regards the reliability of the latter in representing operating events;

- verify the monitoring of the functionality, verified directly, of the system of control of Group companies and the adequacy of the provisions handed down to them, also in accordance with art. 114, subsection 2, of the TUF;

- acknowledge the 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 actual methods of implementation of the rules of corporate governance set forth in the Corporate Governance Code of listed companies promoted by Borsa Italiana S.p.A., as adopted by the Company;

- acknowledge the monitoring and directly verify the compliance of the internal procedure governing related party transactions, revised on 11 May 2017, with the principles indicated in the regulation approved by Consob by means of resolution no. 17221 of 12 March 2010 and subsequent amendments (Related Party Regulation), as well as its observance, pursuant to art. 4, subsection 6, of said regulation;

- acknowledge the monitoring of the corporate information process and verify the observance of the legal and regulatory provisions regarding the formation and approach of the separate financial statements and the consolidated financial statements and the relevant accompanying documents;

- ascertain the adequacy, from a methodological point of view, of the impairment test process in place to identify any losses in value of the assets booked to the financial statements;

- verify that the Directors' report on operations for the year 2017 conforms to the applicable laws and regulations, consistent with the resolutions adopted by the Board of Directors and the facts represented in the separate financial statements and the consolidated financial statements. The half-yearly report did not require observations by the Board of Statutory Auditors. The half-yearly report and the quarterly reports were published in accordance with applicable laws and regulations;

- monitor the adequacy of all procedures, processes and structures that cover the production, reporting, measurement and representation of the results and the non-financial information.

During the course of our monitoring activities, carried out in accordance with the methods described above, no significant facts came to light that need to be reported to the competent bodies or are worthy of mention in this report.

* * *

The specific indications to be provided with this report are listed below, according to the provisions of Consob communication DEM 1025564 of 6 April 2001 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.**

These transactions are all listed in detail and comprehensively described in the appropriate chapters of the "Annual Financial Report as at 31.12.2017" to which reference should be made for more in-depth information. To the extent necessary, the Board of Statutory Auditors acknowledges that it has monitored the individual phases of the various transactions, participating not only in the meetings of the Boards of Directors, but also in the meetings of the different committees, by acquiring the most appropriate information and, where necessary, conducting the necessary in-depth examinations. As a consequence thereof, the Board of Statutory Auditors noted compliance with the By-Laws and all the legal and regulatory provisions and, consequently, the correctness of the implementation of these transactions.

In this venue, we deem appropriate to highlight that, thanks to the Board of Directors meeting of 15 March 2018, the business plan (pre-merger), already updated on 15 March 2017 in terms of both the duration (2017-2019 three-year period) and the economic-financial objectives, was extended until 2020, updating its economic-financial objectives for the 2018-2020 three-year period.

2) **Indication of the possible existence of any atypical and/or unusual transactions, including intra-Group or related-party transactions**

No atypical and/or unusual transactions have been detected.

As regards transactions with related parties carried out in the year in addition to those already outlined in the report of the Board of Statutory Auditors to the financial statements in the past year, we should point out that the Related-Party Transactions Procedure adopted by the Company was not applied given that the transactions are exempt, as defined in art. 6.1 of the Procedure.

3) Evaluation of the adequacy of the information rendered in the Directors' report on operations as regards atypical and/or unusual transactions, including intercompany and those with related parties

In this respect, it should be reiterated that no transactions such as those indicated above were verified. In this regard, it should be pointed out that the company adopted an appropriate procedure which regulates the fulfilment of the disclosure obligations pursuant to art. 16 of the Company By-Laws and art. 150, subsection 1 of the TUF, for the purpose of ensuring the transparency - in addition to compliance with the disclosure obligations - of related party transactions (including therein intercompany transactions), of the most important economic, financial and equity transactions of the company and atypical and/or unusual transactions. For a more in-depth examination of the procedure, please refer to the Report on corporate governance and ownership structures of ITALIAONLINE, pursuant to art. 123-bis of the TUF.

4) Observations and proposals on comments and disclosure requests contained in the reports of the independent auditors

Directive 2014/56/EU modified directive 2006/43/EU relating to the independent audit; the Directive was acknowledged in Italy through Legislative Decree 135/2016 which modified Legislative Decree 39/2010. Regulation (EU) 537/2014 of 16 April 2014, art. 10, defines the specific requirements of the audit report for public institutions.

Pursuant to art. 19 of Legislative Decree 39/2010, in 2017 and up until the date of this report, the Board of Statutory Auditors carried out a process of constant monitoring of the activities performed by the independent auditors, through a series of meetings during which, inter alia, it examined: the purpose of the audit activity, materiality and significant risks and the audit plan.

The Board of Statutory Auditors analysed the methodological system adopted by the auditors and acquired the necessary information during the work, receiving updates on the progress status of the audit engagement and on the main areas of attention of the auditors.

The Board of Statutory Auditors examined the following reports drafted by the independent auditors KPMG S.p.A.:

a) the reports on the audits of the separate financial statements and the consolidated financial statements issued on 4 April 2018 in accordance with art. 14 of Legislative Decree 39/2010 and art. 10 of Regulation (EU) no. 537/2014;

b) the additional report issued on 4 April 2018 pursuant to art. 11 of the aforementioned Regulation, to the Board of Statutory Auditors as the internal control and audit committee;

c) the annual confirmation of independence, issued on 4 April 2018, pursuant to art. 6, subsection 2, letter a) of the Regulation and in accordance with subsection 17 of ISA Italia 260.

The aforementioned reports on the audit of the separate and consolidated financial statements highlight that the separate financial statements and the consolidated financial statements of the Group provide a true and fair view of the equity and financial position of ITALIAONLINE and of the ITALIAONLINE Group as at 31 December 2017, of the economic result and the cash flows for the year ended as at said date, in compliance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued in implementation of art. 9 of Legislative Decree 38/2005.

In addition, in the opinion of the auditors, the report on operations and some specific information contained in the report on corporate governance and ownership structures indicated in art. 123-bis, subsection 4, of Legislative Decree 58/1998 are consistent with the separate financial statements of ITALIAONLINE and with the consolidated financial statements of the ITALIAONLINE Group as at 31 December 2017. With reference to any identification of significant errors in the report on operations (art. 14, subsection 2, letter e) of Legislative Decree 39/2010), the auditors declared that there is nothing to report.

As from 2017, the reports on the audit of the separate financial statements and the consolidated financial statements illustrate the key aspects of the audit which, in the professional opinion of the auditors, are the most significant in the audit of the separate and consolidated financial statements for the year under review (ISA Italia 701).

In particular, KPMG S.p.A. identified the following key aspects:

- the valuation of goodwill and other intangible fixed assets with an indefinite life;
- the existence and accuracy of revenues (sales/services).
- the valuation of trade receivables.

As regards the aforementioned key aspects, for which the auditors' reports outline the relevant audit procedures adopted, the auditors do not express a separate judgment, as they were addressed in the audit and in the formation of the judgment on the financial statements as a whole. The above-mentioned key aspects were subject to detailed analysis and updating during the periodic meetings that the Board of Statutory Auditors held with the independent auditors.

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

A communication was received by the company on 16 March 2018 via certified e-mail, with a request for it to be transmitted to the Chairman of the Board of Statutory Auditors, regarding a "Complaint to the Chairman of the Board of Statutory Auditors pursuant to art. 2408 of the Italian Civil Code". The document sent by Mr. Bava, who, however, did not provide proof of the qualification of company shareholder, basically picked up on certain information in the news in relation to an event that essentially concerned some criticalities highlighted in the process of accounting for certain revenues relating to Italiaonline S.p.A. prior to the merger. The Company's internal audit department, with the Control and Risk Committee, the Board of Statutory Auditors and the Board of Directors, dealt with said problems, and the matter was fully resolved, with evidence of the minor importance of the issue itself. For a more in-depth and comprehensive analysis, please refer to the report of this Board relating to the financial statements for the year ended as at 31 December 2016 and, more specifically, subsection 14, page 13 et seq.

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 any assignment of additional engagements to the independent auditors and the associated costs

In 2017, KPMGS S.p.A. was not only assigned the audit of the financial statements for the year ended as at 31 December 2017, but the following engagements:

- engagement for the performance of the agreed verification procedures, with reference to the financial statements for the year ended as at 31 December 2017, over a sample of 22 limited liability one-person companies called DIGITAL LOCAL SERVICES controlled by ITALIAONLINE. The consideration for this engagement was agreed at Euro 60,000 plus out-of-pocket and secretariat expenses;

- engagement relating to the share capital increase in service of Tranche A of the stock option plan resolved by the Board of Directors on 8 November 2017. The consideration for this engagement was agreed at Euro 30,000 plus out-of-pocket and secretariat expenses;

- engagement for the performance of the limited analysis of the consolidated non-financial statement of the ITALIAONLINE Group drafted in accordance with Legislative Decree 254/2016. The consideration for this engagement was agreed at Euro 20,000 plus out-of-pocket and secretariat expenses.

8) Indication of any assignment of engagements to entities connected to the company appointed to conduct the audit by continuous relations and the associated costs

A professional engagement was conferred to KPMG Advisory S.p.A. in 2017 regarding the provision of methodological support regarding the reporting of "Non-financial information" pursuant to Legislative Decree 254/2016 of the Italiaonline Group. The consideration for this engagement was agreed at Euro 38,000 plus out-of-pocket and secretary's expenses.

9) Indication of the existence of opinions issued in accordance with the law during the financial year

During the financial year, the opinions required from the Board of Statutory

Auditors by law were issued.

10) Indication of the frequency and number of meetings of the Board of Directors and Board of Statutory Auditors

In accordance with the evidence of the respective corporate books, in 2017, the Board of Statutory Auditors:

- met regularly and drafted 13 reports relating to company activities, including therein the one relating to the drafting of the report of the Board of Statutory Auditors to the Shareholders' Meeting with reference to the financial statements as at 31 December 2016;
- attended all 12 meetings of the Board of Directors;
- attended, jointly 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. The first of these committees held 13 meetings, the second held 4 meetings and the Supervisory Body 4 meetings.

For the sake of completeness, it should be noted that the Board of Statutory Auditors also took part in the shareholders' meetings of 27 April 2017, as well as the special meeting of savings shareholders of 27 April 2017-16 May 2017.

During the first few months of 2018 and up until the date of drafting of this report, the Board of Statutory Auditors also met 3 times for the purposes, inter alia, of acquiring all necessary and useful information regarding corporate governance, the structure, internal control systems as well as the exchanges of information with the Board of Statutory Auditors of the subsidiary Consodata S.p.A. and with the independent auditors, targeted at ensuring the optimum performance of the monitoring task assigned to it. In the same part of the year, the Board of Statutory Auditors participated, jointly or through one or more of its members, in all meetings of the Board of Directors (no. 3), as well as, again jointly or through one or more of its members, in the meetings of the Control and Risk Committee (no. 3), the Supervisory Body (no. 1) and the Appointments and Remuneration Committee (no. 3).

11) Observations on compliance with the principles of sound administration

The Board of Statutory Auditors monitored observance of the law and the memorandum of association, respect for the principles of correct administration, ensuring that the approved transactions carried out by the Directors were compliant with the law and the By-Laws, were based on the principle of economic rationality and were not manifestly imprudent, hazardous, did not involve a conflict of interests with the company, were not in conflict with the resolutions adopted by the shareholders' meeting or as such to compromise the integrity of company assets.

The Board believes, having gained direct knowledge of them, that the governance instruments and tools 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 structures, allow effective monitoring of respect for the principles of correct administration in operating practice.

Lastly, it is also worth noting that the Board of Statutory Auditors has verified the procedure applied by the Board of Directors for the purposes of verification of the independence of its Directors, confirming the correct application of the criteria and the procedures for assessing the independence requirements adopted by the Board of Directors and respect for the requirements of the composition of the administrative body in its joint format. Finally, the Board of Statutory Auditors verified, pursuant to art. 148 and 148-bis of the TUF, that its members met the independence requirements, also with regards to those required for independent Directors.

12) Observations on the adequacy of the administrative structure

The monitoring of the Board of Statutory Auditors in relation to the adequacy of the organisational structure of the company and of the Group is performed through an in-depth examination of the knowledge of the organisational structure as well as the acquisition of the appropriate information in relation to the functions in charge, meetings with the managers of the different company functions, with the Internal Audit and Compliance department and with the independent auditors, for the purposes of a mutual exchange of data and information. To the extent this Board was able to ascertain, there are no anomalies and/or criticalities.

13) Observations on the adequacy of the internal control system

With reference to the monitoring of 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 manager of the Internal Audit and Compliance department and acquired information by taking part in meetings with the Control and Risk Committee and the Supervisory Body. We reiterate what has already been verified and mentioned in the report to the financial statements of the previous year that, in relation to the matter in question, the company has established a Control and Risk Committee, adopted in accordance with art. 7, point 1, of the Corporate Governance Code, and an internal control and risk management system targeted at allowing the identification, measurement, management and monitoring of the main risks. The Chief Executive Officer was identified by the Board of Directors on 8 October 2015 as the director in charge of the internal control and risk management system. The Company also avails itself of the help of the Internal Audit and Compliance department, the function structured to verify and ensure the adequacy of the internal control system in terms of effectiveness and efficiency, and ascertain that this system provides reasonable guarantees so that the organisation can pursue its objectives in an efficient and cost-effective manner. The Board of Statutory Auditors ensured the practical verification of the main characteristics of the existing internal control and risk management system, in relation to the financial disclosure process pursuant to art. 123-bis, subsection 2, letter b), of the TUF. For a more in-depth analysis please refer to the Report on corporate governance and ownership structures drafted in accordance with art. 123-bis of the TUF.

The Board was also able to acknowledge the actual planning of the controls through the information requested from the manager of the Internal Audit and Compliance department and the direct participation in the meetings of the Control and Risk Committee. The Board of Statutory Auditors confirms that the company has had, since 2004, an organisation, management and control model in place pursuant to Legislative Decree no. 231/01, has analysed its updates in depth and verified the activity also through participation in the meetings of said body.

The Board of Statutory Auditors again met with the independent auditors, verifying their independence requirements pursuant to articles 10, 10-bis, 10-ter, 10-quater and 17 of Legislative Decree 39/2010 and art. 6 of Regulation (EU) 537/2014 and monitoring the financial and non-financial disclosure process and the audit of the annual accounts and consolidated accounts.

No criticalities or anomalies emerged from the above activities capable of confuting 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 the risk management systems adopted and the organisational model.

14) Observations on the adequacy of the administrative-accounting system and on the reliability thereof to fairly represent management events

The Board of Statutory Auditors, as in the past, conducted the necessary checks on the adequacy and reliability of the administrative-accounting system, by obtaining information from the managers of the respective functions, examining company documents and analysing the results of the work of the independent auditors. The Board of Statutory Auditors, also met, as required, with the manager in charge of preparing the company's accounting documents and acknowledged the certification of the latter.

The problems identified and acknowledged in the previou report (subsection 14) were resolved by taking the necessary measures in respect of the procedures and information systems which has already been outlined. Therefore, the Board believes it can express a positive judgment on the reliability of the structure being discussed.

This is obviously based on the assumption, of which there is no doubt, that the personnel restructuring plan under way ensures the continuity of the current workforce for ensuring the optimum functioning of the structure.

15) Observations on the adequacy of instructions given by the company to subsidiaries pursuant to art. 114, subsection 2, Legislative Decree no. 58/98

The Board of Statutory Auditors monitored the adequacy of the methodology through which the company hands down the instructions in question so that they provide the necessary information to fulfil the communication obligations set forth by law, without finding any 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 independent auditors, also while attending meetings of the Control and Risk Committee, no aspects emerged requiring to be highlighted.

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 structures.

18) Possible proposals to be represented to the Shareholders' Meeting pursuant to art. 153 of Legislative Decree 58/1998

Lastly, the Board of Statutory Auditors conducted its checks on the observance of the legal provisions regarding the preparation of the draft separate and consolidated financial statements for the year ended as at 31 December 2017, the respective explanatory notes, the directors' report, as well as on the basis of all necessary information provided directly by the Board of Directors, by the department managers and the independent auditors.

In particular, we note that, within the limits of the competence reserved by the law to the Board of Statutory Auditors, the separate financial statements and the consolidated financial statements for the year ended as at 31 December 2017 have been drafted in accordance with the provisions of Legislative Decree no. 38/05, applying the international accounting standards (IAS/ IFRS) issued by the International Accounting Standard Board and endorsed by the European Union, including all interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and in compliance with relevant Consob regulations.

For a more in-depth analysis please refer to the comprehensive chapter commenting on the separate and consolidated financial statements of the Company. The separate and consolidated financial statements are accompanied by the prescribed certifications signed by the Chief Executive Officer and the manager in charge of preparing the company's accounting documents. On the basis of the above, and with 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 separate and consolidated financial statements and the relevant explanatory notes and report on operations, and does not note any impediments to approving the proposed resolutions formulated by the Board of Directors.

In particular, the proposal of the Board of Directors to carry forward the profit for the year which remains after the distribution of a dividend solely to savings shareholders for a total of Euro 204,090.00 is fully agreed upon.

With specific reference to the provisions of the second subsection of art. 153 of Legislative Decree 58/1998, the Board has no proposals to make regarding the other matters within its competence on the agenda, as supplemented by the Board of Directors on 27 March 2018.

Turin/Milan, 4 April 2018

The Statutory Auditors

Mr. Maurizio Gili, Chairman

Mr. Guido Nori, Standing Auditor

Mrs. Ada Alessandra Garzino Demo, Standing Auditor

KPMG

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Italiaonline S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Italiaonline S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2017, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Italiaonline S.p.A. as at 31 December 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of Italiaonline S.p.A. in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Recoverability of the carrying amount of intangible assets with an indefinite useful life

Notes to the separate financial statements: Notes 5 "Impairment testing" and 6 "Intangible assets with an indefinite useful life"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2017 include intangible assets with an indefinite useful life of €250,720 thousand, comprising the Libero, Virgilio, Pagine Bianche and Pagine Gialle trademarks of €169,406 thousand and goodwill of €81,314 thousand. The Company tests the carrying amounts for impairment annually and, in any case, whenever there are indicators of impairment, by estimating the related recoverable amounts. The Company calculated the recoverable amount of goodwill and intangible assets with an indefinite useful life by estimating their value in use, using a method that discounts its expected cash flows. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about: — the expected cash flows, calculated by taking into account the general economic performance and that of the Company's sector, the actual cash flows for past years and the projected growth rates; — the parameters used to calculate the discount rate. For the above reasons and due to the materiality of the relevant captions, we believe that the recoverability of the carrying amount of intangible assets with an indefinite useful life is a key audit matter.	Our audit procedures included: — understanding the process adopted to prepare the impairment tests approved by the Company's board of directors. — understanding the process adopted to prepare the forecasts from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used by the Company to prepare the forecasts; — checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; — comparing the expected cash flows used for impairment testing to those used for the forecasts and analysing the reasonableness of any discrepancies; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of comparison with external data and information; — checking the sensitivity analysis presented in the notes in relation to the key assumptions used for impairment testing; — assessing the appropriateness of the disclosures provided in the notes about intangible assets with an indefinite useful life.

Recognition of revenue from sales and services

Notes to the separate financial statements: Notes 23 "Revenue from sales and services" and 4 "Accounting policies"

Key audit matter	**Audit procedures addressing the key audit matter**
Revenue from sales and services amounted to €330,229 thousand for 2017. The Company recognises revenue from sales and services and applies the accruals basis of accounting differently depending on the type of revenue. Specifically, certain services it provides have the following characteristics: — the contract terms are complex, with a low standardisation level; — the recognition of the related revenue may alternatively be based on the measurement of the quantity of services provided, the timing, the amount of activities carried out or other parameters. For the above reasons and due to the materiality of the relevant financial statements caption, we believe that the recognition of revenue from sales and services is a key audit matter.	Our audit procedures included: — understanding the process for the recognition of revenue and the related IT environment and assessing the design and operation of controls and performing procedures to assess the operating effectiveness of material controls; — comparing the main components of revenue from sales and services to the previous year and budgeted figures and discussing the results with the relevant internal departments; — sending requests for written confirmation of receivable balances at 31 December 2017 to a sample of customers; analysing the replies received and performing alternative procedures for any missing replies; — checking the documentation supporting a sample of sales selected on the basis of their volumes, timing and counterparties; checking whether the service has been actually provided and the related revenue recognised on an accruals basis; — assessing the appropriateness of the disclosures provided in the notes about the recognition of revenue from sales and services.

Measurement of trade receivables

Notes to the separate financial statements: Notes 12 "Trade receivables" and 18 "Information on financial risks"

Key audit matter	**Audit procedures addressing the key audit matter**
The separate financial statements at 31 December 2017 include trade receivables of € €135,804 thousand, net of the allowance for impairment of €32,634 thousand. The Company's business is characterised by a large number of customers and the complexity of the high number of transactions. The Company estimates the allowance for impairment based on a collective assessment by groups of similar assets in terms of nature and due date and an	Our audit procedures included: — understanding the process adopted to monitor and manage credit risk; — assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — sending written requests for information to the legal advisors assisting the Company with credit recovery; — analysing, on a sample basis, the reasonableness of the recoverability

Key audit matter	Audit procedures addressing the key audit matter
individual assessment of receivables under legal disputes. The allowance for impairment is based on the estimated credit losses that the Company expects to incur considering many factors, including: — the age of the receivable; — the customer's solvency; — the risk level of the related geographical segment; — historical figures. Accordingly, calculating the allowance for impairment requires a high level of judgement. For the above reasons and considering the materiality of the financial statements caption, we believe that the measurement of trade receivables is a key audit matter.	estimates through discussions with the relevant internal departments and legal advisors and analysing the supporting documentation; — analysing the reasonableness of the assumptions used to estimate the allowance for impairment based on the collective assessment by groups of similar assets, taking into account historical figures; — assessing the appropriateness of the disclosures provided in the notes about the measurement of trade receivables.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Italiaonline S.p.A. for the separate financial statements

The 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 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

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

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 12 May 2016, the shareholders of Italiaonline S.p.A. appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2016 to 31 December 2024.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The directors of Italiaonline S.p.A. are responsible for the preparation of the Company's directors' report and report on corporate governance and ownership structure at 31 December 2017 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the Company's separate financial statements at 31 December 2017 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the separate financial statements of Italiaonline S.p.A. at 31 December 2017 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

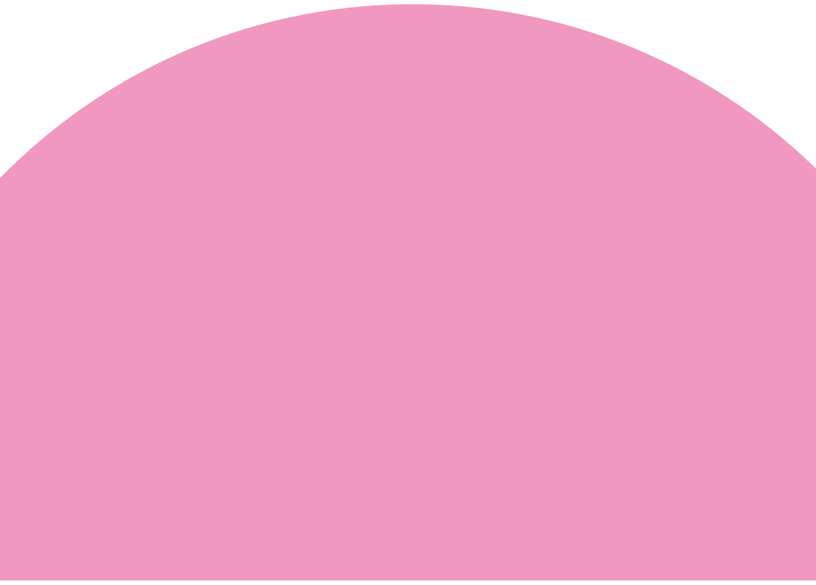
Milan, 4 April 2018

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 2017 Annual Financial Report which shows a net profit of Euro 23.923.126,16.

The Board of Directors proposes that the profit for the financial year 2017 is allocated to the distribution of a dividend of € 30.00 for each savings share (for a total of € 204,090.00), to be paid in May 2018, carrying forward the remaining amount of Euro 23.719.036,16.

Given the above, the Board of Directors submits for your approval the following proposed resolution:

"The Shareholders' Meeting of the Company:
- *examined the financial statements of the Company as at 31 December 2017, 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 31 December 2017 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 Financial Statements of the Company as at 31 December 2017, consisting of the Management Report of the Board of Directors, balance sheet, profit and loss and explicatory notes;
(ii) to destine the net profit of Euro 23,923,126.16 of the 2017 financial statements as follows:
- *distribution in favor of the savings shares of a dividend equal to Euro 30 for the year 2017 for each savings share outstanding, for overall Euro 204,090.00;*
- *to carry forward the remaining net profit of Euro 23,719,036.16;*

(iii) to pay the indicated dividend - gross of any withholdings tax - with effect from 9 May 2018, with "detachment date" 7 May 2018 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 8 May 2018."

Shareholders' Meeting Resolutions

On 27 April 2018, the Ordinary Shareholders' Meeting of Italiaonline S.p.A. ("the "Shareholders' Meeting") was held in a single session, in Assago.

The Shareholders' Meeting resolved:

- to approve the Board of Directors Report and the financial statements of Italiaonline S.p.A., which shows a net profit of € 23.923.126,16;
- to allocate the net profit of Euro 23.923.126,16, as follows: to the distribution of a unitary dividend towards the savings shareholders of Euro 30.00 for year 2017 to each outstanding savings share, for a total amount of Euro 204.090,00 and to carry forward the residual profit of Euro 23.719.036,16. This preferred dividend will be paid from 9 May 2018, with ex-coupon no. 2 on 7 May 2018 and record date, pursuant to art. 83-terdecies of Legislative Decree no. 58 of 24 February 1998, on 8 May 2018.
- to set at 11 the number of members of the Board of Directors, establishing their term of office until the approval of the financial statement for year ended 31 December 2020, and to set the annual remuneration for each director at € 75,000, and to authorize the stipulation, with costs paid by the Company, of a Directors & Officers insurance policy (so-called D&O) to cover the civil liability of directors, any general managers, as well as the executive responsible for the preparation of corporate accounting documents with an annual premium up to a maximum of € 350,000, including the annual proportion of the cost of any runoff spread over the resolved duration of the board's mandate and to provide, as per practice, that this D&O may extend also to cover the Board of Statutory Auditors;
- to appoint as Directors, taken from the sole list filed for the Shareholders' Meeting presented by the shareholder Libero Acquisition S.à r.l., Messrs. Tarek Aboualam, Antonio Converti, Pierre de Chillaz, Vittoria Giustiniani, Cristina Finocchi Mahne, Onsi Naguib Sawiris, Hassan Abdou, Corrado Sciolla, Sophie Sursock and Fred Kooij;
- to appoint, as further member of the Board of Directors, on the basis of the proposal made by the shareholder Libero Acquisition S.à r.l., pursuant to the penultimate period of art. 14 of the current By-laws, supplementing the candidates referred to in the aforementioned list, Mrs. Arabella Caporello;
- to appoint Mr. Tarek Aboualam as Chairman of the Board of Directors;
- to appoint as Statutory Auditors, until the approval of the financial statement ended at 31 December 2020, Messrs. Giancarlo Russo Corvace, Mariateresa Salerno and Felice De Lillo and, as Alternate Auditors, Messrs. Lucia Pagliari and Angelo Conte, also appointing Mr. Giancarlo Russo Corvace as Chairman of the Board of Statutory Auditors, setting in € 90,000 of the annual remuneration due to the Chairman of the Board of Statutory Auditors and € 60,000 of the annual remuneration payable to each Statutory Auditor. The Board of Statutory Auditors was appointed on the basis of the unique list filed for the Shareholders' Meeting, presented by the shareholder Libero Acquisition S.à r.l. and voted by the majority;
- to authorize, (i) pursuant to article 2357 and subsequent of the Italian Civil Code and article 132 of Legislative Decree No. 58/1998, the purchase of own shares of the Company, even in more tranches, for a period of eighteen months up to a maximum number which shall in aggregate not exceed one fifth of the Company share capital, having also considered own shares possibly held by the subsidiaries, and (ii) to authorize the Board of Directors, pursuant to article 2357-ter of the Italian Civil Code, to sell all or part of own shares purchased, with no time limit, even before the purchases have been completed.
- to approve the new share-based compensation plan "Performance Share Plan 2018-2021" reserved for executive directors and managers employees of Italiaonline S.p.A. and/or its subsidiaries (the "Plan") by granting the Board of Directors all the necessary or appropriate powers to implement the Plan.
- to express a favorable opinion to Section I of the Remuneration Report pursuant to article 123-ter of Legislative Decree no. 58 of 24 February 1998.

Finally, in extraordinary session, subject to prior withdrawal of the authorization to increase the share capital until 9 September 2018 as resolved by the extraordinary meetings of 8 March 2016, the granting of a delegation to the Board of Directors, to be exercised within 26 April 2021, to increase the share capital pursuant to article 2443 of the Italian Civil Code with exclusion of option rights pursuant to article 2441, subsection 4, of the Italian Civil Code. In particular, the share capital may be increased by a number of ordinary shares not exceeding 10% of the aggregate number of ordinary shares outstanding as at the date of the exercise, if any, of the delegation and in any case by maximum 11,476,122 ordinary shares (i) pursuant to art. 2441, subsection 4, first period, of the Italian Civil Code, by way of contribution in kind of businesses, business units or shareholdings, as well as assets consistent with the corporate purpose of the Company and the companies participated thereby and/or (ii) pursuant to art. 2441, subsection 4, second period, of the Italian Civil Code, in case the newly issued shares are offered in subscription to institutional investors and/or industrial and/or financial partners deemed strategic by the Board of Directors for the Company's business.

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Identity

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