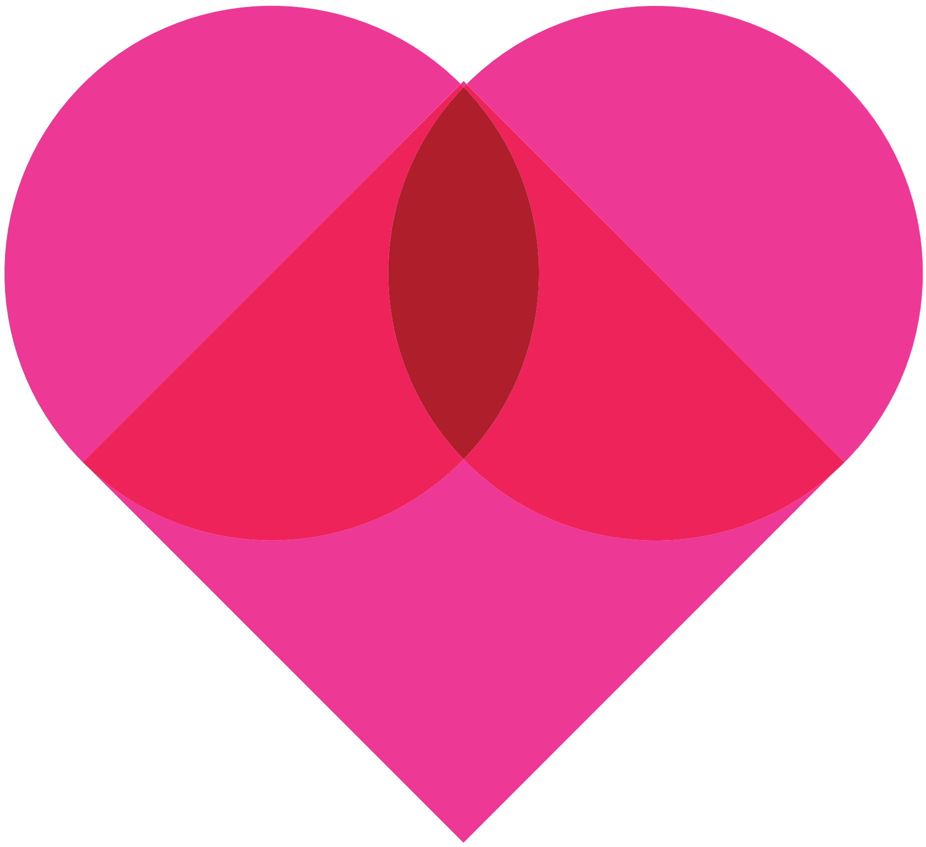
italiaonline

Interim Financial Report
June 30, 2018

Passion



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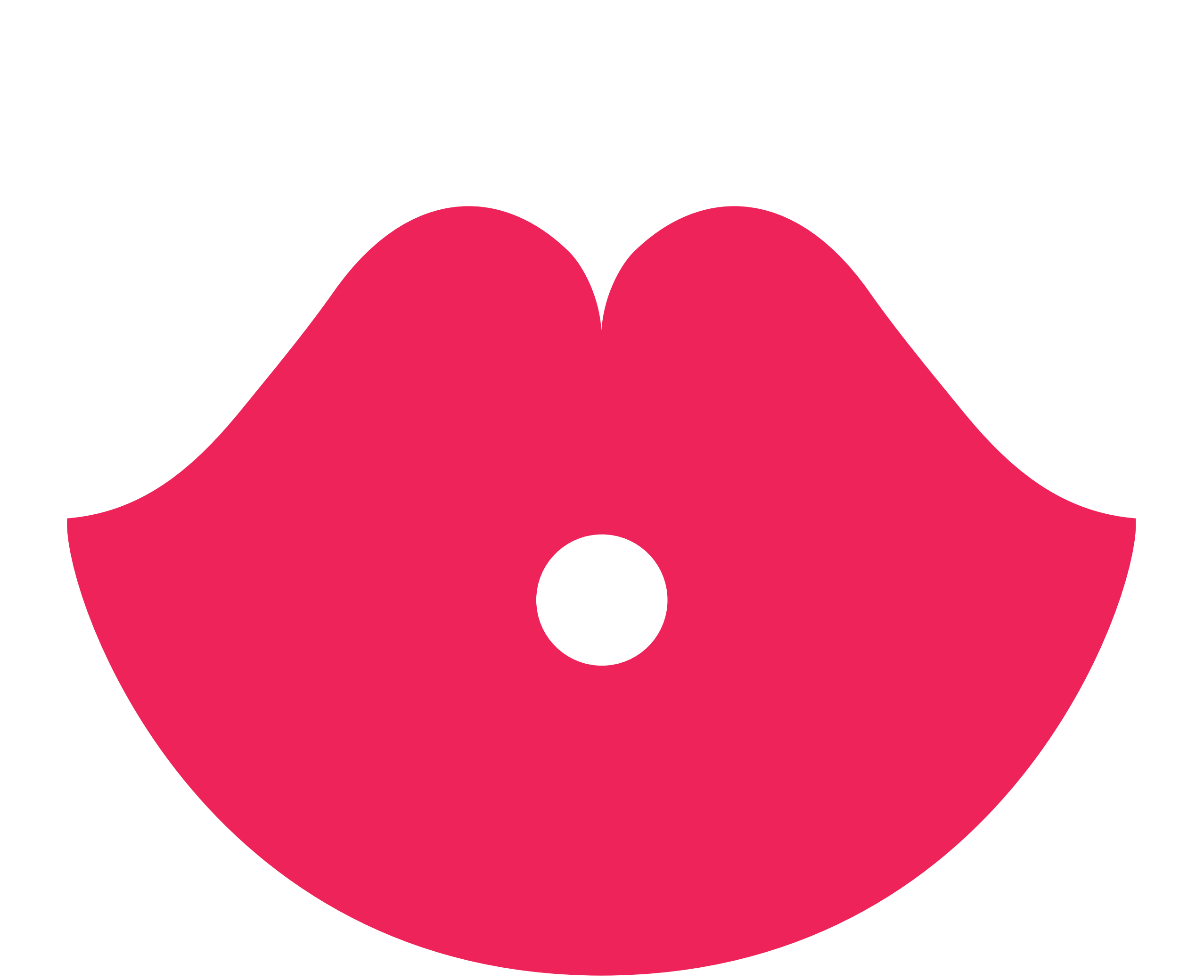
Italiaonline is the leading company in Italy, with 5.4 million unique users, including 2.6 million from mobile and 54% market reach. Italiaonline offers web marketing and digital advertising services, including management of advertising campaigns and the generation of leads through the social networks and search engines. The company's strategic objective is to consolidate its Italian leadership role in the market of digital advertising for large accounts and in local marketing services - with the mission of digitalizing the country's SMEs, to which it offers a complete product portfolio, integrated with the entire value chain of digital services.

The new Italiaonline

Dynamism



HIGHLIGHTS AND GENERAL INFORMATION

Company Bodies (updated information - August 02, 2018)

Board of Directors [1]

Chairman Tarek Aboualam [2]
Chief Executive Officer (CEO) Antonio Converti [3]
Hassan Abdou - Arabella Caporello [i] - Pierre de Chillaz - Cristina Finocchi Mahne [i] - Vittoria Giustiniani [i] - Frederik Kooij - Onsi Naguib Sawiris - Corrado Sciolla [i] - Sophie Sursock
Secretary to the Board of Directors Fabrizio Manzi [4]

Appointments & Remuneration Committee [5]

Chairwoman Vittoria Giustiniani
Cristina Finocchi Mahne - Corrado Sciolla

Audit and Risk Committee [5]

Chairwoman Cristina Finocchi Mahne
Arabella Caporello - Vittoria Giustiniani

Strategic Committee [6]

Chairman Tarek Aboualam
Corrado Sciolla [i] - Onsi Sawiris - Sophie Sursock - Pierre de Chillaz

Board of Statutory Auditors [7]

Chairman Giancarlo Russo Corvace
Standing Statutory Auditor Mariateresa Salerno
Standing Statutory Auditor Felice De Lillo
Alternate Statutory Auditor Lucia Pagliari
Alternate Statutory Auditor Angelo Conte

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 April 27, 2018, and will remain in office until approval of the financial statements at December 31, 2020.
(2) Appointed Director and Chairman of the Board of Directors at the Shareholders' Meeting of April 27, 2018.
(3) Appointed by Board of Directors' resolution of April 27, 2018.
(4) On April 27, 2018, the Board of Directors appointed Fabrizio Manzi as Secretary to the Board of Directors.
(5) The Appointments and Remuneration Committee and the Audit and Risk Committee were appointed by the Board of Directors on April 27, 2018.
(6) The Strategic Committee was appointed by the Board of Directors on May 9, 2018.
(7) The Board of Statutory Auditors was appointed at the Shareholders' Meeting of April 27, 2018, and will remain in office until approval of the financial statements at December 31, 2020.
(8) Appointed on April 27, 2018.
(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 years 2016-2017-2018.
(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 Corporate Governance Code of Listed Companies.

Financial Highlights of the Group

The results of the Italiaonline Group for the first half of 2018 and the first half of 2017 were prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standard Board and endorsed by the European Union (IFRS).

Following the adoption from January 1, 2018, of IFRS 15 and IFRS 16 by the simplified retrospective method, therefore without restatement of prior periods, the effects of application of the standards are provided for the main indicators affected, so as to provide a more uniform comparison.
The group's results for the year show:

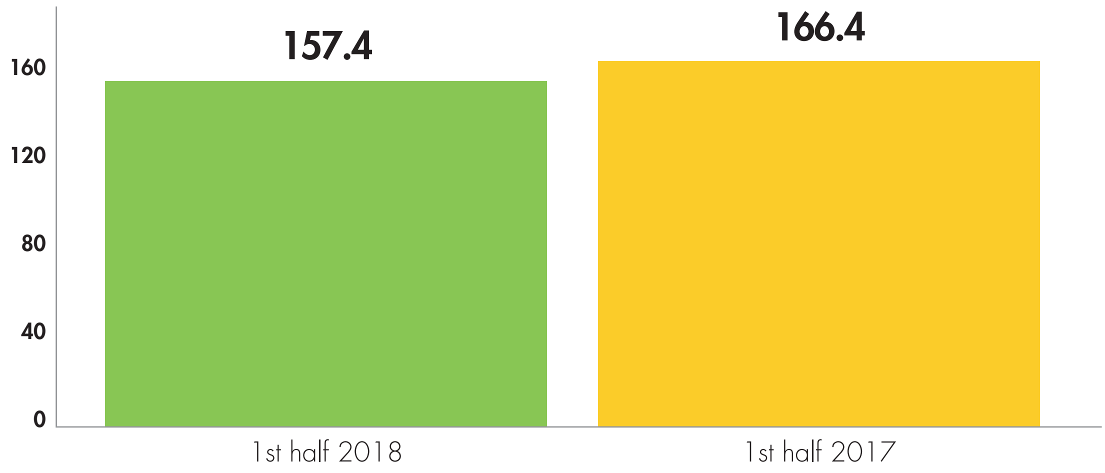
- Consolidated REVENUE of € 157.4 million (€ 166.4 million in the first half of 2017), -5.4% due to the delayed publication of certain telephone directories. Net of these delays, which will be recovered in the third quarter of 2018, the decline in consolidated revenue would be -2.4%. In addition, the introduction of IFRS 15 had a negative impact of € 0.7 million on revenue and EBITDA in the first half of 2018. This effect is temporary and will be near zero for the entire year, and is therefore considered immaterial.
- EBITDA amounted to € 37.9 million (€ 36.1 million in the first half of 2017), with the EBITDA margin at 24.1% (21.7% in the first half of 2017). The figure benefits from the adoption of IFRS 16 for € 4.5 million, and is affected by the delay in publication of certain printed volumes which in the first half of 2017 had amounted to € 3.3 million. Net of these effects, the performance would be +1.9%.
- Net financial indebtedness was positive at € 55.9 million (€ 72.9 million at December 31, 2017), including € 36.9 million in financial liabilities due to the early adoption of IFRS 16.

Reference should be made to the previous paragraph for comparison purposes.

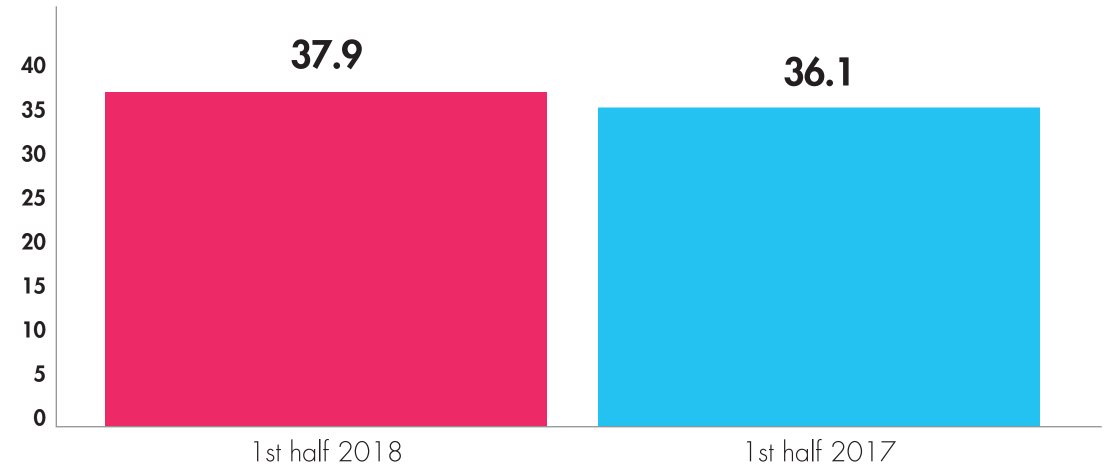
(euro/million)	1ST HALF 2018	1ST HALF 2017
Financial Highlights		
Revenue from sales and services	157.4	166.4
GOP (*)	41.6	42.0
EBITDA (*)	37.9	36.1
EBIT (*)	(10.4)	16.6
Profit (loss) attributable to the owners of the Parent	(7.4)	6.3
OFCF (*)	24.0	37.2
Unlevered FCF (*)	24.1	36.9
Capital expenditure	9.5	16.3
Net invested capital (*) (**)	257.7	242.6
of which goodwill and marketing-related intangible assets	*270.5*	*272.5*
of which net operating working capital	*(34.3)*	*(45.5)*
Equity attributable to the owners of the Parent (**)	313.6	315.6
Net financial indebtedness (*) (**)	(55.9)	(72.9)
Profitability ratios		
GOP/Revenue	26.4%	25.2%
EBITDA/Revenue	24.1%	21.7%
EBIT/Revenue	(6.6%)	10.0%
OFCF/Revenue	15.2%	22.4%
Workforce		
Workforce at the end of the period (units) (**)	1,781	1,830
Average workforce for the period for continuing operations	1,453	1,515
Revenue/Average workforce (€/000)	108	110

(*) See "Non-IFRS performance indicators" below for details on how the items are calculated.
(**) Figures at December 31, 2017

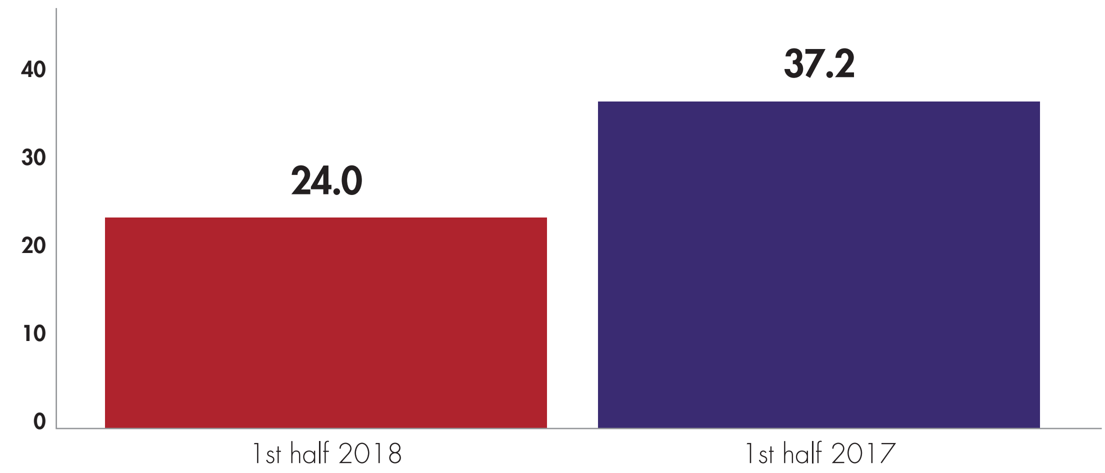
Revenue (euro/million)



EBITDA (euro/million)



Operating Free Cash Flow (euro/million)



Non-IFRS performance indicators

This section reports several non-IFRS performance indicators used in the condensed interim consolidated financial statements at June 30, 2018, in order to provide tools for analyzing the performance of the Group in addition to those based on the financial statements.
These indicators are not identified as accounting measures within the IFRS framework and, 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 Group might not be consistent with those implemented by others, meaning that the indicators may not be comparable. The indicators are:

- **GOP** (Gross Operating Profit) refers to EBITDA before other operating income and expense, net of loss allowances, 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 indices FTSE Italia All-Share, FTSE Italia Small Cap, FTSE Italia Servizi al Consumo, FTSE Italia Media and FTSE All-Share Capped.

Details are provided below on the composition of the share capital of Italiaonline S.p.A. and the main share indicators at June 30, 2018.

		AT 06.30.2018	AT 06.30.2017
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	317	323
Saving shares	euro/million	2	2
Total	euro/million	319	325
Equity per share	euro	2.7327	2.5646
Earnings (losses) per share	euro	(0.0643)	0.0550
Diluted earnings (losses) per share	euro	(0.0620)	0.0532

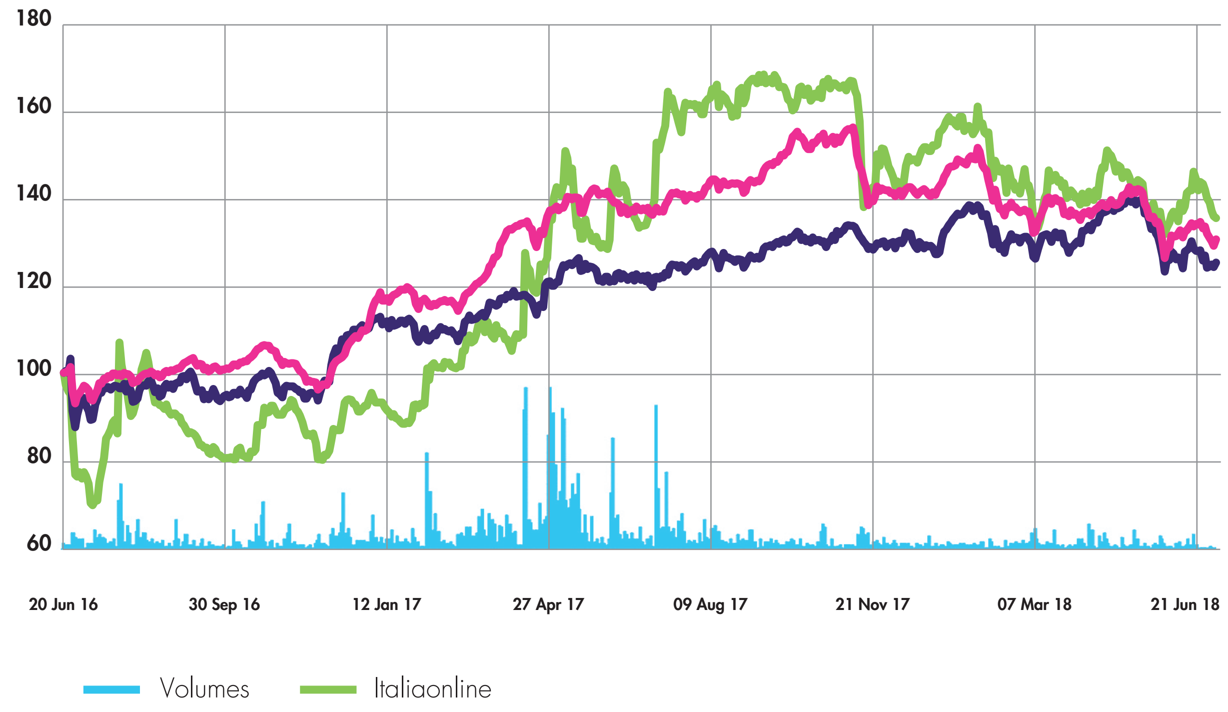
(*) 2017 reference prices adjusted to take into account the extraordinary dividend distributed in May 2017 (ex-dividend date May 08, 2017).

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 the reserve share split (1:1000). From June 20, 2016 to June 29, 2018, the reference price[1] of ordinary Italiaonline S.p.A. shares recorded an overall performance of +35.5%.

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

June 20, 2016 | June 29, 2018
(IOL Adjusted Reference Price, based on June 20, 2016 = 100)



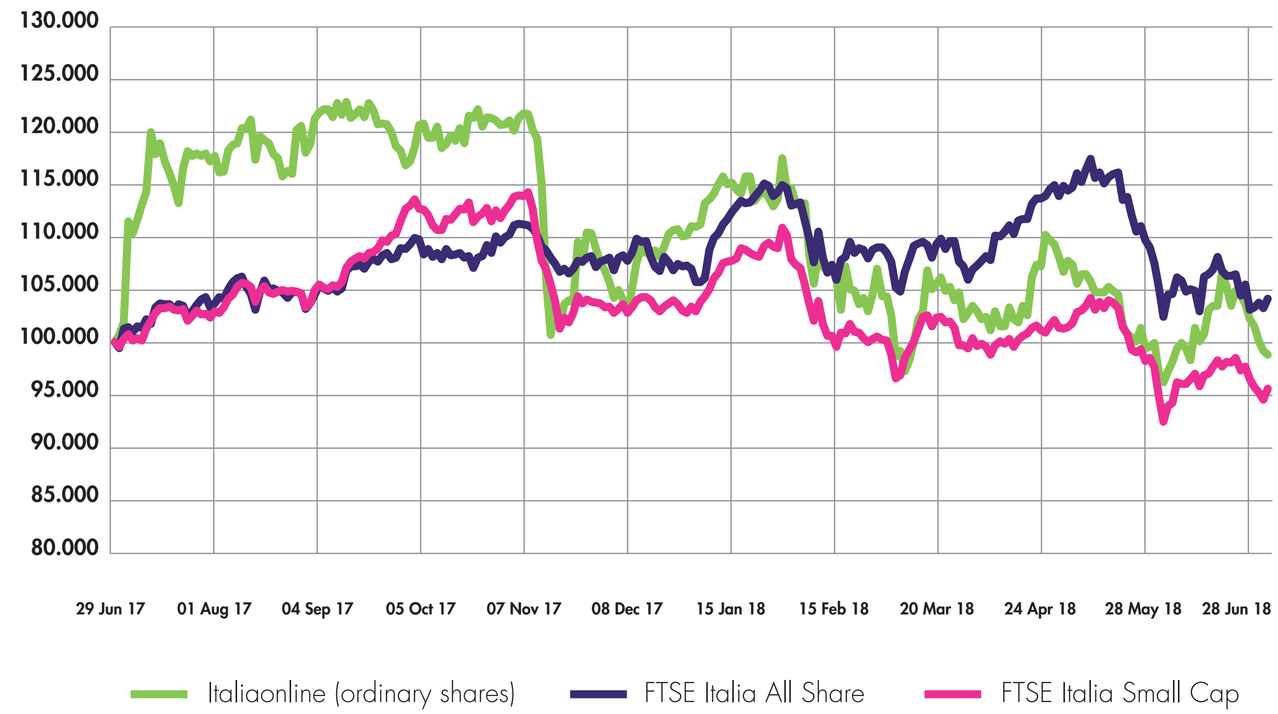
Source: Thomson Reuters EIKON

Developments in the Italiaonline share in the first half of the year reflects the economic and political uncertainty during the reference period at domestic and international levels and which, mainly in March and May, had a negative impact on the performance of Italian share indices, particular the Small Cap indices.

[1] Prices adjusted for the dividend distribution of May 2017 (ex-dividend date May 08, 2017). Source: Thomson Reuters Eikon.

Prices and Volumes of the IOL share

June 29, 2017 | June 29, 2018
(IOL Adjusted Reference Price, based on June 29, 2017 = 100)



Source: Thomson Reuters EIKON

Share price	DATE	EURO
Reference price	06/29/2017	2.798
Reference price	06/29/2018	2.765
Average price		3.094
Highest price	09/11/2017	3.440
Lowest price	05/29/2018	2.690

Volumes traded	DATE	NUMBER OF SHARE
Average daily volume		44,145
Highest volume	07/04/2017	794,290
Lowest volume	12/14/2017	2,862

Source: Thomson Reuters EIKON

Analyst coverage

The Italiaonline share is currently covered (at August 02, 2018) by analysists from Intermonte Sim, Banca IMI and Banca Akros, which have given 100% positive recommendations (respectively Outperform, Buy and Accumulate).

Investor Relations activities

Italiaonline pays particular attention to the development of relations with analysts, institutional investors and shareholders. The 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.
During the first half of the year, through intense Investor Relations activities, the Parent continued dialogue with the financial community via conference calls following publication of the results for the period and participation in numerous financial conferences and roadshows both in Italy and abroad (Milan, London, Lugano, Genoa and Paris), maintaining constant dialogue with analysts and investors.

Shareholders

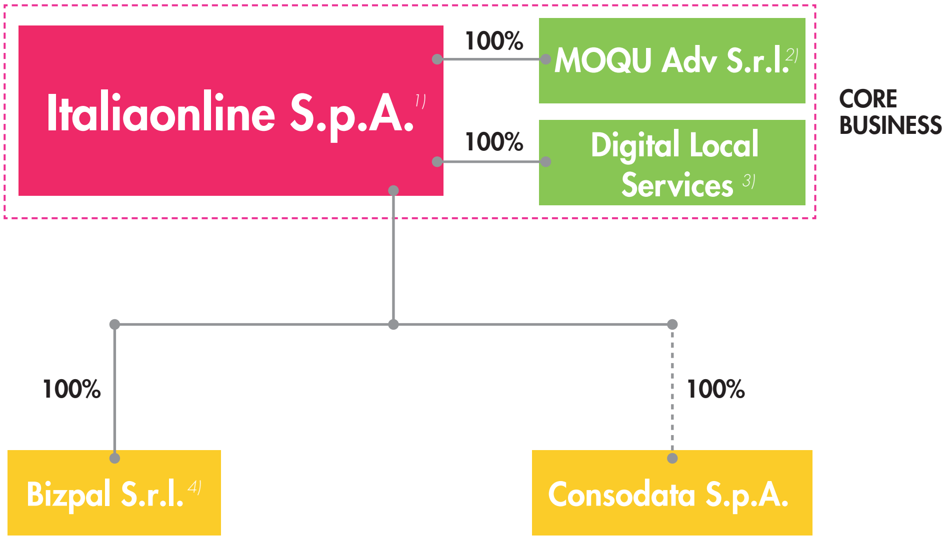
Holders of Italiaonline S.p.A. ordinary shares with more than 5% of the Parent's share capital, based on information available as of June 30, 2018, are shown below

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

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

Group Organizational Structure

(updated information - August 02, 2018)



1) January 16, 2018, saw the completion of the striking off of the investment Gold Five in liquidation from the Companies' Register and, on February 14, 2018 Italiaonline transferred its 16.24% investment held in 11880 Solutions Ag (formerly Telegate AG. 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 Adv S.r.l., was definitely liquidated and struck off the Companies' Register at the Chamber of Commerce of Dublin.

3) On August 2 the final liquidation accounts of the 10 Digital Local Services were deposited. At the current date Digital Local Services are 64 (of which 1 in liquidation).

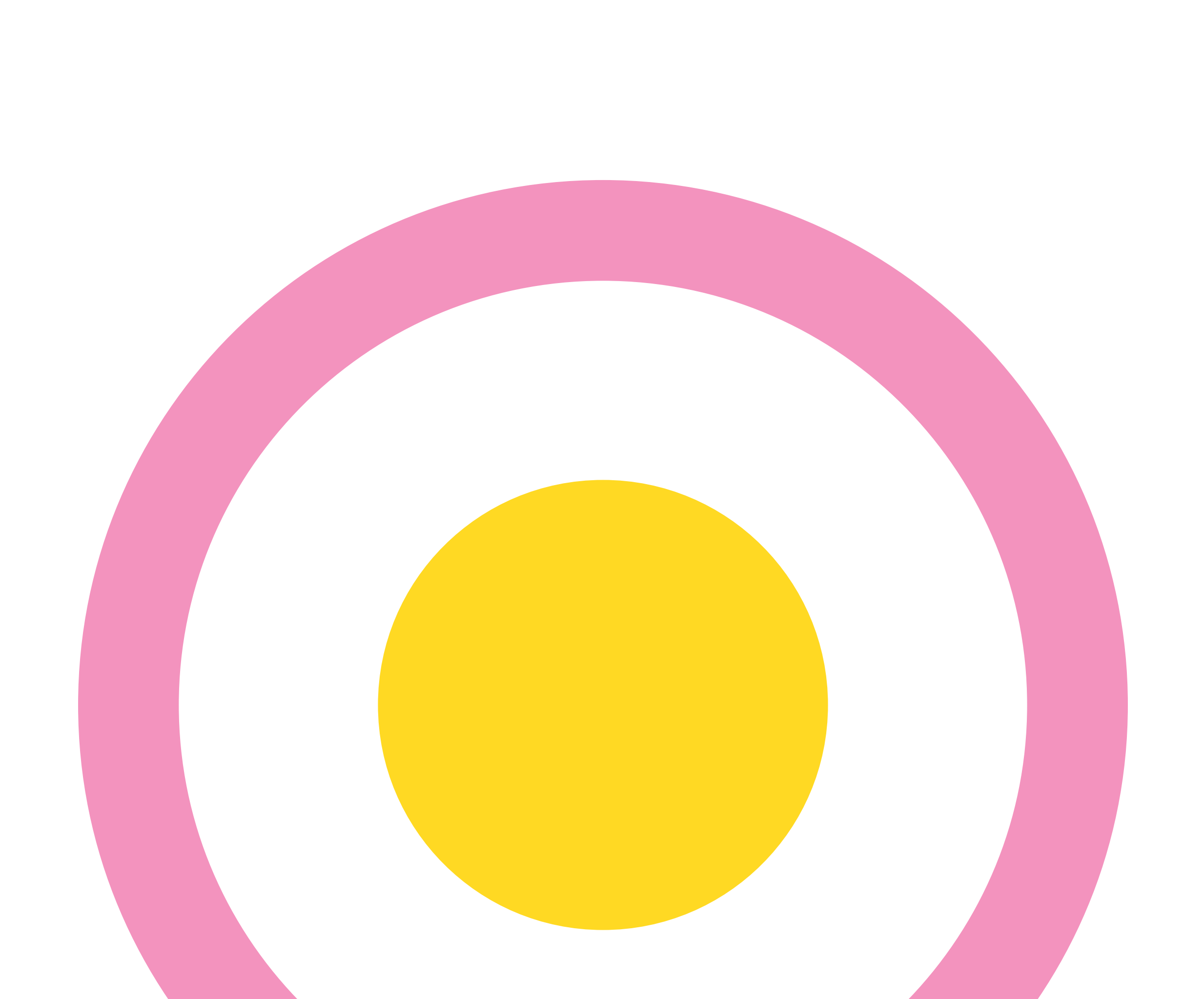
4) On April 5, 2018 the Extraordinary shareholders' meeting of Prontoseat S.r.l. resolves to change the Company name in Bizpal S.r.l.

Tradition

REPORT ON OPERATIONS

Contents of the Report on Operations

Experience



Performance of the Group

The results of the Italiaonline Group for the first half of 2018, and the first half of the previous year, used for comparison, were prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Union ("IFRS").
The Interim Financial Report at June 30, 2018 was prepared on a going concern basis, since there is a reasonable expectation that Italiaonline S.p.A. will continue to operate beyond the next 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 interim financial report should not rely excessively on 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

For comparison purposes, see the description provided in the above paragraph "Financial highlights of the Group".

Reclassified income statement

(euro/thousand)	1ST HALF 2018	1ST HALF 2017	CHANGE	
			ABSOLUTE	%
Revenue from sales and services	**157,403**	**166,429**	**(9,026)**	**(5.4)**
Costs of materials and for external services (*)	(81,694)	(84,301)	2,607	3.1
Personnel expense (*)	(34,153)	(40,143)	5,990	14.9
GOP	**41,556**	**41,985**	**(429)**	**(1.0)**
% of revenue	*26.4%*	*25.2%*		
Net loss allowances and accruals to provisions for risks and charges	(3,043)	(6,076)	3,033	49.9
Other net operating income (costs)	(594)	213	(807)	n.s.
EBITDA	**37,919**	**36,122**	**1,797**	**5.0**
% of revenue	*24.1%*	*21.7%*		
Operating amortization, depreciation and impairment losses	(18,090)	(16,538)	(1,552)	(9.4)
Non-operating amortization, depreciation and impairment losses	(2,614)	(2,614)		
Net non-recurring and restructuring costs	(27,621)	(393)	(27,228)	n.s.
EBIT	**(10,406)**	**16,577**	**(26,983)**	**n.s.**
% of revenue	*(6.6%)*	*10.0%*		
Net financial income	2,143	678	1,465	n.s.
Impairment gains (losses) on financial assets and profit (losses) on the disposal of equity investments	1,243	-	1,243	n.s.
Pre-tax profit (loss)	**(7,020)**	**17,255**	**(24,275)**	**n.s.**
Income expense	(365)	(10,946)	10,581	96.7
Profit (loss) for the period	**(7,385)**	**6,309**	**(13,694)**	**n.s.**
- of which attributable to the owners of the Parent	(7,385)	6,309	(13,694)	n.s.
- 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)	1ST HALF 2018	1ST HALF 2017
Profit (loss)for the year	**(7,385)**	**6,309**
Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss:		
Actuarial gains (losses), net of tax	72	476
Total other comprehensive income (expense) that will not be subsequently reclassified to profit or loss	72	476
Other comprehensive income (expense) that will be subsequently reclassified to profit or loss:		
Total other comprehensive income (expense), net of tax	**72**	**476**

Total comprehensive income for the period	**(7,313)**	**6,785**
- of which attributable to the owners of the Parent	(7,313)	6,785
- of which attributable to non-controlling interests	-	-

Reclassified statement of financial position

(euro/thousand)		AT 06.30.2018	AT 12.31.2017	CHANGE
Goodwill and marketing-related intangible assets		270,519	272,476	(1,957)
Other non-current assets (*)		101,846	73,436	28,410
Operating non-current liabilities		(37,198)	(37,775)	577
Non-operating non-current liabilities		(13,027)	(12,661)	(366)
Operating working capital		(34,339)	(45,524)	11,185
- Operating current assets		*157,869*	*170,163*	*(12,294)*
- Operating current liabilities		*(192,208)*	*(215,687)*	*23,479*
Non-operating working capital		(30,098)	(7,306)	(22,792)
- Non-operating current assets		*16,174*	*16,217*	*(43)*
- Non-operating current liabilities		*(46,272)*	*(23,523)*	*(22,749)*
Net non-current assets held for sale and discontinued operations		-	-	-
Net invested capital		**257,703**	**242,646**	**15,057**
Equity attributable to the owners of the Parent		313,630	315,593	(1,963)
Equity attributable to non-controlling interests		-	-	-
Total equity	**(A)**	**313,630**	**315,593**	**(1,963)**
Cash and cash equivalents		(92,071)	(74,476)	(17,595)
Current financial assets		(764)	(666)	(98)
Current financial liabilities		8,919	2,195	6,724
Non-current financial liabilities		27,989	-	27,989
Net financial position	**(B)**	**(55,927)**	**(72,947)**	**17,020**
Total	**(A+B)**	**257,703**	**242,646**	**15,057**

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

RECLASSIFIED INCOME STATEMENT FOR THE FIRST HALF OF 2018

In the first half of 2018, Revenue from sales and services was € 157,403 thousand, down 5.4% with respect to the first half of 2017.
The core business revenue (98.0% of consolidated revenue), represented by the "ITALIAONLINE" segment (which includes the results of Italiaonline S.p.A., Moqu and the Digital Local Services), in the first half of 2018 amounted to € 154,298 thousand, down 4.9% on the first half of 2017. Note that:

- digital revenue stood at € 120,836 thousand in the first half of 2018, up 7.0% on the first half of 2017, aided by the double-figure growth (+26.4%) in the digital advertising segment;
- traditional revenue totaled € 32,880 thousand in the first half of 2018, down 32.8% on the same period of the previous year.

Also note that the revenue performance reflects the delayed publication of certain telephone directories (traditional revenue) which should have been published in the second quarter of the year and which in the same period of 2017 had contributed € 5.1 million to revenue.
For more details on the performance of individual product lines, please refer to the "ITALIAONLINE" segment.

Costs of materials and for external services, net of costs charged to third parties, included in the IFRS financial statements as "other income", were equal to € 81,694 thousand in the first half of 2018, down by € 2,607 thousand (3.1%) with respect to the first half of 2017 (€ 84,301 thousand).
Note that the costs trend performance in the first half of 2018 was affected by the early adoption of IFRS 16 - Leases, which led to 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"). Further details can be found in paragraphs 3.1 and 3.4 of the Notes to this Interim Financial Report.
The main changes were as follows:

- commissions to web publishers, up € 5,749 thousand due to the increase in IOL Audience revenue (mainly Google AdWords and Facebook) and revenue from advertising agency activities for the large accounts market;
- production, distribution and stocking costs, down by € 2,956 thousand due to the decrease in Traditional revenue and circulation figures, reflected in the lower number of pages;
- rental expense and costs for use of third-party assets, down by € 5,873 thousand, around € 4,401 thousand of which due to the adoption of IFRS 16 as mentioned previously.

Personnel expense, less recovered costs, included in the IFRS financial statements under "other income", was equal to € 34,153 thousand in the first half of 2018, down by € 5,990 thousand with respect to the first half of 2017 (€ 40,143 thousand). This decrease was mainly due to the reorganization implemented within the Group. The Group workforce - including directors, project workers and interns - totaled 1,781 at June 30, 2018 (1,830 at December 31, 2017). The average active workforce of the Group for the period was 1,453, down by 62 compared to the first half of 2017 (1,515).

The **gross operating profit (GOP)**, amounting to € 41,556 thousand in the first half of 2018, was essentially in line with the first half of 2017 (€ 41,985 thousand), with the operating margin up by 26.4% compared to 25.2% in the first half of 2017.

Net loss allowances and accruals to provisions for risks and charges were equal to € 3,043 thousand in the first half of 2018 (€ 6,076 thousand in the first half of 2017). Of the net loss allowances, € 410 thousand refer to the loss allowance for trade receivables, down € 3,200 thousand compared to the first half of 2017, as the valuation of receivables outstanding at June 30, 2018 was better in qualitative terms due to the lower ageing of amounts past due and the gradual improvement of receipts on the due date. The item also includes the net accruals to provisions for operating risks and charges of € 2,768 thousand (€ 1,005 thousand in the first half of 2017).

In the first half of 2018, **other operating income and expense** recorded a net expense € 594 thousand (net income of € 213 thousand in the first half of 2017).

Operating income before amortization, depreciation, net non-recurring and restructuring costs (EBITDA) was € 37,919 thousand in the first half of 2018, up by 5.0% with respect to the first half of 2017 (€ 36,122 thousand); the EBITDA margin also increased, to 24.1% (21.7% in the first half of 2017). The figure benefited from the adoption of IFRS 16 for € 4.5 million, and was affected by the delay in publication of certain printed volumes which in the first half of 2017 had amounted to € 3.3 million. Net of these effects, the change would be a 1.9% increase.

Operating amortization, depreciation and impairment losses were € 18,090 thousand in the first half of 2018 (€ 16,538 thousand in the first half of 2017) and referred to intangible assets with a finite useful life for € 11,687 thousand (€ 14,604 thousand in the first half of 2017) and to property, plant and equipment for € 6,403 thousand (€ 1,934 in the first half of 2017). The increase mainly reflects the early adoption from January 1, 2018 of IFRS 16, which envisages recognition among assets of the "right of use of leased assets" and therefore the related depreciation of such assets.

Non-operating amortization, depreciation and impairment losses were equal to € 2,614 thousand (€ 2,614 thousand in the first half of 2017) and include the amortization charge for the Database and Customer Relationship intangible assets.

Net non-recurring and restructuring costs amounted to € 27,621 thousand (€ 393 thousand in the first half of 2017) and included € 26,250 thousand as the net allocation for implementation of the reorganization plan launched by the Parent. Further details can be found in the paragraph Industrial Relations under "Main events of the first half of 2018" in the Report on Operations. The item also includes strategic consultancy costs for € 1,785 thousand.

Operating loss (EBIT) in the first half of 2018 amounted to € 10,406 thousand, compared to operating profit of € 16,577 thousand in the first half of 2017 (down € 26,983 thousand) mainly reflecting the implementation of the aforementioned reorganization plan.

Net financial income was € 2,143 thousand in the first half of 2018 (income of € 678 thousand in the first half of 2017).
In particular, the *financial income* in the first half of 2018 amounted to € 2,545 thousand (€ 1,045 thousand in the first half of 2017) and included € 2,165 thousand for the dividend paid by the investee Emittente Titoli, € 138 thousand as interest income resulting from short-term liquidity in the banking system at market rates and € 242 thousand for other financial income.
Financial expense totaled € 402 thousand (€ 367 thousand in the first half of 2017), of which € 202 thousand as interest expense associated with the early adoption of IFRS 16 and € 155 thousand as interest from discounting.

Impairment gains (losses) on financial assets and profit (losses) on the disposal of equity investments amounted to 1,243 thousand deriving from disposal of the investment in 11880 Solutions AG on February 14, 2018.

Income taxes for the first half of 2018 amounted to € 365 thousand (€ 10,946 thousand in the first half of 2017). In compliance with the provisions of IAS 34, taxes were calculated by applying the best estimate of the weighted average annual tax rates to the pre-tax profit/(loss) forecast for the entire year in the Business Plan for 2018.

The **loss attributable to the owners of the parent** in the first half of 2018 amounted to € 7,385 thousand.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2018

Net invested capital

Net invested capital totaled € 257,703 thousand (€ 242,646 thousand at December 31, 2017), up € 15,057 thousand.
The breakdown of net invested capital was as follows:

- **goodwill and marketing related intangible assets** amounted to € 270,519 thousand (€ 272,476 thousand at December 31, 2017) and include:
  - brands with an 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 € 81,971 thousand, of which € 71,997 thousand generated from acquisition of the SEAT Group by Italiaonline, € 9,317 thousand for the acquisition of Matrix and € 657 thousand referring to the difference between the purchase price and net assets acquired of the Italian business unit of AdPulse, provisionally allocated to goodwill;
  - intangible asset with a finite useful life called Customer relationships amounting to € 16,847 thousand (€ 18,477 thousand at December 31, 2017);
  - intangible asset with a finite useful life called database equal to € 2,295 thousand (€ 3,279 thousand at December 31, 2017).

- **other non-current assets** were € 101,846 thousand at June 30, 2018 (€ 73,436 thousand at December 31, 2017). These assets included:
  - *non-current operating assets*, both intangible assets and property, plant and equipment, for € 74,610 thousand at June 30, 2018, up by € 30,743 thousand from December 31, 2017 (€ 43,867 thousand) mainly as a result of the early adoption of IFRS 16 which requires recognition under assets of the present value of future lease payments for the "right of use of leased assets".
    Capital expenditure, equal to € 9,533 thousand (€ 16,256 thousand in the first half of 2017), broken down among business segments as follows:
    - in the ITALIAONLINE segment equal to € 8,581 thousand in the first half of 2018 (€15,111 thousand in the first half of 2017), related to: *i)* renewal of the sales processes and systems for SMEs with adoption of the Saleforce platform; *ii)* user licenses for the "AdVantage Platform" (Matchcraft) that allows the use of application services for the implementation and management of marketing campaigns; *iii)* development of the IOL Audience platform for the integrated management of Google ADwords, Google Display and Facebook Adv campaigns; *iv)* development and micro-development support for the web and publishing areas.
    - in Consodata S.p.A., € 947 thousand in the first half of 2018 (€ 1,140 thousand in the first half of 2017), for investments in the development of software platforms, database expansion and the purchase of databases;
  - *other investments*, which totaled € 2,699 thousand at December 31, 2017, were eliminated in the first half of 2018 due to the finalization in February 2018 of the disposal of 16.24% of Italiaonline S.p.A.'s residual investment in 11880 Solutions AG;
  - *other non-current assets* amounting to € 27,155 thousand at June 30, 2018 (€ 26,753 thousand at December 31, 2017) which include *i)* € 19,080 thousand relating to the IRES tax requested for reimbursement by the Parent through the presentation of the 2014 CNM (Global National Consolidated) form; *ii)* € 4,518 thousand relating to the tax asset for reimbursement of the additional IRES paid up to 2012 as a result of the non-deduction of IRAP on costs for employees and similar personnel recorded in 2013 in accordance with official interpretations available; *iii)* € 2,553 thousand for loans to employees, provided at market rates for financial transactions of this nature.
  - *net deferred tax assets* were equal to € 81 thousand at June 30, 2018 (€ 117 thousand as at December 31, 2017).

- **operating non-current liabilities** were € 37,198 thousand at June 30, 2018 (€ 37,775 thousand at December 31, 2017). In particular, the item included:
  – *provision for agents' termination indemnities* equal to € 18,915 thousand as at June 30, 2018 (€ 19,002 thousand as at December 31, 2017). Pursuant to current legislation, this provision represents the liabilities accrued at the end of the period 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 € 16,636 thousand at June 30, 2018 (€ 17,145 thousand at December 31, 2017).

- **non-operating non-current liabilities**, equal to € 13,027 thousand at June 30, 2018 (€ 12,661 thousand as at December 31, 2017). This item refers to net deferred tax liabilities.

- **operating working capital**, negative for € 34,339 thousand at June 30, 2018 (€ 45,524 thousand at December 31, 2017).
  The main changes in the first half of the year are described below, with particular reference to:
  – *trade receivables*, equal to € 118,132 thousand at June 30, 2018, were down by € 19,662 thousand with respect to December 31, 2017 (€ 137,794 thousand);
  – *other current assets*, amounting to € 37,447 thousand at June 30, 2018, up by € 6,713 thousand, in particular including € 7,824 thousand in incremental costs referring to the acquisition of new customers recognized in the income statement on the basis of the expected duration of the customer relations, in accordance with the provisions of IFRS 15;
  – *payables for services to be provided and other current liabilities*, amounting to € 90,778 thousand at June 30, 2018, which decreased by € 2,174 thousand compared to December 31, 2017 (€ 92,952 thousand). This change primarily reflects the timing of purchasing and invoicing for advertising services;
  – *trade payables*, equal to € 81,389 thousand at June 30, 2018, down by € 19,726 thousand with respect to December 31, 2017 (€ 101,113 thousand);

- **non-operating working capital**, negative for € 30,098 thousand at June 30, 2018 (€ 7,306 thousand at December 31, 2017). In particular, this includes:
  – *provisions for risks and current non-operating charges* equal to € 40,221 thousand (€ 16,833 thousand at December 31, 2017), with € 37,754 thousand relating to the provision for personnel reorganization charges (€ 14,264 thousand at December 31, 2017), of which € 36,778 thousand for action following implementation of the reorganization plan by the Parent and € 2,467 thousand for the sales network restructuring provision (€ 2,569 thousand at December 31, 2017);
  – *current tax assets* equal to € 9,786 thousand at June 30, 2018 (€ 9,838 thousand at December 31, 2017) mainly relating to the tax assets for current IRES and IRAP of the Parent;
  – *other non-operating current assets* of € 6,388 thousand at June 30, 2018 (€ 6,379 thousand at December 31, 2017), of which €5,971 thousand arose as a result of the provisional payment made pending ruling with reference to the assessment notices issued by the Tax Authorities challenging 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 € 313,630 thousand at June 30, 2018 (€ 315,593 thousand as at December 31, 2017) and was entirely attributable to the Parent.
The decrease of € 1,963 thousand mainly reflects the joint effects of:
- the distribution of dividends to savings shareholders of the Parent for a total of € 204 thousand (for more details, see section "Main events of the first half of 2018" in this Report);
- the loss for the period equal to € 7,385 thousand;
- the positive net effects for € 6,106 thousand deriving from adoption as of January 1, 2018, of IFRS 15.

Net financial indebtedness

At June 30, 2018, the **net financial position** was € 55,927 thousand (€ 72,947 thousand at December 31, 2017).
At June 30, 2018 the net financial indebtedness of the Group was structured as follows:

(euro/thousand)		AT 06.30.2018	AT 12.31.2017	CHANGE
A	Cash and cash equivalents	92,071	74,476	17,595
B	Other cash and cash equivalents	-	-	-
C	Trading securities	-	-	-
D=(A+B+C)	**Liquidity**	**92,071**	**74,476**	**17,595**
E.1	**Current financial receivables due from third parties**	**764**	**666**	**98**
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	8,919	2,195	6,724
H.2	Other current financial debt due to related parties	-	-	-
I=(F+G+H)	**Current financial debt**	**8,919**	**2,195**	**6,724**
J=(I-E-D)	**Net current financial indebtedness**	**(83,916)**	**(72,947)**	**(10,969)**
K	Non-current bank debt	-	-	-
L	Bond issues	-	-	-
M.1	Other non-current loans due to third parties	27,989	-	27,989
M.2	Other non-current loans due to related parties	-	-	-
N=(K+L+M)	**Non-current financial debt**	**27,989**	**-**	**27,989**
O=(J+N)	**Net financial indebtedness (ESMA)**	**(55,927)**	**(72,947)**	**17,020**

Following the early adoption of IFRS 16 - Leases, the Net financial indebtedness at June 30, 2018 reflects the recognition of a financial liability of € 36,849 thousand, representing the present value of future lease payments, against the recognition under assets of the "right of use of leased assets". Further details can be found in paragraphs 3.1 and 3.4 of the Notes to this Interim Financial Report.
A description of the items which constitute the Net financial indebtedness is provided below:
- **non-current financial indebtedness** totaled € 27,989 thousand at June 30, 2018, and refers entirely to the financial liability associated with early adoption of IFRS 16, as described above;

- **current financial indebtedness** totaled € 8,919 thousand at June 30, 2018 (€ 2,195 thousand at December 31, 2017), of which € 8,860 thousand refers to the current portion of the financial liability associated with the adoption of IFRS 16;
- **current financial receivables and cash and cash equivalents** amounted to € 92,836 thousand at June 30, 2018 (€ 75,142 thousand at December 31, 2017) and include € 92,071 thousand of cash and cash equivalents (€ 74,476 thousand at December 31, 2017).

Risk associated with financial debt

No risks related to the financial indebtedness are recognized with respect to funding available at June 30, 2018, in any event fully attributable to the early adoption of IFRS 16.

Credit risk

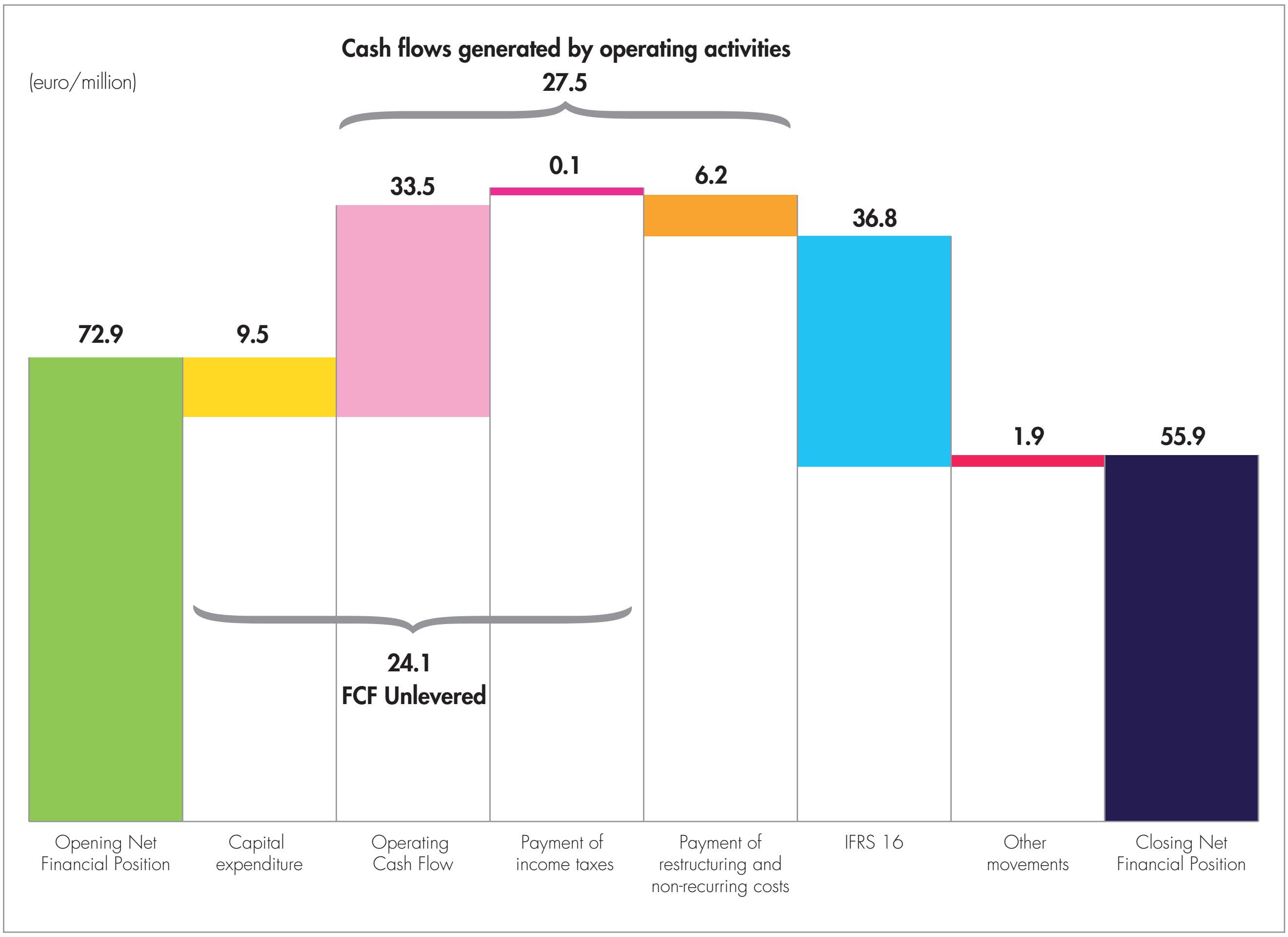
Italiaonline group's business is characterized by the presence of a large number of customers in the SME segment (small and medium-size enterprises) who have suffered from the crisis period and for which the recovery was not started or consolidated in all business segments of our target market. This 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. All of which making use of updated and customized software.
The monitoring of collection through advances and guarantees collected in the process of creating a contract and incentives for forms of payment such as SEPA Direct Debit (SDD), now 80% of sales to SMEs (+2% per annum), which allow our Group to better manage the dynamics of receipts at due dates.
The net trade receivables of the Italiaonline Group at June 30, 2018 amounted to € 118.1 million (€ 137.8 million at December 31, 2017), almost entirely due to the Parent Italiaonline S.p.A. (€ 117.4 million), which at the end of 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 at June 30, 2018 amounted to approximately € 49 million (€ 55 million at December 31, 2017) with an average coverage percentage of the loss allowance amounting to about 54%, deemed adequate. The monitoring at an early stage and 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 quality.
Exposure to credit risk - represented in the financial statements as the loss allowance - is measured using a statistical model, related to customer segmentation based on criteria of territoriality and days outstanding, which in its estimates reflects the historical behavioral experience in collecting amounts due and re-projects it to the receivables balance at June 30.
At June 30, 2018 the loss allowance at Group level amounted to € 27.8 million (€ 26.8 million at Italiaonline Parent level), down compared with December 31, 2017 (€ 33.7 million) because the valuation of receivables outstanding at June 30, 2018 was qualitatively better, due to the reduction of the overdue outstanding time period and gradual improvement of receipts at due dates.

STATEMENT OF CASH FLOWS FOR THE FIRST HALF OF 2018

(euro/thousand)	1ST HALF 2018	1ST HALF 2017	CHANGE
EBITDA	37,919	36,122	1,797
Net interest income (expense) from discounting of operating activities/liabilities and stock options	(107)	305	(412)
Decrease (increase) in operating working capital	(3,829)	17,983	(21,812)
(Decrease) increase in non-current operating liabilities (*)	(490)	(965)	475
Capital expenditure	(9,533)	(16,256)	6,723
(Gains) losses on disposal of non-current operating assets	7	(1)	8
Operating free cash flow - OFCF	**23,967**	**37,188**	**(13,221)**
Income taxespaid (received)	133	(249)	382
Unlevered free cash flow	**24,100**	**36,939**	**(12,839)**
Collection of interest and financial expense, net	90	(2)	92
Payment of non-recurring and restructuring costs	(6,172)	(10,857)	4,685
Dividend distribution	(204)	(80,032)	79,828
IFRS 16 effect	(36,849)	-	(36,849)
Other changes	2,015	639	1,376
Change in the net financial position	**(17,020)**	**(53,313)**	**36,293**

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

The following graph summarizes the main factors that contributed to the change in the net financial indebtedness during the first six months of 2018.



The **unlevered free cash flow** generated in the first half of 2018, was positive for € 24,100 thousand, a decline of € 12,839 thousand with respect to that generated in the first half of 2018 (€ 36,939 thousand) which reflects a slowdown in the decline in revenue, partly offset by the reduced investments.

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

Pursuant to the request sent by Consob on July 22, 2016, file no. 0067885/16, pursuant to Article 114 of Legislative Decree No. 58/1998, requesting the addition of some information to the annual and interim financial reports with effect from the interim financial report at June 30, 2016, as well as the press releases concerning 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 June 30, 2018, is reported below.
The net financial position of the Group at June 30, 2018 is described and discussed under Note 17 "Net financial indebtedness" of the notes to the condensed interim consolidated financial statements at June 30, 2018. The net financial position of the Parent and of the Italiaonline Group as at June 30, 2018 were respectively € 50,404 thousand and € 55,927 thousand.
The breakdown of overdue accounts payable of the Parent and the Group according to their nature (financial, trading, tax, social security and to employees) and the related creditors' response initiatives (reminders, injunctions, suspension to supply, etc.) is provided below:

- overdue trade payables to suppliers at June 30, 2018 were € 8,911 thousand (of which € 8,451 thousand related to Italiaonline S.p.A.), paid in July 2018 for € 2,961 thousand (of which € 2,914 thousand related to Italiaonline S.p.A.);
- there were no overdue financial liabilities or social security charges payables;
- 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 trade relations with the Group's suppliers. There were no significant actions by creditors that could affect the course of ordinary business.

The transactions carried out by the companies of the Italiaonline group, including intra-group and related party 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 that had a material effect on the financial position or results of operations of the Group and Italiaonline S.p.A.
The related parties of the Group are listed in section 30 "Related party transactions" of the Notes to the condensed interim consolidated financial statements at June 30, 2018.

Based on the data available for H1 2018 compared to the forecasts included in the Business Plan 2018-2020, at Group level revenues are slightly lower while Ebitda is substantially in line.

Main events of the first half of 2018

Closure of the liquidation process of Gold5 S.r.l. (in liquidation)

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

Disposal of Telegate equity interest

On February 14, 2018, Italiaonline disposed of its 16.24% investment in 11880 Solutions Ag (formerly Telegate AG), a communications company based in Germany, for around € 3.4 million, achieving a capital gain of € 1.3 million.

Acquisition of AdPulse Italian operations

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

Updated Business Plan

On March 15, 2018, the Board of Directors of Italiaonline SpA approved an update to the Business Plan (already approved on March 15, 2017) extending it to 2020 and updating the 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 Business Plan (approved on March 15, 2017) and implements the effects of progress in the development initiatives undertaken during 2017 and changes in the market context. The updated Plan also includes new initiatives to substantially improve sales and Customer Service processes as well as further optimize operating costs and speed up the digital integration path undertaken after merging with the former Seat PG.
For further details of the updated Plan, please refer to the Press Release of March 15, 2018, available in the Investors section of the Parent's website.

Director resignation

On April 16, 2018, Maria Elena Cappello, a non-executive director of the Parent, resigned with immediate effect from her duties on the Parent's Board of Directors due to intervening new professional commitments associated with membership of the boards of other issuers.

Manager in charge of Financial Reporting

On April 27, 2018, and with Board of Statutory Auditors approval, the Parent's Board of Directors resolved to appoint Gabriella Fabotti, the Parent's Finance Administration and Control Department Manager, as the new manager in charge of financial reporting, pursuant to Art. 154-bis, Legislative Decree No. 58/98. The duration of the term of office will be until the Shareholders' Meeting called to approve the financial statements at December 31, 2020.

Ordinary and Extraordinary Shareholders' Meetings of April 27, 2018

The Parent's Ordinary and Extraordinary Shareholders' Meetings were held on April 27, 2018.

At their ordinary session of the shareholders resolved:
- to approve the 2017 separate financial statements of Italiaonline S.p.A. (the draft of which had been approved by the Board of Directors on March 15, 2018), showing a profit for the year of €23,923,126.16;
- to allocate the profit of €23,923,126.16 as follows: *(i)* distribution of a unit dividend to savings shareholders of €30 for 2017 on each outstanding savings share, for a total of €204,090.00 and *(ii)* to carry forward the residual profit of €23,719,036.16. The preference dividend was made available for payment from May 9, 2018, against presentation of coupon No. 2 on May 7, 2018, and record date, pursuant to Art. 83-terdecies, Legislative Decree No. 58 of February 24, 1998, set at May 8, 2018;
- to establish 11 as the number of members of the Board of Directors, fixing the term of office as until approval of the financial statements at December 31, 2020, and the annual remuneration for each director as €75,000, as well as authorize the signing, with costs borne by the Parent, of a D&O (Directors & Officers) insurance policy covering the directors, any general managers and the manager in charge of financial reporting for third party liability, with an annual premium of up to €350,000, including the annual pro rata cost of any runoff distributed across the term of office resolved for the board and, as is common practice, envisaging that the D&O coverage could also extend to the Board of Statutory Auditors;
- to appoint the following as Directors, drawn from the single list filed by the shareholder Libero Acquisition S.à.r.l. and receiving majority vote from the Shareholders: 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 Arabella Caporello as additional member of the Board of Directors, based on the proposal put forward by the shareholder Libero Acquisition S.à.r.l., pursuant to the last but one sentence of art. 14 of the current Articles of Association, to integrate the candidates from the aforementioned list;
- to appoint Tarek Aboualam as Chairman of the Board of Directors;
- to appoint Giancarlo Russo Corvace, Mariateresa Salerno and Felice De Lillo as standing statutory auditors until approval of the financial statements at December 31, 2020, Lucia Pagliari and Angelo Conte as alternate statutory auditors, and Giancarlo Russo Corvace as Chairman of the Board of Statutory Auditors, determining the annual remuneration to the Chairman of the Board of Statutory Auditors as €90,000 with €60,000 as the annual remuneration for each standing statutory auditor. The Board of Statutory Auditors was appointed on the basis of the single list filed with the Shareholders by the shareholder Libero Acquisition S.à.r.l., which received the majority vote;
- to authorize (i) pursuant to art. 2357 et seq. of the Italian Civil Code and art. 132, Italian Legislative Decree no. 58 of February 24, 1998, the purchase of treasury shares on one or more occasions, in a period not exceeding 18 months, up to a maximum that does not exceed one fifth of the Parent's share capital, including any shares held by the subsidiaries and (ii) pursuant to art. 2357-ter of the Italian Civil Code, all and/or part of the shares purchased, without time limits and even before having completed all the purchases, to be disposed of by the Board of Directors;

- to approve the new share-based payment plan "Performance Share Plan 2018-2021" reserved for executive directors and managers who are employees of Italiaonline S.p.A. and/or of its subsidiaries (the "Performance Share Plan"), delegating all due powers to the Board of Directors to implement the Performance Share Plan;
- to approve Section I of the Remuneration Report pursuant to Article 123-ter, Legislative Decree no. 58 of February 24, 1998.

Lastly, at their extraordinary session, the shareholders resolved:
- subject to withdrawal of the authorization to increase the share capital until September 9, 2018, resolved at the extraordinary Shareholders' Meeting of March 8, 2016, to delegate power to the Board of Directors, to be exercised by April 26, 2021, to increase the share capital pursuant to art. 2443 of the Italian Civil Code, excluding option rights pursuant to art. 2441(4) of the Italian Civil Code. Specifically, the share capital can be increased by a number of ordinary shares not exceeding 10% of the total ordinary shares outstanding at the date of exercise of the powers and in any event by a maximum 11,476,122 ordinary shares, (i) pursuant to the first sentence of art. 2441(4) of the Italian Civil Code, by contribution in kind involving companies, business units or equity investments, as well as assets contributing to the corporate purpose of the Parent and its investees and/or (ii) pursuant to the second sentence of art. 2441(4) of the Italian Civil Code, if the newly issued shares are offered for subscription to institutional investors and/or partners, industrial and/or financial that the Board of Directors considers strategic to the Parent's business, and
- subject to inclusion in the Articles of Association of the option pursuant to art. 2349 of the Italian Civil Code, attributed for a period of five years to the Board of Directors pursuant to art. 2443 of the Italian Civil Code, to increase the share capital free of charge, also in multiple tranches, to service implementation of the Performance Share Plan for a maximum nominal value of € 400,008.19, through the issue of a maximum 2,295,224 new ordinary shares without par value and with the same characteristics as those outstanding.

Three directors took part in the Shareholders' Meeting.

Board positions

On April 27, 2018, the Parent's Board of Directors confirmed Antonio Converti's appointment as Chief Executive Officer.

Internal committees

Subject to confirmation that the independence requirements were satisfied, on April 27, 2018, the Board of Directors appointed Arabella Caporello, Vittoria Giustiniani, Cristina Finocchi Mahne and Corrado Sciolla as independent directors and arranged the following appointments for the period 2018-2020:
- the Appointments and Remuneration Committee, with the directors Vittoria Giustiniani (Chairman), Cristina Finocchi Mahne and Corrado Sciolla as members;
- the Audit and Risk Committee, with the directors Cristina Finocchi Mahne (Chairman), Arabella Caporello and Vittoria Giustiniani as members.

Also note that on May 9, 2018, the Board of Directors set up the Strategic Committee with the directors Tarek Aboualam (Chairman), Corrado Sciolla (independent director), Onsi Sawiris, Sophie Sursock and Pierre de Chillaz as members, with the task of providing support and assisting in a merely advisory capacity in the assessments and decisions of the Board of Directors on issues of strategic importance.

Special Meeting of Savings Shareholders of April 27, 2018

At their Special Meeting of April 27, 2018, the Savings Shareholders resolved to (i) invite the common representative to assess the impact on this share class of the resolution adopted at the extraordinary Shareholders' Meeting of March 8, 2016, carrying out due diligence as necessary to take any subsequent action; (ii) to give consent in advance to the split of savings shares in the ratio of 1 to 100, without changes to the share capital, if the related resolutions are adopted by the appropriate corporate bodies; (iii) to authorize the common representative to open a bank or post office account to hold sums relating to the Mutual Fund pursuant to art. 146(1.c) of Italian Legislative Decree 58/1998, currently managed by the Parent.
No director attended this meeting.

Industrial relations

Trade union relations in the first half of 2018 initially concerned the issues covered in the agreement signed on December 14, 2016, at the Ministry for Economic Development and the Ministry of Labor, as regards the 2016-2018 reorganization plan, assisted by CIGS, the government-sponsored lay-off scheme.
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 Arts and Publishing Companies, in which the 2018-2020 company reorganization plan was announced.
In the months that followed, trade union relations focused on managing action resulting from implementation of the 2018-2020 reorganization plan.
In particular, numerous meetings were held with the trade unions in March and April at the Ministry for Economic Development, during which the issues raised by the aforementioned plan were discussed.
Following the opening of the procedure pursuant to Italian Law 223/1991, as part of the "trade union stage" of the procedure 4 meetings were held with the trade unions in April and May.
On termination of the "trade union stage", 4 additional meetings were held as part of the procedure at the Ministry of Labor and Social Policies, which led to the signing of an agreement with the trade unions on July 2, 2018.
The trade union agreement signed refers explicitly to the collective redundancy procedure launched on April 16, 2018, and transfer of the Turin office to Assago.
The salient points of the agreement are as follows:

- Continued monitoring of the Turin site, with confirmation of 90 managers and white collars in the administration and staff, credit and telephone directory management departments.
- Transfers from Turin to Assago for a total of 90 staff, reimbursing travel expenses for one year.
- Investment in the Turin office through the setup of a Digital Factory, envisaging the digital requalification of 70 staff from among those laid off under the CIGS scheme, and their reinstatement in the Digital Factory at the end of the specific training period.
- Reinstatement of a further 55 staff in other company departments and throughout Italy, whilst 30 staff will be trained to become exclusive agents for the Parent.
- Staff leaving incentive envisaged equal to 30 months' gross pay for the remaining 245 staff affected by the procedure.
- The above measures will be managed during a CIGS lay-off period for reorganization, with a 6-month duration until January 11, 2019.

Liquidation of Emittente Titoli S.p.A.

On April 5, 2018, the final liquidation report at March 31, 2018, of Emittente Titoli S.p.A. was filed with the Chamber of Commerce.

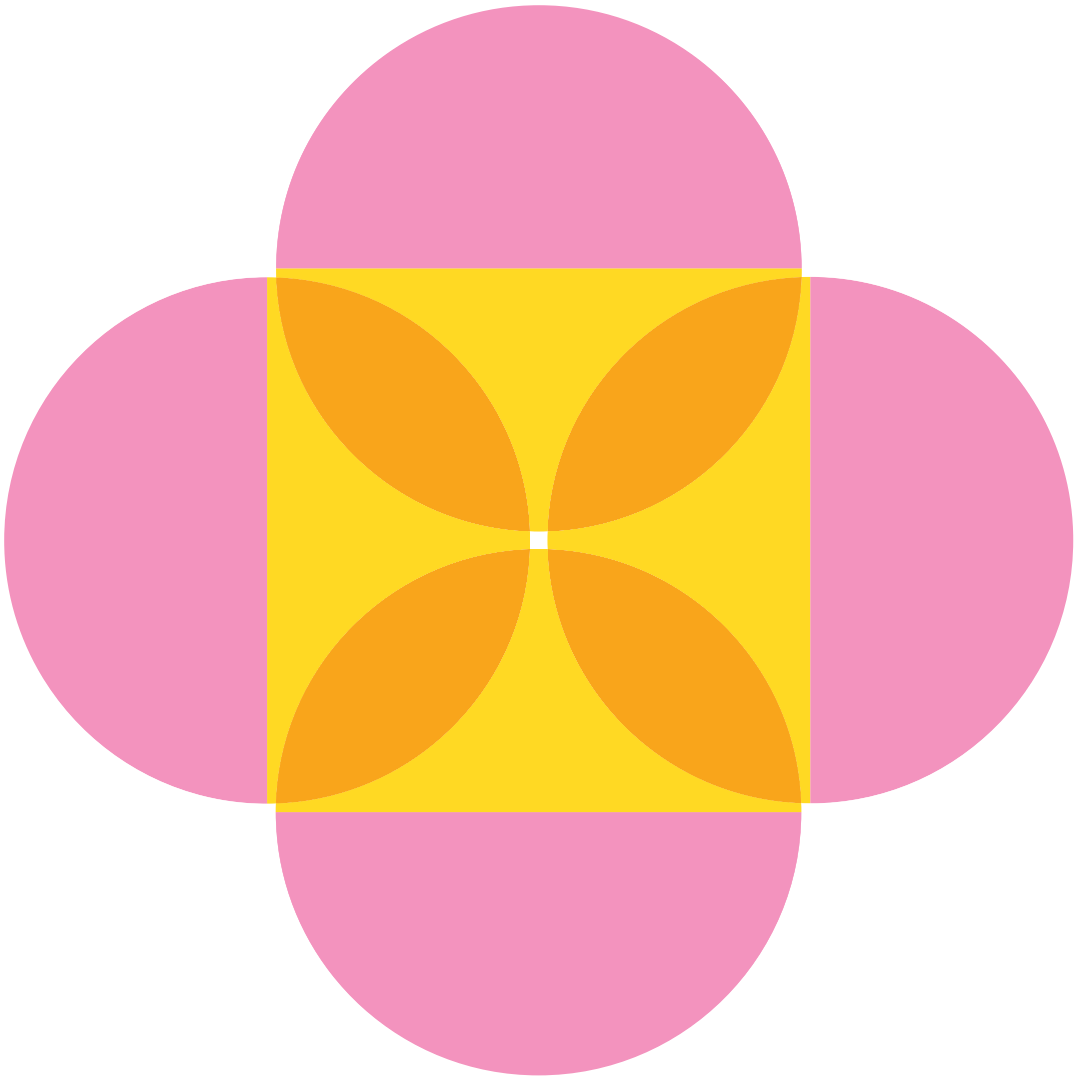
Outlook

The results achieved in the first half of 2018 confirm the efficiency of the decisions made on the basis of the 2018-2020 Business Plan approved on March 15, 2018.
The factors behind the performance of Group results in the first six months of the year are essentially attributable to the cost containment actions with the aim of supporting the operating profit of the business and initiatives targeting support for top line growth, particularly the revenue in the digital segment, despite the difficult market context.
As regards developments in the top line, digital segment revenue benefited in particular from the double-figure increase in iOL Audience revenue (the digital advertising dedicated to SMEs), and the revenue of the distributor iOL Advertising, the latter 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.
More specifically, Italiaonline:

- in February acquired the digital advertising distributorship AdPulse Italia (the Adux unit specializing in digital advertising on behalf of leading Italian and international publishers) and became the digital partner of Primaonline.it (the online daily newspaper of Prima Comunicazione);
- in April became the sole distributor in Italy of Dailymotion (leading video platform for its technology and premium content);
- in May achieved seventh place in the Top 10 digital properties in Italy, scored on the basis of comScore ratings, a classification which saw Google and Facebook confirmed in the top two spots;
- in June became a member of the Bing Partner Program, to act as a trusted advisor to Microsoft for the growing customer base seeking advertising search opportunities on the Bing network;
- lastly, in July launched the custom version of iOL Audience, a media planning product dedicated to SMEs for marketing campaigns with a strong conversion rate.

On the basis of the information available to date, Italiaonline expects a slight decrease in consolidated revenues for FY 2018 compared to FY 2017, incorporating a delay in the digital transformation process of the SME sales network, however strongly improving compared with the performance of 2017. Italiaonline confirms the significant and progressive growth of digital revenues during the year. The 2018 EBITDA is confirmed in double-digit percentage growth compared to 2017 (including the positive effects from the application of the new IFRS 16 accounting standards). Finally, Italiaonline confirms that cash holdings at the end of the year is expected to increase double-digit compared to the amount at 31 December 2017.

Creativity



Performance by Business Segment

For comparison purposes, see the description provided in the above paragraph "Financial highlights of the Group".

(euro/million)		ITALIAN DIGITAL	OTHER	AGGREGATE TOTAL	ELIMINATIONS AND OTHER ADJUSTMENTS	CONSOLIDATED TOTAL
Revenue from sales and services	1st half year 2018	154.3	3.7	158.0	(0.6)	157.4
	1st half year 2017	*162.4*	*4.7*	*167.1*	*(0.7)*	*166.4*
GOP	1st half year 2018	41.5	(0.2)	41.3	0.3	41.6
	1st half year 2017	*42.4*	*(0.5)*	*41.9*	*0.1*	*42.0*
EBITDA	1st half year 2018	38.3	(0.4)	37.9	-	37.9
	1st half year 2017	*36.7*	*(0.6)*	*36.1*	*-*	*36.1*
EBIT	1st half year 2018	(9.4)	(1.0)	(10.4)	-	(10.4)
	1st half year 2017	*18.5*	*(1.9)*	*16.6*	*-*	*16.6*
Total assets	June 30, 2018	634.9	5.4	640.3	(1.1)	639.2
	December 31, 2017	*611.2*	*5.7*	*616.9*	*(9.5)*	*607.4*
Total liabilities	June 30, 2018	322.0	5.0	327.0	(1.4)	325.6
	December 31, 2017	*287.3*	*14.4*	*301.7*	*(9.9)*	*291.8*
Net invested capital	June 30, 2018	257.0	1.1	258.1	(0.4)	257.7
	December 31, 2017	*242.9*	*(0.4)*	*242.5*	*0.1*	*242.6*
Capital expenditure	1st half year 2018	8.6	0.9	9.5	-	9.5
	1st half year 2017	*15.2*	*1.1*	*16.3*	*-*	*16.3*
Average workforce	1st half year 2018	1.393	60	1.453	-	1.453
	1st half year 2017	*1.426*	*89*	*1.515*	*-*	*1.515*
Average number of sales agents	1st half year 2018	719	12	731	-	731
	1st half year 2017	*843*	*21*	*864*	*-*	*864*

DIGITAL ITALIA

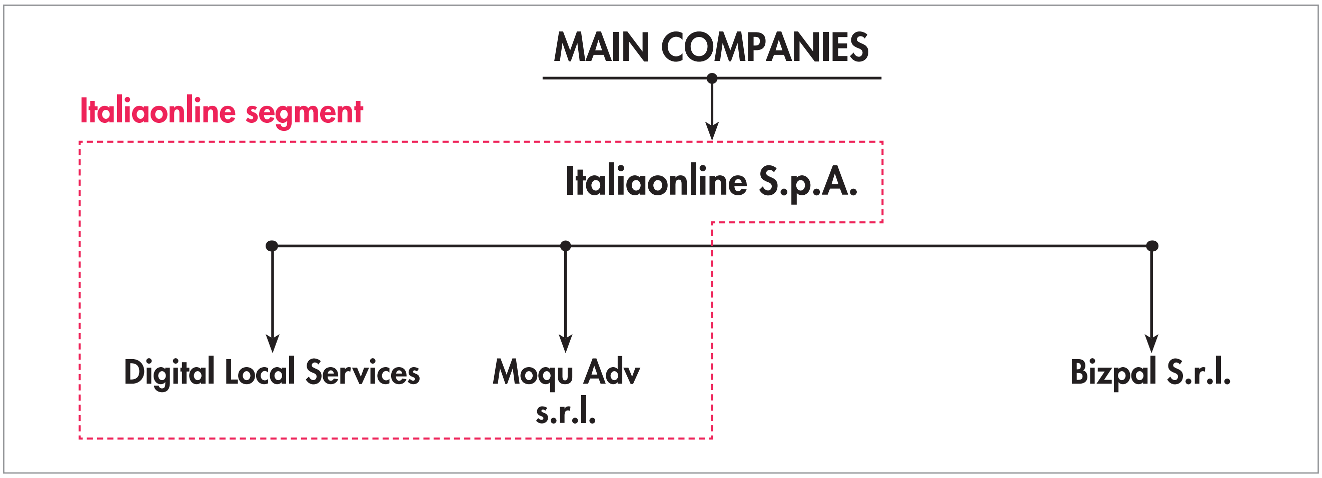
Market situation

The operating profit for the first half of 2018 was achieved in a situation of moderate growth in the economy and in the advertising investments market:

- according to preliminary ISTAT forecasts of May 2, in the first quarter of 2018, gross domestic product (GDP) in Italy grew by 0.3% compared to the previous quarter and with a 1.4% growth trend. The change for 2018, i.e. with no growth for the remainder of the year, amounted to +0.8%;
- according to Nielsen, in the first five months of 2018 the advertising market in Italy grew by +0.9% (-1.4% if the Nielsen forecast for search and social are excluded from the web collection). In relation to the individual advertising channels, in the first five months of the year, an increase was recorded by Internet of +7.6% (+2.1% if search and social are excluded), cinema (+31.2%), GoTV (+22.7%), transit (+8.9%) and radio (+6.8%); by contrast, a decrease was registered by magazines (-8.6%), newspapers (-7.9%), outdoor (-7.7%), direct mail (-3.7%) and TV (-1.0%). According to Nielsen, after the month of May when advertising was affected by, amongst other things, the mood of uncertainty and fear surrounding the state of the Italian economy, June and July should close with positive results due to a recovery in advertising investments, whilst the growth forecast to date for 2018 should be around +1.7%.

Structure of the Business Segment

The Digital Italia Business Segment is organized as follows:



Note that:

- On January 22, 2018, Moqu ADV Ireland DAC, a company 100%-owned by Moqu Italia S.r.l., was definitively wound up and cancelled from the Companies' Register at the Chamber of Commerce of Dublin.
- At their extraordinary meeting of April 5, 2018, the quotaholders of Prontoseat S.r.l. resolved to change the company name to Bizpal S.r.l. and to amend art. 1 of the Articles of Association accordingly.
- On 2 August the final liquidation accounts of the following were deposited the following 10 DLS: Bologna 2, Brescia 1, Calabria 2, Campania 2, Milano 2, Puglia 2, Sicilia 2, Torino 1, Toscana 1, Veneto 2.
- On 2 August the Board of Directors of Digital Local services Bergamo 2, Emilia 2, Lombardia 3, Napoli 2, Piemonte 2, Torino 4, Veneto 5 resolved to assess the grounds for dissolution of the companies.

Financial highlights

The table shows the main results for the first half of 2018 of the Digital Italia Business Segment, compared with those for the same period of last year. For comparison purposes, see the description provided in the above paragraph "Financial highlights of the Group".

(euro/million)	1ST HALF YEAR 2018	1ST HALF YEAR 2017	CHANGE	
			ABSOLUTE	%
Revenue from sales and services	154.3	162.4	(8.1)	(5.0)
GOP	41.5	42.4	(0.9)	(2.1)
EBITDA	38.3	36.7	1.6	4.4
EBIT	(9.4)	18.5	(27.9)	n.s.
Capital expenditure	8.6	15.2	(6.6)	(43.4)
Average workforce	1,393	1,426	(33.0)	(2.3)
Net invested capital	257.0	242.9(*)	14.1	5.8

(*) Figure at December 31, 2017.

ITALIAONLINE

The ITALIAONLINE segment includes Italiaonline S.p.A. data, 64 limited liability companies (8 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 shows the main results for the first half of 2018 compared with those from the corresponding period of the previous year.

(euro/million)	1ST HALF YEAR 2018	1ST HALF YEAR 2017	CHANGE	
			ABSOLUTE	%
Revenue from sales and services	154.3	162.3	(8.0)	(4.9)
GOP	41.4	42.5	(1.1)	(2.6)
EBITDA	38.3	36.8	1.5	4.1
EBIT	(9.1)	18.5	(27.6)	n.s.
Capital expenditure	8.6	15.2	(6.6)	(43.4)
Average workforce	1,235	1,276	(41)	(3.2)
Net invested capital	256.3	240.1(*)	16.2	6.7

(*) Figure at December 31, 2017.

Revenue generated by the ITALIAONLINE segment is divided into the following areas:
Digital Revenue, which includes the following segments:

- *Presence*:
  - 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.
  - Custom revenue related to special projects and customized formats created on behalf of businesses.
- *Digital advertising*:
  - 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).
  - 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, email, 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.

The turnover trend for the period reflects, on the one hand, the growth in digital revenue (+7% YoY), aided by the double-figure growth (+26.4%) in the digital advertising segment, and on the other hand by the forecast continuation of the structural decline in traditional products based on telephone directories and telephony.
Revenue from sales and services in the ITALIAONLINE segment in the first half of 2018 amounted to € 154.3 million, down 4.9% on the same period of the previous year. Note that if telephone directory publication had remained the same, the decline in revenue would have been 1.9%.
The figure for the first half of the year, in fact, reflects the delayed publication of certain telephone directories which should have been published in the second quarter of the year and which in the same period of 2017 had contributed € 5.1 million. These directories will be published during the third quarter of 2018. The delays can be attributed to a slowing of activities associated with the negotiations between the Parent and the trade unions that began on March 6, 2018, which led to an understanding being reached on July 2 regarding the proposed company reorganization.

More specifically:

a) Digital revenue stood at € 120.8 million in the first half of 2018, up 7.0% on the first half of 2017. In this respect, note that the digital segment growth benefited in particular from the double-figure increase in iOL Audience revenue (the digital advertising dedicated to SMEs and unique in Italy), and the 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 78.3%.
b) Traditional revenue totaled € 32.9 thousand in the first half of 2018, down 32.8% on the same period of the previous year. If telephone directory publication had remained the same, the decline in revenue would have been limited to 25.0%. The total share of Traditional Revenue in the year amounted to 21.3%.
c) *Other Revenue* from other products in the first half of 2018 amounted to € 0.6 million, up by € 0.1 million compared to the same period of the previous year.

GOP stood at € 41.4 million in the first half of 2018, down by € 1.1 million compared to the first half of 2017, with the operating margin up from 26.2% to 26.8%.
Costs of materials for external services, net of costs charged to third parties, totaled € 83.1 million in the first half of 2018, down € 1.9 million (2.2%) with respect to the first half of 2017.
Note that the costs performance in the first half of 2018 was affected by the early adoption of IFRS 16 - Leases, which led to 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"). Further details can be found in paragraphs 3.1 and 3.4 of the Notes to this Interim Financial Report.
The industrial costs of € 46.2 million were up on the first half of 2017 by € 1.2 million (+2.6%). This performance is attributable to web publisher commissions (+€5.8 million) up due to the increase in iOL Audience revenue, revenue deriving from advertising agency activities for the large accounts market and the higher production costs of the iOL WebSite and Presence (+€2.8 million) as a result of the iOL Connect product. These increases were partly offset by the reduction in production, distribution and stocking costs for € 3.0 thousand attributable to the decrease in Traditional revenue and circulation figures, reflected in the lower number of pages and the impact of IFRS 16 on data center rental costs (-€1.6 million).
Commercial costs, equal to € 27.6 million, were in line with the first half of 2017.
Overheads amounted to € 9.3 million, down 25.4% (-€3.2 million) compared to the first half of 2017, € 2.0 million of which due to the impact of IFRS 16 on leases and rentals, with widespread savings on the majority of items thanks to constant efficiency improvement action. Overheads include advertising costs of € 1.6 million, up € 1.0 million compared to the previous year.
Personnel expense, net of costs recovered for personnel seconded to other Group Companies, totaled € 29.8 million in the first half of 2018, down € 5.1 million (-14.6%) compared to the first half of 2017. The decrease is mainly due to the reorganization actions taken within the Group. The average workforce, which identifies the work force in proportion to the actual time of active service, amounted to 1,235 employees in the first half of 2018 compared to 1,276 employees in the first half of 2017, a decrease of 41 due to the reorganization initiatives implemented in particular at the Parent.

EBITDA amounted to € 38.3 million in the first half of 2018, up € 1.5 million on the first half of 2017 (+4.1%) with a 24.8% effect on revenue (22.7% in the first half of 2017). The figure benefited from the adoption of IFRS 16 for € 4.5 million, and was affected by the delay in publication of certain printed volumes which in the first half of 2017 had amounted to € 3.3 million. Net of these effects, the change would be a 1.5% increase.
EBIT was negative for € 9.1 million in the first half of 2018, down by € 27.6 million of which € 26.2 million relating to the net allowance for implementation of the reorganization plan by the Parent.
Capital expenditure totaled € 8.6 million in the first half of 2018, and related mainly to: *i)* renewal of the sales processes and systems for SMEs with adoption of the Saleforce platform; *ii)* user licenses for the "AdVantage Platform" (Matchcraft) that allows the use of application services for the implementation and management of marketing campaigns; *iii)* development of the IOL Audience platform for the integrated management of Google ADwords, Google Display and Facebook Adv campaigns; *iv)* development and micro-development support for the web and publishing areas.

Reference regulatory framework

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

The regulatory framework for Italiaonline activities 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, (the "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 "Improved Regulation"); Directive 2009/136/EC (on "Citizens' Rights"); Regulation 2009/1211, which set up the supranational regulation body "BEREC" (Body of European Regulators for Electronic Communications).
These Directives were incorporated into Italian regulations in 2012. In particular: 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 e-Privacy Directive. This revision will presumably lead 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.
In the meantime, May 25, 2018 saw the entry into force of General Regulation (EU) 2016/679 (the GDPR) which repealed European Directive 95/46/EC but did not fully replace the Privacy Code and its articles relating to Directive 2002/58/EC.

In order to ensure its compliance with the GDPR, Italiaonline has initiated and implemented a series of activities including: (i) definition, with the support of an international advisor, of a roadmap of the activities necessary to adapt to the forecasts of the GDPR; (ii) appointment of the Data Protection Officer ("DPO"), since the Company performs treatments that may require the regular and systematic monitoring of those involved on a large scale; (iii) establishment of a Privacy Committee, composed of the Director of Internal Audit & Compliance, the Director of Legal and Corporate Affairs, the Director of Information Technology and the Data Protection Officer, appointed to assist the DPO and the Data Controller, for the purposes of management of the Privacy and for the definition of the policies in matter of treatment and protection of the data; (iv) mapping of data processing, applications and existing measures, for the purposes of gap analysis and the definition of an action plan (v) establishment and compilation of the treatment register pursuant to Article 30 of the GDPR through the adoption of a specific Group tool; (vi) review of the templates for appointments to managers and informational privacy; (vii) launch of the expected impact assessments for the most relevant treatments; (viii) planning and launching of training activities.

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.
From that 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 by using lists of parties that have given their express consent). Italiaonline has signed up to the opt-out register for matching.
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 Authority has not issued the implementing measure, the impact of which for Italiaonline would involve 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 2017 Stability Law, starting from April 1, 2017, the legislator introduced the obligation for all call centers 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 transfer of the call to another call center in the EU.

Lastly, Italian Law no. 5 on "New provisions on the registration and operation of the Opt-out Register and the establishment of national prefixes for telephone calls for statistics, promotion or market research purposes" was published in the Official Gazette on January 11, 2018. Amongst other things, the Law introduces: the option of registration in the opt-out register of all natural persons, also indicating the reserved landline numbers (ex-directory) and mobile phone numbers; inclusion in the Opt-out Register results in the cancellation of all consent given previously by the user (with certain exceptions); AGCOM identification of two prefixes identifying marketing and statistics-related calls; contracting companies become jointly liable with the call center operators in the event of violations: this makes beneficiaries of the marketing campaign jointly responsible; suspension or even cancellation of business authorization is envisaged in the event of violations. At June 30, the implementing decree governing certain obligations introduced by Law 5/2018 had not yet been issued.

2.2 Cookies provision

With regard to provisions of the Privacy Code, note that, in accordance with Article 122 of the 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 them 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 regulatory developments on privacy, on April 14, 2016, the text of the new European regulation on personal data protection was approved (the General Data Protection Regulation (EU) 2016/679, or "GDPR"). The GDPR entered into force on May 24, 2016, and became effective from May 25, 2018. The GDPR is therefore applicable but, for certain provisions, publication of the implementing decree to align the old Privacy Code with the new GDPR is still pending.

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 refers to the EU-US **Privacy Shield**. The Commission presented the draft text of the decision on February 29, 2016. As a result of the Group's opinion on 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 ruling of October 6, 2015 whereby the European Union Court of Justice invalidated the old "**Safe Harbor**" scheme.
On October 27, 2016, the Italian Data Protection 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 ruling 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.

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 mandatory public disclosure of a prospectus for significant mergers, demergers, and capital increases by way of contribution in kind, 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 "Other activities" comprises all activities of the investee Consodata.
Note that:

- on January 30, 2018, the Board of Directors of Consodata S.p.A. appointed Francesca Reich as company Chief Executive Officer.
- With effect from March 27 and March 29, 2018, respectively, the legal offices of Dealcome S.r.l. and Consodata S.p.A. were transferred from Via Mosca 43/45 in Rome to Block U7, Via Del Bosco Rinnovato 8, Milanofiori Nord, Assago.
- At their extraordinary meeting of May 16, 2018, the shareholders of Consodata S.p.A. resolved to decrease the share capital by € 2,446,330.00 to € 1,200,000.00. This resolution can only be implemented when 90 days have passed from its transcription in the relevant Companies' Register, provided the creditors have raised no objection.

Financial highlights

The table shows the main results for the first half of 2018 for the Other Activities segment, compared with those from the corresponding period of the previous year.

(euro/million)	1ST HALF YEAR 2018	1ST HALF YEAR 2017	CHANGE	
			ABSOLUTE	%
Revenue from sales and services	3.7	4.7	(1.0)	(21.3)
GOP	(0.2)	(0.5)	0.3	60.0
EBITDA	(0.4)	(0.6)	0.2	33.3
EBIT	(1.0)	(1.9)	0.9	47.4
Capital expenditure	0.9	1.1	(0.2)	(18.2)
Average workforce	60	89	(29.0)	(32.6)
Net invested capital	1.1	(0.4) (*)	1.5	n.s.

(*) Figure at December 31, 2017

Other information

HUMAN RESOURCES

Italiaonline Group

	AT 06.30.2018	AT 12.31.2017	CHANGE
Senior Managers	101	102	(1)
Managers	213	220	(7)
White collars	1,225	1,274	(49)
Call operators	231	225	6
Employees	**1,770**	**1,821**	**(51)**
of which on government-sponsored lay-off scheme	-	*242*	*(242)*
Directors, coordinated and ongoing consultants, and interns	11	9	2
Total workforce at the end of the year	**1,781**	**1,830**	**(49)**

	1ST HALF 2018	1ST HALF 2017	CHANGE
Senior managers	104	116	(12)
Managers	188	191	(3)
White collars	1,017	1,076	(59)
Call operators	134	123	11
Employees	**1,443**	**1,506**	**(63)**
Directors, coordinated and ongoing consultants, and interns	10	9	1
Average workforce for the year	**1,453**	**1,515**	**(62)**

The Italiaonline Group had a workforce of 1,781 people at June 30, 2018, down by 49 with respect to 1,830 at December 31, 2017.
Again in the first half of the year, Italiaonline had an average active workforce of 1,453, down by 62 from 1,515 in the first half of 2017.
Note that the average active workforce for the first half of 2018 affects the return to service at June 20, 2018 of 238 staff previously laid off under the CIGS zero Hour scheme following expiry of the agreement signed on December 14, 2016 with the Ministries for Economic Development and Labor.
On July 2, 2018, a new agreement was signed with the Ministry of Labor which again sees use of the CIGS zero Hour government sponsored lay-off scheme for a maximum 400 staff for six months.

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

	AT 06.30.2018	AT 12.31.2017	CHANGE
Senior Managers	98	100	(2)
Managers	199	208	(9)
White collars	1,155	1,204	(49)
Employees	**1,452**	**1,512**	**(60)**
of which on government-sponsored lay-off scheme	-	*242*	*(242)*
Directors, coordinated and ongoing staff, and interns	10	9	1
Total workforce at the end of the period	**1,462**	**1,521**	**(59)**

	1ST HALF 2018	1ST HALF 2017	CHANGE
Senior managers	101	113	(12)
Managers	174	170	4
White collars	951	984	(33)
Employees	**1,226**	**1,267**	**(41)**
Directors, coordinated and ongoing staff, and interns	9	9	-
Average workforce for the period	**1,235**	**1,276**	**(41)**

The Italiaonline segment had a workforce of 1,462 at June 30, 2018, down by 59 from December 31, 2017, when it was equal to 1,521 (*of which 242 temporarily laid off under the CIGS 0 Hour government sponsored lay-off scheme*).
In the first half of 2018, the Italiaonline segment had an average active workforce of 1,235, down by 41 from the first half of 2017, when it was 1,276.
Note that the average active workforce for the first half of 2018 affects the return to service at June 20, 2018 of 238 staff previously *temporarily* laid off under the CIGS zero Hour scheme following expiry of the agreement signed on December 14, 2016 with the Ministries for Economic Development and Labor.
On July 2, 2018, a new agreement was signed with the Ministry of Labor which again sees use of the CIGS zero Hour government sponsored lay-off scheme for a maximum 400 staff for six months.

Industrial relations

Trade union relations in the first half of 2018 initially concerned the issues covered in the agreement signed on December 14, 2016, at the Ministry for Economic Development and the Ministry of Labor, as regards the 2016-2018 reorganization plan, assisted by CIGS, the government sponsored lay-off scheme.
On March 6, 2018, a meeting was held with the trade unions also pursuant to art. 8, Part One of the CCNL (national labor contract) for employees of Graphic Arts and Publishing Companies, in which the 2018-2020 company reorganization plan was announced.
In the months that followed, trade union relations focused on managing actions resulting from the implementation of the 2018-2020 reorganization plan.
In particular, numerous meetings were held with the trade unions in March and April at the Ministry for Economic Development, during which the issues raised by the aforementioned plan were discussed.
Following the opening of the procedure pursuant to Italian Law 223/1991, as part of the "trade union stage" of the procedure 4 meetings were held with the trade unions in April and May.
On termination of the "trade union stage", 4 additional meetings were held as part of the procedure at the Ministry of Labor and Social Policies, which led to the signing of an agreement with the trade unions on July 2, 2018.
The trade union agreement signed refers explicitly to the collective redundancy procedure launched on April 16, 2018, and transfer of the Turin office to Assago.
The salient points of the agreement are as follows:

- Continued monitoring of the Turin site, with confirmation of 90 managers and white collars in the administration and staff, credit and telephone directory management departments;
- Transfers from Turin to Assago for a total of 90 staff, reimbursing travel expenses for one year.
- Investment in the Turin office through the setup of a Digital Factory, envisaging the digital requalification of 70 staff from among those laid off under the CIGS scheme, and their reinstatement in the Digital Factory at the end of the specific training period;
- Reinstatement of a further 55 staff in other company departments and throughout Italy, whilst 30 staff will be trained to become exclusive agents for the Parent;
- Staff leaving incentive envisaged equal to 30 months' gross pay for the remaining 245 staff affected by the procedure;
- The above measures will be managed during a CIGS lay-off period for reorganization, with a 6-month duration until January 11, 2019.

At Bizpal (formerly Prontoseat) and Consodata, trade union relations in the first half of 2018 mainly related to management of the issues indicated in the trade union agreements signed in June and July 2017, respectively.

Recruitment

Activities during the first half of 2018 focused on in-depth scouting of the market for technical and digital profiles with specific web skills, which led to the identification of individuals primarily for recruitment to the Product Development and Innovation and the Information Technology departments, as well as to the Large Accounts business unit, also following the acquisition of the AdPulse business unit.

With regard to sales, the activity of search and recruitment of sales profiles has continued, leading to the hiring of approximately 50 new exclusive agents and sales agents in 2018.

Corporate training and sales networks

Italiaonline Academy provided training to corporate employees during the first half of 2018, for a total of 12,000 hours' training and with 220 attendees.
The training focused on the themes of leadership and on technical-specialist content:
- Personal and Team coaching for key roles in the Large Account Sales Department;
- Training and education on technological platforms: Tableau, Zendesk, Postgres, VoIP;
- Cyber Security Prevention & Investigation, targeted at System Administrators and Software Developers.
- Training and updating on the GDPR and Privacy;
- Occupational safety (supervisors, RLS - workers' safety representative, fire prevention, first aid) at all company offices.

In the first 4 months of 2018, corporate employee training also supported the professional retraining of personnel under the government sponsored lay-off scheme ("CIGS 0 Hours"), through courses focusing on soft skills, sales techniques and technological skills, for a total of 1,400 hours' training and with 45 attendees.
As regards training dedicated to sales employees and the Sales Force, the Italiaonline Academy provided training for a total of around 15,000 hours on the corporate e-learning platform and with more than 11,600 attendees.
In particular, training focused on the specific content of the constantly evolving sales offer and on sales techniques, including over the phone.
The induction courses dedicated to new Agents continued during the year, with classroom training on product awareness and sales techniques. A new induction model was also adopted, with new interim steps along the training path which envisage a reduced number of classroom training hours, the transfer of product content to e-learning mode and the enhancement of new recruits through a structured one-on-one and on-the-job training.
The 2017 adoption of the new technology platform (Docebo) shortened the time needed to provide the training content and targeted provision to the various corporate populations, focusing on the Sales Force. Following the online distribution of the contents, classroom activities and on-the-job training were arranged with a view to improving sales efficiency.

Property & Facilities Management

In the first half of 2018, the Property & Facilities Management 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.
Activities are carried out periodically as required to maintain the BS OHSAS 18011:2007 certification (Occupational Health and Safety Assessment Series).
In the reporting period, the closure of some offices was finalized as part of the DLS consolidation process that started in 2016.

ADMINISTRATIVE, LEGAL AND ARBITRATION PROCEEDINGS

Administrative, legal and arbitration proceedings involving the Italiaonline Group

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

On December 24, 2014, Italiaonline 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" or the"Office"), claiming that it 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 complete annulment of the claim, was notified to the Tax Authorities on May 13, 2015 and filed before the competent Provincial Tax Court on May 25, 2015. As stated in tax collection regulations, before appearing the Court on May 21, 2015, the Parent arranged a provisional payment, pending ruling, 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 ruling 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 Parent 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 filed its counterclaims and incidental appeal. The discussions hearing was held on November 9, 2017. By means of the ruling filed on February 6, 2018 (henceforth the "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 violation of the principle of prior cross-examination, consequently invalidating 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. The Office challenged the Lombardy Regional Tax Commission decision through an appeal filed with the Court of Cassation, notified to the Parent on May 4, 2018. On June 12, 2018, the Parent notified the Office of its own appeal and counter-appeal.

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 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 approximately €12 million, plus interest.
The Milan Provincial Tax Commission, by means of a ruling filed on May 29, 2017 (henceforth, "First instance ruling 2010-2011-2012"), with a decision contrary to that made by the Milan Provincial Tax Commission on the first instance ruling 2009, confirmed the substantial validity of the 2010, 2011 and 2012 Assessment Notices. In addition, on June 30, 2017 DRE notified the Parent three payment demands relating to the 2010, 2011 and 2012 notices, by which, in compliance with the provisions regulating provisional payments pending ruling, it was required to arrange payment of a total amount of tax and interest of about €3 million. These amounts were paid on August 4, 2017.
On December 19, 2017, the Parent notified DRE of the appeal against the First Instance Ruling 2010-2011-2012 of the Provincial Tax Commission of Milan and subsequent court filing. On February 19, 2018, the Office filed its own counterclaims.
The discussions hearing was held on July 16, 2018 and the Parent is now awaiting the related decision.
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 instance 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, referring 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. By decision filed on May 16, 2018, the Provincial Tax Commission of Milan accepted the appeals filed by the Parent and by the company that acquired the business unit.
Following this decision, on July 6, 2018, the Tax Authorities notified the filing of their appeal before the Lombardy Regional Tax Commission. In this respect, the Parent is completing the actions necessary as permitted by law to protect its rights.

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 non- 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 alternatively, 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 pre-emptive for the definition of the ruling.
After hearing the arguments, the judge granted time for preliminary pleading to the Plaintiffs 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 the 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 an appeal filed 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 Italian Code of Civil Procedure, because the requirements of the deed were not respected, and in accordance with art. 348-bis of the Italian 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 statute of limitations had expired - was in favor of Italiaonline.

4) Savings Shareholders

Ruling against the resolution of the Shareholders of April 23, 2015
At their special meeting of July 16, 2015, the 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 savings shareholders in question.
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 waive the ongoing lawsuit or 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 briefs 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 the Savings Shareholders of Italiaonline S.p.A., Stella d'Atri, against the resolution passed at 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 Parent appeared before the court to file its own pleadings on May 30, 2018, claiming the invalidity and lack of grounds of the appeal filed by the Common Representative.
At the hearing on July 11, 2018, the Court reserved the right to decide on the claim of invalidity of the appeal.

<u>Ruling against the resolution of the Shareholders' Meeting of April 27, 2017</u>
On July 25, 2017, a claim form was notified to the Parent with which the Common Representative of the 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 € 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 adjourned from January 20, 2018 to June 26, 2018.
The Parent appeared before the court to contest 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.
At the hearing of June 26, 2018, after a brief discussion, the court decided not to accept the plaintiff's request regarding preliminary briefs and returned proceedings to the bench for pre-hearing issues, therefore adjourning proceedings to final hearing of June 11, 2019.
The law firm that assists the Parent believes that at present the risk of accepting counterparty applications should not be considered probable but remains possible.

5) Disbursement of the 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 filed before the Supreme Court. As part of that ruling, the Parent filed a defense and a brief in accordance with law. At the hearing on July 19, 2016, the 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, after which the proceedings were adjourned for decision.
By decision published on February 20, 2018, the Lazio Regional Administrative Court partly accepted the Parent's appeal, stating that, if on the one hand the Parent is abstractly subject to the Contribution as an entity operating in the market under AGCOM's responsibility, on the other hand they cannot form part of the taxable base for the purchase of calculating the *quantum debeatur* of "White Pages Print" revenues as the latter are in no way associated with the ex ante regulatory activities (and related costs) carried out by AGCOM.
In view of this principle, the Lazio Regional Administrative Court cancelled the part of Resolution 96/11/CONS that states the "White Pages Prints" for the years 2006-2010 contribute to revenue.
By appeal notified to the Parent on June 8, 2018, the State Prosecutor's Office, acting on behalf of AGCOM, challenged the Regional Administrative Court's decision, requesting: *(i)* as a preliminary measure, the suspense of the decision's effects with resubmission of the correct interpretation of the European regulations before the Court of Justice of the European Union; *(ii)* on the merits, rejection of the application originating the proceedings.
At the date of this report, AGCOM has not yet requested payment of the revenue-related contribution for the market under AGCOM responsibility, in accordance with the Lazio Regional Administrative Court decision (around € 500,000.00, including interest and revaluation).
On June 18, 2018, the Parent filed the pleadings by which, for the moment, it acknowledged the late notification of the appeal by AGCOM, reserving all defense arguments to subsequent stages of the proceedings. The date of the first hearing is still pending.
As part of the dispute, with the appeal still pending, a provision was allocated 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 filing 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 at the hearing 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. Considering the preliminary investigation to be complete, by an out of court order the Court adjourned proceedings for closing arguments to September 27, 2018.
The law firm assisting the Parent presently believes the opposing claims are dubious and therefore deems the risk of an unfavorable outcome possible.

7) Criminal proceedings pending before the Court of Turin

On July 12, 2018, the Parent was served a claim form for third party liability in the criminal proceedings pending before the Court of Turin against the past directors and statutory auditors of the former Seat Pagine Gialle S.p.A. for fraudulent bankruptcy following events dating back to 2003/2004.
The accused in the criminal proceedings (previously directors or statutory auditors of the former Seat Pagine Gialle S.p.A.) are: Enrico Giliberti, Luca Majocchi, Lino Benassi, Dario Cossutta, Guido Paolo Gamucci; Luigi Lanari, Michele Maria Marini, Stefano Mazzotti, Marco Reboa, Alberto Amadio Tazartes, Nicola Volpi, Bruce Hardy Mclain, Enrico Filippo Francesco Cervellera; Vincenzo Giuseppe Antonio Ciruzzi and Andrea Vasapolli.
The charges against the accused mainly refer to the 2004 distribution of dividends as a result of which the former Seat Pagine Gialle S.p.A. took out a bank loan maturing in 2012, which is considered to have generated the subsequent crisis that led the former Seat Pagine Gialle S.p.A. to file for a deed of arrangement, endorsed by Court of Turin decree dated September 26, 2014.
As part of these proceedings, a total of 37 civil requests were made and accepted for citing the current Italiaonline S.p.A. as liable third party in view of - according to the allegations by the civil plaintiffs - the Parent's liability (at the time of the Seat Pagine Gialle S.p.A. events), pursuant to art. 2049 of the Italian Civil Code, for damage caused by the directors and statutory auditors in carrying out their duties. Amongst other things, the same civil plaintiffs requested that the criminal court order the accused, as jointly liable with the Parent, to pay compensation for the damage suffered with specific requests in provisional terms.
At present, in agreement with the criminal law counsel assisting the Parent, we believe that the financial risk to the Parent in reference to the pending criminal proceedings can be quantified as € 1,520,000.00, equal to the provisional total requested by the civil plaintiffs appearing in the criminal proceedings. This amount was allocated at June 30, 2018 to the provision for legal dispute risks.

CORPORATE GOVERNANCE

Introduction

Pursuant to Art. 123 bis of Legislative Decree No. 58/98, the Parent has drafted and published the 2017 Report on Corporate Governance and Ownership Structure (the "Report"). The Report can be found on the Parent's website at the address https://www.italiaonline.it/governance/corporate-governance/sistema-e-relazione-di-governance/
The Parent has adopted the current version of the Corporate Governance Code for Listed Companies ("Code") and has committed to carrying out all the activities necessary to fully implement its principles and provisions.
We provide below an update covering only the events that took place in the first half of the current year.

Shareholders' Meetings

1) Ordinary and Extraordinary Shareholders' Meetings
The Parent's Ordinary and Extraordinary Shareholders' Meetings were held on April 27, 2018.
At their ordinary session the shareholders resolved:
- to approve the 2017 separate financial statements of Italiaonline S.p.A. (the draft of which had been approved by the Board of Directors on March 15, 2018), showing a profit for the year of €23,923,126.16;
- to allocate the profit of €23,923,126.16 as follows: (i) distribution of a unit dividend to savings shareholders of €30 for 2017 on each outstanding savings share, for a total of €204,090.00 and (ii) to carry forward the residual profit of €23,719,036.16. The preference dividend was made available for payment from May 9, 2018, against presentation of coupon No. 2 on May 7, 2018, and record date, pursuant to Art. 83-terdecies, Legislative Decree No. 58 of February 24, 1998, set at May 8, 2018;
- to establish 11 as the number of members of the Board of Directors, fixing the term of office as until approval of the financial statements at December 31, 2020, and the annual remuneration for each director as €75,000, as well as authorize the signing, with costs borne by the Parent, of a D&O (Directors & Officers) insurance policy covering the directors, any general managers and the manager in charge of financial reporting for third party liability, with an annual premium of up to €350,000, including the annual pro rata cost of any runoff distributed across the term of office resolved for the board and, as is common practice, envisaging that the D&O coverage could also extend to the Board of Statutory Auditors;
- to appoint the following as Directors, drawn from the single list filed by the shareholder Libero Acquisition S.à.r.l. and receiving majority vote from the Shareholders: 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 Arabella Caporello as additional member of the Board of Directors, based on the proposal put forward by the shareholder Libero Acquisition S.à.r.l., pursuant to the last but one sentence of art. 14 of the current Articles of Association, to integrate the candidates from the aforementioned list;
- to appoint Tarek Aboualam as Chairman of the Board of Directors;
- to appoint Giancarlo Russo Corvace, Mariateresa Salerno and Felice De Lillo as standing statutory auditors until approval of the financial statements at December 31, 2020, Lucia Pagliari and Angelo Conte as alternate statutory auditors, and Giancarlo Russo Corvace as Chairman of the Board of Statutory Auditors, determining the annual remuneration to the Chairman of the Board of Statutory Auditors as €90,000 with €60,000 as the annual remuneration for each standing statutory auditor. The Board of Statutory Auditors was appointed on the basis of the single list filed with the Shareholders' Meeting by the shareholder Libero Acquisition S.à.r.l., which received the majority vote;

- to authorize (i) pursuant to art. 2357 et seq. of the Italian Civil Code and art. 132, Italian Legislative Decree no. 58 of February 24, 1998, the purchase of treasury shares on one or more occasions, in a period not exceeding 18 months, up to a maximum that does not exceed one fifth of the Parent share capital, including any shares held by the subsidiaries and (ii) pursuant to art. 2357-ter of the Italian Civil Code, all and/or part of the shares purchased, without time limits and even before having completed all the purchases, to be disposed of by the Board of Directors;
- to approve the new share-based payment plan "Performance Share Plan 2018-2021" reserved for executive directors and managers who are employees of Italiaonline S.p.A. and/or of its subsidiaries (the "Performance Share Plan"), delegating all due powers to the Board of Directors to implement the Performance Share Plan;
- to approve Section I of the Remuneration Report pursuant to Article 123-ter, Legislative Decree no. 58 of February 24, 1998.

Lastly, at their extraordinary session the shareholders resolved:
- subject to withdrawal of the authorization to increase the share capital until September 9, 2018, resolved at the extraordinary Shareholders' Meeting of March 8, 2016, to delegate power to the Board of Directors, to be exercised by April 26, 2021, to increase the share capital pursuant to art. 2443 of the Italian Civil Code, excluding option rights pursuant to art. 2441(4) of the Italian Civil Code. Specifically, the share capital can be increased by a number of ordinary shares not exceeding 10% of the total ordinary shares outstanding at the date of exercise of the powers and in any event by a maximum 11,476,122 ordinary shares, (i) pursuant to the first sentence of art. 2441(4) of the Italian Civil Code, by contribution in kind involving companies, business units or equity investments, as well as assets contributing to the corporate purpose of the Parent and its investees and/or (ii) pursuant to the second sentence of art. 2441(4) of the Italian Civil Code, if the newly issued shares are offered for subscription to institutional investors and/or partners, industrial and/or financial that the Board of Directors considers strategic to the Parent's business, and
- subject to inclusion in the Articles of Association of the option pursuant to art. 2349 of the Italian Civil Code, attributed for a period of five years to the Board of Directors pursuant to art. 2443 of the Italian Civil Code, to increase the share capital free of charge, also in multiple tranches, to service implementation of the Performance Share Plan for a maximum nominal value of € 400,008.19, through the issue of a maximum 2,295,224 new ordinary shares without par value and with the same characteristics as those outstanding.

Three directors took part in the Shareholders' Meeting.

2) Meeting of the Savings Shareholders
At their Special Meeting of April 27, 2018, the Savings Shareholders resolved to (i) invite the common representative to assess the impact on this share class of the resolution adopted at the extraordinary Shareholders' Meeting of March 8, 2016, carrying out due diligence as necessary to take any subsequent action; (ii) to give consent in advance to the split of savings shares in the ratio of 1 to 100, without changes to the share capital, if the related resolutions are adopted by the appropriate corporate bodies; (iii) to authorize the common representative to open a bank or post office account to hold sums relating to the Mutual Fund pursuant to art. 146(1.c) of Italian Legislative Decree 58/1998, currently managed by the Parent.
No director attended this meeting.

Board of Directors

In the first half of the year, the Board of Directors met five times. Three of the five meetings involved members of the Board of Directors appointed at the Shareholders' Meeting of April 27, 2018.

Audit and Risk Committee

On April 27, 2018, the Parent's Board of Directors appointed the Audit and Risk Committee for the period 2018-2020, with the directors Cristina Finocchi Mahne (Chairman), Arabella Caporello and Vittoria Giustiniani as members.
In the period January-June 2018, the Committee - whose duties as Independent Directors Committee were confirmed pursuant to the Consob Related Party Regulations - met 4 times, then 2 times in the following month.
Among other things, the following activities were carried out during these meetings:
- review and approval of the action plan drawn up by the Internal Audit department for 2018, deeming it in line with the department's targets;
- review and assessment of the impairment testing procedure;
- meetings with the head of the Administration, Finance and Control Department, the Board of Statutory Auditors and the Independent Auditors to review the main elements of the separate and consolidated financial statements at December 31, 2017 and the correct use of the accounting policies adopted for the preparation of these financial statements;
- examination of the "document on the organizational, administrative and accounting structure" prepared by the relevant corporate departments as part of the assessment of the corporate governance system of the Parent, the Group structure and the organizational, administrative and accounting structure of Italiaonline;
- examination of the periodic report prepared by the internal audit department on the assessment of the internal control and risk management system;
- meeting with the Partner of the Independent Auditors to review the results of the audit activity carried out;
- with the Board of Statutory Auditors, monitoring of the internal procedure for preparation of the non-financial statement for 2017;
- preparation and issuance of the Committee's regular report to the Board of Directors.

Appointments and Remuneration Committee

On April 27, 2018, the Board of Directors of the Parent appointed an Appointments and Remuneration Committee for the period 2018-2020, with the Directors Vittoria Giustiniani (Chairman), Cristina Finocchi Mahne and Corrado Sciolla as members.
In the period January-June 2018 the Committee met 4 times.
During the meetings, the following activities were carried out, among others:
- the evaluation of the size, composition and operation of the Board of Directors and its committees;
- the examination of actual application of the 2017 remuneration policy and, in line with art. 6.C.5 of the Corporate Governance Code, positive assessment of the adequacy, overall coherence and real application of the remuneration policy for directors and key managers;
- the formulation of a proposal to the Board of Directors on adoption of the Parent's remuneration policy;
- the proposed adoption of the 2018-2021 Performance Share Plan was examined;
- the acceptance of the guidelines for the Parent's MBO 2018 plan and proposal to the Board of the MBO 2018 objectives for the CEO;
- the assessment of the achievement of performance targets used for 2017 MBO purposes and the 2017 final report on the objectives set for the CEO;
- the examination of terms of the proposal (for submission to the Board of Directors) on the diversity policy for membership of the administration, management and control bodies of Italiaonline S.p.A. in reference to aspects such as age, gender balance and training and career paths;
- an opinion was expressed on the compensation package for Mr. Converti.

Board of Statutory Auditors

In the first half of 2018, the Board of Statutory Auditors met four times. One of the four meetings involved the statutory auditors appointed at the Shareholders' Meeting of April 27, 2018. During these meetings, the Board of Statutory Auditors verified the correct application of the criteria and control procedures adopted by the Board to assess the independence of its members.

Manager in charge of Financial Reporting

On April 27, 2018, the Board of Directors appointed Gabriella Fabotti as manager in charge of financial reporting, to remain in office until the Shareholders' Meeting called to resolve on the approval of the financial statements at December 31, 2020.

Supervisory Body

At the date of approval of this Report, the Supervisory Body had met three times.
On May 11, 2017, the Board of Directors of the Parent appointed, pursuant to Legislative Decree No. 231/2001, the following members of the Supervisory Body, setting the duration of their office to 2 years: Giancarlo Russo Corvace (Chairman), Angelo Jannone (Head of Internal Audit and Compliance of the Parent) and Giuseppe Vaciago.
During the reporting period, the Supervisory Body continued its ordinary supervisory activities and, with particular reference to the mapping of the areas and processes at risk of the offences specified by the Decree, received the notifications specified by the organizational model and was informed by the Head of Internal Audit and Compliance with regard to the assessment activities related to the Organizational Model.

ENVIRONMENTAL SUSTAINABILITY

Italiaonline places respect and the attention paid to all stakeholders and to the ecosystem in which it operates not only at the heart of an industrial and commercial approach responsible from the economic and ethical point of view, which generates sustainable value and growth, but also the implementation of good environmental practices at the group level, which minimize the impact on all areas in which it operates, supporting a responsible business culture and equal opportunities.

The Group is committed to operating with respect to safeguarding the environment, in accordance with sustainable development principles. As described in its Code of Ethics, each Group company is committed to complying with current environmental regulations and applicable authorization restrictions, operating in a manner that ensures environmental protection and prevents pollution.

In terms of everyday life in the workplace, this approach translates into many different initiatives: the systematic attempts to reduce the number of email, drafts, presentations and internal communications printed out; the collection and recycling of waste, printer toner cartridges and paper; 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 contracts, for a responsible safeguarding of health, security and eco-friendliness at the Group.

At operating level, Italiaonline monitors its energy consumption and related emissions: the aim is to maintain energy consumption standards, constantly verifying levels and performing periodic energy diagnostics. Again in 2018, the Group continued to extend its use of LED lighting to reduce electricity consumption on its premises. The same special attention to careful management and common sense is adopted by Italiaonline to reduce emissions into the atmosphere from its business activities, first and foremost from its energy consumption and employee travel. For example, by suggesting that employees arrange car sharing to optimize business travel.

Paper consumption

Among Italiaonline S.p.A.'s activities, telephone directory production is that most responsible for the consumption of raw materials, and specifically paper.
The paper and cardboard for printing the directories are not purchased directly by the Parent, but are instead purchased by a printer which later invoices Italiaonline S.p.A. for the value of the paper based on a contractually-defined tariff.
Paper and cardboard needs for the directories are calculated by Italiaonline S.p.A. by processing the circulation figures agreed with the telephone companies, whilst the number of pages is estimated on the basis of forecast advertising trends. This determines the number of prints (the rotary press output unit defined by a 32-page booklet) to be produced. Lastly, using a value of 34 grams per square meter of paper, the total paper requirement for producing the directories is calculated.
The Parent 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 the Environment and verified by RAL GmbH. 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 always leading edge.
Regarding 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, paper weighing 34 grams per square meter has been used for the publication.
In addition, with regard to the phone directories, the Parent 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.

Waste management

Italiaonline has adopted waste management procedures that aim to govern the correct disposal of waste generated by in-house personnel (with a particular focus on separate waste collection), the operational management of waste by suppliers (particularly as regards the disposal of electronic devices), rules for the completion of loading/offloading registers and the FIRs (waste identification forms) and the use of SISTRI (the waste tracking and control system).

SOCIAL RESPONSIBILITY

It is said that we are the sum total of our experiences and our capacity for imagining the future.
Italiaonline's DNA includes a wealth of truly extraordinary skills and experience and an innate propensity towards innovation. On a daily basis, the individuals that form Italy's largest Internet company bring together and develop the pooled expertise of over ninety years' business activities closely associated with the country's economic, social, ethics and environmental development.
This is an extremely balanced and responsible development, attentive to the needs of all stakeholders who, with their investments in economic and labor resources, add to the strong and healthy growth of our Group and our customers.
This respect for all stakeholders and for the different social and economic fabrics they represent is also confirmed in the adoption of best practices and initiatives to harmonize the impact on all working environments, supporting a conscious business culture that offers equal opportunities, and is a key tool for building long-lasting, sustainable growth.

Italiaonline and IAB Italia partner up for SME digital training

Also in the first half of 2018, Italiaonline's key mission was confirmed as the commitment to raising SME's awareness of the digital opportunities to transform and relaunch their businesses and to accelerate the exit from the European economic system crisis.
For this reason, an important agreement was signed with IAB Italia, the leading association in digital advertising, which envisages an ambitious training project to be made available to 4.5 million SMEs and micro-businesses, developed on a customized, on-demand e-learning platform - focusing on digital marketing and digital advertising.
The aim is to expand the digital skills of the business owners through two courses with a total duration of 14 hours, usable from any device on the IAB Italia platform with italiaonline-iabacademy.it customization. The contents are produced in recording studios by qualified tutors selected by IAB Italia.
The first course focuses on digital marketing approaches and, through 17 video lessons, covers the usage methods of online tools to promote a company's business and products via web. The second course, with 20 lessons, instead focuses on digital advertising, covering not only the correct ways to use the channels currently online, but also their integration with more traditional communications strategies.

Italiaonline: media partner of the first Redooc STEM Marathon 2018

Continuing its commitment to training students born in the digital era, which in recent years has seen the initiative "Donando si impara" (Learn by giving), made available IT equipment and coding courses to certain scientific high schools in Rome, Milan, Turin, Pisa and the areas in central Italy affected by the earthquake, this year - with Libero and Virgilio, the portals most visited by Italians - Italiaonline is the media partner for the first online STEM (Science, Technology, Engineering and Mathematics) Marathon organized in Italy and open free of charge to all students of primary, junior high and high schools.
In addition to hosting access links to the redooc.com platform - Italy's largest online math gymnasium for learning, exam preparation, summer homework and pure fun - the Italiaonline portals dedicate extensive space to progress updates on the challenge from May 16, 2018 till Friday, August 31, 2018.

Italiaonline - WWF Partner for Earth Hour 2018, the greatest movement in the world against climate change.

Earth Hour was celebrated on March 24, 2018: the WWF's massive global movement which, starting with a symbolic gesture of turning off lights for one hour, unites residents, institutions and businesses in a common wish to give the world a sustainable future and win the battle against climate change. This shows that together we can make a big difference.
Since its first edition in 2007, when Sydney was the only city involved, the enormous patch of darkness has rapidly spread to every corner of the planet, leaving squares, roads and important monuments such as the Colosseum and Piazza Navona in Rome, Christ the Redeemer in Rio, the Eiffel Tower, the Bosphorus Bridge and numerous other symbols in darkness, as a joint demonstration against climate change.
Italiaonline actively participated in the event through different, well-defined initiatives: communication and sensitization initiatives targeting all employees and the sales force on event-related topics, turning off lights at all business premises - one corporate office, 9 operating bases and around seventy agencies in Italy - and expanding the weight of investments in WWF communications, promoting these on the HPs and main sliders of Libero and Virgilio, in the contents of QuiFinanza/Green and SiViaggia, on Libero Mail (the e-mail most used by Italians) and on the social media pages linked to Italiaonline products and the corporate webpages.

The Libellula Project: the national network of companies active in gender balance and opposed to violence against women.

Again in 2018, Italiaonline renewed its commitment to the Libellula Project, the first network of companies seeking to prevent and oppose violence against women and gender discrimination, promoting a new cultural sensitivity in the everyday life of the Parent.
Among the leading business entities actively involved in the initiative, Italiaonline qualifies not only as a workplace but as a true culture hub where values and messages are communicated: for this reason, its central mission as "communicator" becomes the lever and multiplier for best practices.
Last March, the Libellula Project was Charity Partner in the event in which the Great Place to Work Institute revealed the rankings of the best Italian companies that seek to distinguish themselves as places where the employees help to disseminate a culture of beauty and tolerance also in the workplace, where they spend most of their time. On that occasion, this is how the Network was presented.

A video against Homophobia

As part of the social awareness initiatives aimed at involving group personnel launched in the first half of 2018 we find the participation in the International Day against Homophobia, organized by the global federation which fights to gain equal rights for the LGBTQ community in 125 countries.
Through 100% internal resources, the Corporate Image and Communication Department of Italiaonline produced an advertising campaign on progress, creating a 43" video to fight the symptoms of a pathology that is highly damaging to achieving fair and healthy development in civil society: homophobia.
The video was promoted and efficiently disseminated on Italiaonline's web properties and social media
With this video campaign, Italiaonline participates in the second edition of the Legal Community Diversity Awards, the award assigned to companies and institutions committed to promoting diversity and guaranteeing rights, with the patronage of the Municipality of Milan. In the first edition in 2017, Italiaonline was the winner in the category Diversity Oriented Communication, with particular reference both to internal and external communications activities that are strongly 'women oriented', such as the JobRapido recruiting campaign, the 'stop violence against women' campaign, communications to support the victims of cyberbullying and the gay-friendly radio and web campaign. The dissemination through Italiaonline properties of the content of the project and the call to action, effectively contributed to creating a digital domination to shine spotlights on an initiative also capable of reaching the young target that prefers using content through digital channels.

Italiaonline and the Diversity Media Awards 2018

In May, Italiaonline contributed as media partner to the record viewings of the evening dedicated to the Diversity Media Award 2018, the award assigned to individuals and media committed to promoting LGBTQ issues.
The cumulative result for TRULive (unified live broadcasting network) was 250,000 viewings via live streaming and 13 million social media contacts. In addition to the firing capacity of Italiaonline properties, among the main streamers are RAI, SkyTg24, TgCom, Discovery, corriere.it, repubblica.it, ilmessaggero.it, tustyle.it, ilfattoquotidiano.it, tvserial.it, mediaterroniaTV, gay.it, lezpop.it, NanoPress, Smemoranda, American Express, the Canadian Embassy, DigitalGut, Assocom and Lierac.
There were just as many institutions choosing to work alongside the Diversity Media Awards: from the European Commission to the Canadian Embassy, the Interministerial Committee on Human Rights, the Municipality of Milan, the partnership with the Pavia Observatory, with Focus Management and various Italian universities.

"Bastard through and through... those who abandons them at the roadside": Italiaonline's campaign against abandoning pets.

Continuing again this year is the now customary initiative launched in 2014 for the promotion via the Libero and Virgilio social media channels of a sensitization campaign against abandoning our four-legged friends - "Abbandonare gli animali è #reato" (Abandoning animals is a crime) - a phenomenon that is growing, especially as the summer holidays period approaches.
The exceptional Italian market penetration of Italiaonline portals is a guarantee of the significant echo of public opinion and that it seeks to strongly contribute to combating the phenomenon.

Digital helps to break down barriers.

In mid-June, Italiaonline announced through its social media channels the eighth edition of "Giochi Senza Barriere" (Games without Barriers), the sporting event launched in 2011 from Mogliano Veneto, the headquarters of the association art4sport ONLUS, started after the difficult but extraordinary experience of the Olympic fencing champion, Bebe Vio. A spectacular sport-filled celebration, the aim of which is to promote awareness and participation in paralympic activities in Italy, improve the quality of life of children and teenagers using limb prosthetics - and consequently that of their families - and use sport as therapy for children and teenagers with physical disabilities.

"Shopping for Us": a portal on the corporate intranet dedicated to services and special arrangements for employees.

The Parent 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 includes a community section dedicated to "discounts and agreements", constantly updated with new agreements and the renewal of existing ones.

Sound IOL in a healthy body.

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).

The real estate logistics of the new Italiaonline in the context of social responsibility.

Efficiency improvement of company space following the start-up of the new Italiaonline has continued to generate social and philanthropic opportunities. At the start of the year in particular, the recovery of movable property and equipment from the Turin staff restaurant offered the opportunity to support many charitable initiatives, by means of the collaboration with "Dono, donare senza sbagliare" ("I donate, donating without mistakes") - a digital startup born within the I3P incubator of the Turin Polytechnic 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.

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

Connection

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE ITALIAONLINE GROUP

Statement of financial position at June 30, 2018

Assets

(euro/thousand)		AT 06.30.2018	AT 12.31.2017	NOTE
Non-current assets				
Intangible assets with an indefinite useful life		251,377	250,720	(5)
Intangible assets with a finite useful life		51,306	56,193	(7)
Property, plant and equipment		7,733	9,430	(8)
Right of use of leased assets		34,713	-	(9)
Other equity investments		-	2,699	(10)
Other non-current financial assets		2,735	2,901	(11)
Deferred tax assets, net		81	117	(28)
Other non-current assets		24,420	23,852	(14)
Total non-current assets	**(A)**	**372,365**	**345,912**	
Current assets				
Inventories		1,518	1,279	(12)
Trade receivables		118,132	137,794	(13)
Current tax assets		10,558	10,194	(28)
Other current assets		43,835	37,113	(14)
Current financial assets		764	666	(18)
Cash and cash equivalents		92,071	74,476	(18)
Total current assets	**(B)**	**266,878**	**261,522**	
Non-current assets held for sale and discontinued operations	**(C)**	**-**	**-**	
Total assets	**(A+B+C)**	**639,243**	**607,434**	

Liabilities

(euro/thousand)		AT 06.30.2018	AT 12.31.2017	NOTE
Equity attributable to the owners of the Parent				
Share capital		20,000	20,000	(15)
Share premium reserve		117,217	117,217	(15)
Legal reserve		4,000	4,000	(15)
Actuarial reserve		(1,113)	(1,386)	(15)
Other reserves		180,911	149,345	(15)
Profit (loss) for the period		(7,385)	26,417	
Total equity attributable to the owners of the Parent	**(A)**	**313,630**	**315,593**	**(15)**
Non-controlling interests				
Share capital and reserves		-	-	
Profit (loss) for the period		-	-	
Total non-controlling interests	**(B)**	**-**	**-**	**(15)**
Total equity	**(A+B)**	**313,630**	**315,593**	**(15)**
Non-current liabilities				
Non-current financial liabilities		27,989	-	(18)
Non-current provisions for employees		17,834	18,270	(20)
Net deferred tax liabilities and non-current tax liabilities		13,027	12,661	(27)
Other non-current liabilities		19,364	19,505	(21)
Total non-current liabilities	**(C)**	**78,214**	**50,436**	
Current liabilities				
Current financial liabilities		8,919	2,195	(18)
Trade payables		81,387	101,113	(23)
Liabilities for services to be provided and other current liabilities		93,144	96,333	(23)
Current provision for risks and charges		59,200	35,966	(22)
Current tax liabilities		4,749	5,798	(28)
Total current liabilities	**(D)**	**247,399**	**241,405**	
Liabilities directly associated with non-current assets held for sale and discontinued operations	**(E)**	**-**	**-**	
Total liabilities	**(C+D+E)**	**325,613**	**291,841**	
Total liabilities and equity	**(A+B+C+D+E)**	**639,243**	**607,434**	

Income statement for the first half of 2018

(euro/thousand)	1ST HALF 2018	1ST HALF 2017	NOTE
Revenue from sales	356	314	(24)
Revenue from services	157,047	166,115	(24)
Revenue from sales and services	**157,403**	**166,429**	(24)
Other income	1,315	2,746	(25)
Total revenue	**158,718**	**169,175**	
Costs of materials	(332)	(1,301)	(25)
Costs for external services	(82,157)	(83,874)	(25)
Personnel expense	(34,153)	(40,257)	(25)
Loss allowances	(275)	(5,071)	(12; 25)
Accruals to provisions for risks and charges, net	(2,768)	(1,005)	(21; 22; 25)
Other operating costs	(1,114)	(1,545)	
Operating income before amortization, depreciation, non-recurring and restructuring costs, net	**37,919**	**36,122**	
Amortization, depreciation and impairment losses	(20,704)	(19,152)	(5, 8)
Net non-recurring charges	(767)	(393)	(25)
Net restructuring income (charges), net	(26,854)	-	(25)
Operating profit (loss)	**(10,406)**	**16,577**	
Financial expense	(402)	(367)	(26)
Financial income	2,545	1,045	(26)
Impairment gains (losses) on financial assets and profit (losses) on the disposal of equity investments	1,243	-	(27)
Pre-tax profit (loss)	**(7,020)**	**17,255**	
Tax expense	(365)	(10,946)	(28)
Profit (loss) for the period	**(7,385)**	**6,309**	
- of which attributable to the owners of the Parent	(7,385)	6,309	
- of which attributable to non-controlling interests	-	-	

		AT JUNE 30, 2018	AT JUNE 30, 2017
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*	*114,768,028*
Profit (loss) for the period	€/thousand	(7,385)	6,309
Earnings (losses) per share	€	(0.064)	0.055

Statement of comprehensive income for the first half of 2018

(euro/thousand)	1ST HALF 2018	1ST HALF 2017	NOTE
Profit (loss) for the period	**(7,385)**	**6,309**	
Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss:			
Actuarial gains (losses), net of tax	72	476	
Total other comprehensive income (expense) that will not be subsequently reclassified to profit or loss	72	476	(16)
Other comprehensive income (expense) that will be subsequently reclassified to profit or loss	-	-	
Total comprehensive income (expense) for the period	**(7,313)**	**6,785**	
- of which attributable to the owners of the Parent	(7,313)	6,785	
- of which attributable to non-controlling interests	-	-	

Statement of cash flows for the first half of 2018

(euro/thousand)		1ST HALF 2018	1ST HALF 2017	NOTE
Cash flows from operating activities				
Operating profit (loss)		(10,406)	16,577	
Amortization, depreciation and impairment losses		20,704	19,152	(5)-(7)-(8)
Stock option costs		-	242	
(Gains) losses on disposal of non-current assets		7	(1)	
Change in working capital		17,916	9,856	
Income taxes paid (received)		133	(249)	
Change in non-current liabilities		(889)	(1,112)	
Exchange differences and other changes		(4)	(2,127)	
Cash flows from operating activities	**(A)**	**27,461**	**42,338**	
Cash flows from investing activities				
Purchase of intangible assets with a finite useful life		(9,412)	(12,589)	(7)
Purchase of property, plant and equipment		(121)	(3,667)	(8)
Other investments		(353)	344	
Proceeds from disposal of non-current assets		3,430	42	
Cash flows used in investing activities	**(B)**	**(6,456)**	**(15,870)**	
Cash flows from financing activities				
Repayment of non-current loans		-	-	
Paid interest and financial expense, net		90	(2)	
Change in other financial asset and liabilities		(3,296)	(68)	
Dividend distribution		(204)	(80,032)	
Cash flows used in financing activities	**(C)**	**(3,410)**	**(80,102)**	
Cash flows from non-current assets held for sale and discontinued operations	**(D)**	**-**	**-**	
Cash flows of the period	**(A+B+C)**	**17,595**	**(53,634)**	
Opening cash and cash equivalents		**74,476**	**121,566**	**(18)**
Closing cash and cash equivalents		**92,071**	**67,932**	

Statement of changes in equity from 12.31.2017 to 06.30.2018

(euro/thousand)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	STOCK OPTION RESERVE	ACTUARIAL RESERVE	OTHER RESERVES	PROFIT (LOSS) FOR THE YEAR	TOTAL
At 12.31.2017	**20,000**	**117,217**	**4,000**	**2,374**	**(1,386)**	**146,971**	**26,417**	**315,593**
Effect IFRS 15	-	-	-	-	-	6,106	-	6,106
At 01.01.2018	**20,000**	**117,217**	**4,000**	**2,374**	**(1,386)**	**153,077**	**26,417**	**321,699**
Allocation of previous year profit	-	-	-	-	-	26,417	(26,417)	-
Dividend distribution	-	-	-	-	-	(204)	-	(204)
Stock option valuation	-	-	-	-	-	-	-	-
Comprehensive income for the year	-	-	-	-	273	(201)	(7,385)	(7,313)
Other changes	-	-	-	-	-	(552)	-	(552)
At 06.30.2018	**20,000**	**117,217**	**4,000**	**2,374**	**(1,113)**	**178,537**	**(7,385)**	**313,630**

Statement of changes in equity from 12.31.2016 to 12.31.2017

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

Notes to the condensed interim consolidated financial statements

1. Corporate information

Italiaonline is the leading internet company in Italy, with 5.4 million unique users, including 2.6 million from mobile and a 54% market reach. Italiaonline offers web marketing and digital advertising services, including management of advertising campaigns and the generation of leads through the social networks and search engines. The company's strategic objective is to consolidate its Italian leadership role in the market of digital advertising for large accounts and in local marketing services - with the mission of digitalizing the country's SMEs, to which it 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 core business activities are described in the "Report on Operations, Performance by Business Segment".

2. Basis of preparation

The condensed interim consolidated financial statements at June 30, 2018 were drawn up pursuant to art. 154 ter of Legislative Decree No. 58/98 and have been prepared in accordance with the IFRS applicable in the European Community pursuant to (EC) Regulation No. 1606/2002 of the European Parliament and of the Council of July 19, 2002, and in particular IAS 34 - Interim Financial Reporting - as well as the implementing measures of article 9 of Legislative Decree No. 38/2005. They do not include all the information required for annual consolidated financial statements and, therefore, must be read together with the consolidated financial statements of the Italiaonline Group prepared for 2017.
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 period 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 condensed interim consolidated financial statements of the Italiaonline Group at June 30, 2018 was authorized by resolution of the Board of Directors of August 02, 2018.

2.1 *Assessment of the Parent's viability as a going concern*

The Interim Financial Report at June 30, 2018 was prepared on a going concern basis, since there is a reasonable expectation that Italiaonline S.p.A. will continue to operate beyond the next twelve months.

2.2 *Basis of consolidation*

The condensed interim consolidated financial statements include the interim financial statements of Italiaonline S.p.A. and its direct and indirect subsidiaries included in the table under annex 1. Where necessary, these financial statements have been amended to align with the accounting policies adopted by the Parent.

Subsidiaries:
The Parent Italiaonline S.p.A. has control when it simultaneously has:
- decision-making power over the investee, i.e., the ability to direct the investee's relevant activities, or those activities that significantly affect the investee's returns;
- the right to variable (positive or negative) returns from the investee;
- the ability to affect these returns through its power over the investee.

The 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 period 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 condensed interim consolidated financial statements and notes thereto, 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 paragraph 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, 2018

The following new IFRS were in effect as of January 1, 2018.

IFRS 9 – Financial instruments

On July 24, 2014, the IASB published the final version of IFRS 9 "Financial Instruments". This document was endorsed 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 measurement, 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 adoption of this standard, particularly credit loss measurement, had no significant impact on the Group's consolidated financial statements.

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 endorsed 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 Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of assets from customers and SIC-31 Revenue - barter transactions involving advertising services.
The new model for the recognition of 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. In addition, on April 12, 2016, the IASB issued some clarifications regarding IFRS 15 Revenue from Contracts with Customers.
The Italiaonline Group has adopted the new standard by opting for the simplified retrospective method which provides for the recognition of the cumulative effect of first-time adoption of the standard as an adjustment to opening equity at January 1, 2018. The amounts of all the comparative periods presented in the financial statements remained unchanged. The adoption of the simplified retrospective method in any case requires the quantitative and qualitative disclosure for each budget line affected by application of the new standard for comparative purposes. For further details, see the paragraph in these Notes on "Impacts of adoption of the new IFRS 15 and IFRS 16".
The application of the standard also takes into account the clarifications published in May 2016 regarding interpretation uncertainties arising from first-time adoption.

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 affected by the changes introduced by the new accounting standard are described below:

Bundled contracts: with reference to contracts through which Italiaonline sells, within predefined bundles, different products/services, the new standard results in a different allocation of revenue among the different performance obligations identified in the contract. The revenue allocation method is 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 as part of the bundle is not also sold separately, the stand-alone selling price is estimated by applying a mark-up to the production cost incurred. The different distribution of the amount of the contractual performance obligations results 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 term 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 the previous standards. The change in the accounting treatment has an insignificant reclassification impact on revenue and operating costs, with no impact on profit or loss for the period.

Contract 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. commercial costs for commissions) and costs incurred for its execution; these costs are 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 are accounted for in "Current assets" (contract-related assets - "contract costs") and recognized in the income statement over the expected term of the relationship with the customer, currently estimated at approximately two years.

IFRS 16 – Leases

On January 13, 2016 the IASB published the new standard IFRS 16 Leases, which superseded IAS 17. The European Union endorsed IFRS 16 with Regulation 1986/2017 of October 31, 2017.

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 applies to annual reporting periods beginning on or after January 1, 2019. The Group decided to apply the new standard early from January 1, 2018, adopting the simplified retrospective method which envisages recognition of the cumulative effect of first-time adoption 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 in any case requires the quantitative and qualitative disclosure for each financial statements line affected by the application of the new standard for comparative purposes. For further details, see the paragraph "Impacts of adoption of the new IFRS 15 and IFRS 16" in these Notes.

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 of leased assets" and
- a different nature and classification of related costs (depreciation of the "right-of-use asset" and "interest" rather than the previous "Costs for use of third-party assets"), with a subsequent impact on operating profitability (EBITDA).

The main contractual cases affected by the new standard 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.

Amendments to IAS 28 – Improvements to IFRS (Cycle 2014-2016)
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 IFRSs (2014-2016 Cycle)" was endorsed. In particular, the Group applied the "Amendments to IAS 28 - Investments in associates and joint ventures" from January 1, 2018. The amendments envisage the following options that 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.

The adoption of this standard had no significant impact on the Group's condensed interim consolidated financial statements.

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. EU endorsement was given on February 26, 2018. The adoption of this standard had no significant impact on the Group's condensed interim consolidated financial statements.

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. EU endorsement was given on March 14, 2018. The adoption of this standard had no significant impact on the Group's condensed interim consolidated financial statements.

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. EU endorsement was given on March 28, 2018.
The adoption of this standard had no significant impact on the Group's condensed interim consolidated financial statements.

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

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

Prepayment features with negative compensation (amendments to IFRS 9)
The document "Prepayment features with negative compensation (amendments to IFRS 9 - Financial Instruments)", applying to reporting periods beginning on or after January 1, 2019, was endorsed by Regulation (EU) no. 2018/498 of March 22, 2018.
With this document, the IASB clarified the following application issues of the standard:

a) SPPI testing in the presence of prepayment clauses that envisage negative compensation;
b) Changes in or exchange of financial liabilities that do not result in derecognition.

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

At the time of preparing this interim financial report, the competent bodies of the European Union had not yet completed the approval process necessary for the adoption 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.

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.

Long-term Interests in Associates and Joint Ventures (amendments to IAS 28)
These amendments aimed to clarify that IFRS 9 applies to long-term loans to an associate or joint venture which essentially form part of the net investment in that associate or joint venture.
The document was issued in October 2017 and will apply to reporting periods beginning on or after January 1, 2019. Endorsement by the EU is expected in 2018.

Annual improvements to IFRSs (2015-2017 Cycle)
The IASB has published the Annual Improvements to IFRSs - 2015-2017 Cycle, which include amendments to IAS 12 - Income taxes, IAS 23 - Borrowing costs, IFRS 3 - Business combinations and IFRS 11 - Joint arrangements. The amendments apply to reporting periods beginning on or after January 1, 2019. Early application is, however, permitted. Endorsement by the EU is expected in 2018.

Plan Amendment, Curtailment or Settlement (amendments to IAS 19)
The IASB has published "Plan Amendment, Curtailment or Settlement (amendments to IAS 19) which clarifies how pension-related costs are calculated when there is a change to a defined benefits plan. The amendments apply to reporting periods beginning on or after January 1, 2019. Endorsement by the EU is expected in 2018.

Amendments to References to the Conceptual Framework in IFRS Standards
This document was issued in March 2018 and will apply to reporting periods beginning on or after January 1, 2020. Endorsement by the EU is expected in 2019.

3.4 Impacts of adoption of the new IFRS 15 and IFRS 16

Effects at the transition date

Statement of financial position

Assets

(euro/thousand)		AT 12.31.2017	IFRS 15 EFFECTS	IFRS 16 EFFECTS	AT 01.01.2018
Non-current assets					
Intangible assets with an indefinite useful life		250,720	-	-	250,720
Intangible assets with a finite useful life		56,193	-	-	56,193
Property, plant and equipment		9,430	-	-	9,430
Right of use of leased assets		-	-	40,000	40,000
Other equity investments		2,699	-	-	2,699
Other non-current financial assets		2,901	-	-	2,901
Deferred tax assets, net		117	-	-	117
Other non-current assets		23,852	-	-	23,852
Total non-current assets	**(A)**	**345,912**	**-**	**40,000**	**385,912**
Current assets					
Inventories		1,279	-	-	1,279
Trade receivables		137,794	-	-	137,794
Current tax assets		10,194	-	-	10,194
Other current assets		37,113	7,705	-	44,818
Current financial assets		666	-	-	666
Cash and cash equivalents		74,476	-	-	74,476
Total current assets	**(B)**	**261,522**	**7,705**	**-**	**269,227**
Non-current assets held for sale and discontinued operations	**(C)**	**-**	**-**	**-**	**-**
Total assets	**(A+B+C)**	**607,434**	**7,705**	**40,000**	**655,139**

Liabilities

(euro/thousand)		AT 12.31.2017	IFRS 15 EFFECTS	IFRS 16 EFFECTS	AT 01.01.2018
Equity attributable to the owners of the Parent					
Share capital		20,000	-	-	20,000
Share premium reserve		117,217	-	-	117,217
Legal reserve		4,000	-	-	4,000
Actuarial reserve		(1,386)	-	-	(1,386)
Other reserves		149,345	6,106	-	155,451
Profit (loss) for the period		26,417	-	-	26,417
Total equity attributable to the owners of the Parent	**(A)**	**315,593**	**6,106**	**-**	**321,699**
Non-controlling interests					
Share capital and reserves		-	-	-	-
Profit (loss) for the period		-	-	-	-
Total non-controlling interests	**(B)**	**-**	**-**	**-**	**-**
Total equity	**(A+B)**	**315,593**	**6,106**	**-**	**321,699**
Non-current liabilities					
Non-current financial liabilities		-	-	32,664	32,664
Non-current provisions for employees		18,270	-	-	18,270
Net deferred tax liabilities and non-current tax liabilities		12,661	248	-	12,909
Other non-current liabilities		19,505	-	-	19,505
Total non-current liabilities	**(C)**	**50,436**	**248**	**32,664**	**83,348**
Current liabilities					
Current financial liabilities		2,195	-	7,953	10,148
Trade payables		101,113	1,773	(617)	102,269
Liabilities for services to be provided and other current liabilities		96,333	(422)	-	95,911
Current provision for risks and charges		35,966	-	-	35,966
Current tax liabilities		5,798	-	-	5,798
Total current liabilities	**(D)**	**241,405**	**1,351**	**7,336**	**250,092**
Liabilities directly associated with non-current assets held for sale and discontinued operations	**(E)**	**-**	**-**	**-**	**-**
Total liabilities	**(C+D+E)**	**291,841**	**1,599**	**40,000**	**333,440**
Total liabilities and equity	**(A+B+C+D+E)**	**607,434**	**7,705**	**40,000**	**655,139**

Effects at June 30, 2018

Statement of financial position

Assets

(euro/thousand)		AT 06.30.2018	IFRS 15 EFFECTS	IFRS 16 EFFECTS	AT 06.30.2018 NO IFRS
Non-current assets					
Intangible assets with an indefinite useful life		251,377	-	-	251,377
Intangible assets with a finite useful life		51,306	-	-	51,306
Property, plant and equipment		7,733	-	-	7,733
Right of use of leased assets		34,713	-	(34,713)	-
Other equity investments		-	-	-	-
Other non-current financial assets		2,735	-	-	2,735
Deferred tax assets, net		81	-	-	81
Other non-current assets		24,420	-	-	24,420
Total non-current assets	**(A)**	**372,365**	**-**	**(34,713)**	**337,652**
Current assets					
Inventories		1,518	-	-	1,518
Trade receivables		118,132	-	-	118,132
Current tax assets		10,558	-	-	10,558
Other current assets		43,835	(6,634)	-	37,201
Current financial assets		764	-	-	764
Cash and cash equivalents		92,071	-	-	92,071
Total current assets	**(B)**	**266,878**	**(6,634)**	**-**	**260,244**
Non-current assets held for sale and discontinued operations	**(C)**	**-**	**-**	**-**	**-**
Total assets	**(A+B+C)**	**639,243**	**(6,634)**	**(34,713)**	**597,896**

Liabilities

(euro/thousand)		AT 06.30.2018	IFRS 15 EFFECTS	IFRS 16 EFFECTS	AT 06.30.2018 NO IFRS
Equity attributable to the owners of the Parent					
Share capital		20,000	-	-	20,000
Share premium reserve		117,217	-	-	117,217
Legal reserve		4,000	-	-	4,000
Actuarial reserve		(1,113)	-	-	(1,113)
Other reserves		180,911	(6,106)	-	174,805
Profit (loss) for the period		(7,385)	663	333	(6,389)
Total equity attributable to the owners of the Parent	**(A)**	**313,630**	**(5,443)**	**333**	**308,520**
Non-controlling interests					
Share capital and reserves		-	-	-	-
Profit (loss) for the period		-	-	-	-
Total non-controlling interests	**(B)**	**-**	**-**	**-**	**-**
Total equity	**(A+B)**	**313,630**	**(5,443)**	**333**	**308,520**
Non-current liabilities					
Non-current financial liabilities		27,989	-	(27,989)	-
Non-current provisions for employees		17,834	-	-	17,834
Net deferred tax liabilities and non-current tax liabilities		13,027	(246)	2	12,783
Other non-current liabilities		19,364	-	-	19,364
Total non-current liabilities	**(C)**	**78,214**	**(246)**	**(27,987)**	**49,981**
Current liabilities					
Current financial liabilities		8,919	-	(8,860)	59
Trade payables		81,387	-	1,680	83,067
Liabilities for services to be provided and other current liabilities		93,144	(952)	-	92,192
Current provision for risks and charges		59,200	-	122	59,322
Current tax liabilities		4,749	7	-	4,756
Total current liabilities	**(D)**	**247,399**	**(945)**	**(7,058)**	**239,395**
Liabilities directly associated with non-current assets held for sale and discontinued operations	**(E)**	**-**	**-**	**-**	**-**
Total liabilities	**(C+D+E)**	**325,613**	**(1,191)**	**(35,046)**	**289,376**
Total liabilities and equity	**(A+B+C+D+E)**	**639,243**	**(6,634)**	**(34,713)**	**597,896**

Income statement

(euro/thousand)	1ST HALF 2018	IFRS 15 EFFECTS	IFRS 16 EFFECTS	1ST HALF 2018 NO IFRS
Revenue from sales	356	-	-	356
Revenue from services	157,047	706	-	157,753
Revenue from sales and services	**157,403**	**706**	**-**	**158,109**
Other income	1,315	-	-	1,315
Total revenue	**158,718**	**706**	**-**	**159,424**
Costs of materials	(332)	-	-	(332)
Costs for external services	(82,157)	(34)	(4,401)	(86,592)
Personnel expense	(34,153)	-	-	(34,153)
Loss allowances	(275)	-	-	(275)
Accruals to provisions for risks and charges, net	(2,768)	-	(61)	(2,829)
Other operating costs	(1,114)	-	-	(1,114)
Operating income before amortization, depreciation, non-recurring and restructuring costs, net	**37,919**	**672**	**(4,462)**	**34,129**
Amortization, depreciation and impairment losses	(20,704)	-	4,595	(16,109)
Net non-recurring charges	(767)	-	-	(767)
Net restructuring income (charges), net	(26,854)	-	-	(26,854)
Operating profit (loss)	**(10,406)**	**672**	**133**	**(9,601)**
Financial expense	(402)	-	201	(201)
Financial income	2,545	-	-	2,545
Impairment gain on financial assets and profit (losses) on the disposal of equity investments	1,243	-	-	1,243
Pre-tax loss	**(7,020)**	**672**	**334**	**(6,014)**
Tax expense	(365)	(9)	(2)	(375)
Profit (loss) for the period	**(7,385)**	**663**	**333**	**(6,389)**
- of which attributable to the owners of the Parent	(7,385)	-	-	(6,389)
- of which attributable to non-controlling interests	-	-	-	-

Statement of comprehensive income

(euro/thousand)	1ST HALF 2018	IFRS 15 EFFECTS	IFRS 16 EFFECTS	1ST HALF 2018 NO IFRS
Profit (loss) for the period	**(7,385)**	**663**	**333**	**(6,389)**
Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss:				
Actuarial gains (losses), net of tax	72	-	-	72
Total other comprehensive income (expense) that will not be subsequently reclassified to profit or loss	72	-	-	72
Other comprehensive income (expense) that will be subsequently reclassified to profit or loss	-	-	-	-
Total other comprehensive income (expense), net of tax	**72**	**-**	**-**	**72**
Total comprehensive income (expense) for the period	**(7,313)**	**663**	**333**	**(6,317)**
- of which attributable to the owners of the Parent	(7,313)	663	333	(6,317)
- of which attributable to non-controlling interests	-	-	-	-

Statement of cash flows

(euro/thousand)		1ST HALF 2018	IFRS 15 - 16 EFFECTS	1ST HALF 2018
Cash flows from operating activities				
Operating profit		(10,406)	805	(9,601)
Amortization, depreciation and impairment losses		20,704	(4,595)	16,109
Stock option costs		-	-	-
Gains on disposal of non-current assets		7	-	7
Change in working capital		17,916	453	18,369
Income taxes paid		133	-	133
Change in non-current liabilities		(889)	-	(889)
Exchange differences and other changes		(4)	3	(1)
Cash flows used in operating activities	**(A)**	**27,461**	**(3,335)**	**24,126**
Cash flows from investing activities				
Purchase of intangible assets with a finite useful life		(9,412)	-	(9,412)
Purchase of property, plant and equipment		(121)	-	(121)
Other investments		(353)	-	(353)
Proceeds from disposal of non-current assets		3,430	-	3,430
Cash flows used in investing activities	**(B)**	**(6,456)**	**-**	**(6,456)**
Cash flows from financing activities				
Repayment of non-current loans		-	-	-
Paid interest and financial expense, net		90	(1)	89
Change in other financial asset and liabilities		(3,296)	3,336	40
Dividend distribution		(204)	-	(204)
Cash flows used in financing activities	**(C)**	**(3,410)**	**3,335**	**(75)**
Cash flows from non-current assets held for sale and discontinued operations	**(D)**	**-**	**-**	**-**
Cash flows of the period	**(A+B+C)**	**17,595**	**-**	**17,595**
Opening cash and cash equivalents		**74,476**	**-**	**74,476**
Closing cash and cash equivalents		**92,071**	**-**	**92,071**

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 value 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. Note 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 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 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 in the period they are 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 period 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 group 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
With regard to assets sold during the period, depreciation is calculated for the share relating to the availability period of the assets, except for assets purchased during that period.

Right of use of leased assets

The contract is, or contains, a lease if, in exchange for a price, it confers the right to control the use of a specified asset for a period of time, also understood to be in terms of the amount of use of a specified asset (for example, the number of units of product for which a machine part will be used in production).
The contract is assessed again to verify if it is, or contains, a lease only if the terms and conditions of the contract should change.

For a contract that is, or contains, a lease, every lease component is separated from the non-lease components, unless the entity adopts the practice referred to in paragraph 15 of the standard.
The term of the lease is determined as a period in which the lease cannot be cancelled, to which both the following periods are added:
a) periods covered by an option to extend the lease, if there is reasonable certainty that the option will be exercised; and
b) periods covered by the option to terminate the lease, if there is reasonable certainty that the option will not be exercised.

When assessing whether there is reasonable certainty that a lease extension option will be exercised or a termination option will be not exercised, all the relevant facts and circumstances are considered that generate a financial incentive to exercise the lease extension option or not to exercise the termination option.

Reasonable certainty of exercising the extension option or not exercising the termination option is assessed again if a significant event occurs or if there is a significant change in circumstances which:
a) depends on the wishes of the lessee; and
b) has an impact on the lessee's reasonable certainty of exercising an option not previously included in its determination of the lease term or of not exercising an option previously included in determination of the lease term.

The lease term is recalculated in the event of a change in the lease period that cannot be cancelled.
The right-of-use asset and the lease liability are recognized from the commencement date.
The right-of-use asset is normally measured at cost.
The cost of the right-of-use asset includes:
a) the amount of the initial measurement of the lease liability;
b) lease payments due on or before the commencement date, net of *lease incentives* received;
c) the *initial direct costs* incurred by the lessee; and
d) the estimation of costs to be incurred for dismantling or removal of the underlying asset and for restoration of the installation site or for restoring the underlying asset to the conditions envisaged in the terms and conditions of the lease, unless such costs are incurred for the production of inventories. The obligation relating to the aforementioned costs arises on the commencement date or as a result of use of the underlying asset during a specified period.

At the commencement date, the lease liability is assessed as being equal to the present value of lease payments due but not yet paid at that date. These lease payments are discounted at the interest rate implicit in the lease if this can be determined easily. If not, the marginal lending rate is used.
At the commencement date, the lease payments included in measurement of the lease liability comprise the following payments for the underlying right-of-use asset for the entire term of the lease that were not paid at the commencement date:
a) *fixed payments*, net of any lease incentives to be received;
b) *variable lease payments due that depend on an index or rate, initially measured using an index or rate at the commencement date;*
c) amounts that the lessee is expected to pay *as residual value guarantee;*
d) the exercise price of the purchase option, if there is reasonable certainty that the option will be exercised; and
e) penalties for termination of the lease, if the lease term takes into account the exercise of the lease termination option.

After the commencement date, the right-of-use asset is measured by applying a cost model, unless one of the two measurement models described in paragraphs 34 and 35 of the accounting standard are applied.
After the commencement date, the lease liability is measured by:
a) increasing the carrying amount to take into account interest on the lease liability;
b) reducing the carrying amount to take into account the lease payments made;
c) recalculating the carrying amount to take into account any new measurements or changes in the lease or the review of in-substance fixed lease payments due.

In each year of the lease term, the interest on the lease liability is equal to the amount that generates a constant periodic rate of interest on the residual lease liability.
After the commencement date, the following are recognized in profit (loss) for the period, unless such costs are included in the carrying amount of another asset in compliance with other applicable standards:
a) interest on the lease liability;
b) variable lease payments due that are not included in the measurement of the lease liability in the year in which the event or circumstance triggering the payments occurs.

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 periods 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 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.

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;
- "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

A financial asset is classified on the basis of its measurement at the time of initial recognition: amortized cost; Fair Value Other Comprensive Income (FVOCI) – debt securities; Fair Value Other Comprensive Income (FVOCI) – equity securities; or Fair Value Through Profit and Loss (FVTPL). The standard envisages that the classification is normally based on the entity's business model for the financial asset management and on the characteristics relating to the financial asset's contractual cash flows. Any derivatives embedded in contracts in which the primary component is a financial asset covered by the scope of application of the standard must never be separated. A hybrid instrument is instead examined as a whole for the purposes of its classification.
A financial asset must be measured at amortized cost if both the following conditions are satisfied and it is not designated at FVTPL:
- the financial asset is held as part of a business model, aimed at holding financial assets for the purpose of collecting the related contractual cash flows; and
- the contractual terms of the financial asset envisage cash flows on specified dates only from payments of principal and interest on the principal amount to be repaid.

A financial asset must be measured at FVOCI if both the following conditions are satisfied and it is not designated at FVTPL:

- the financial asset is held as part of a business model, the objective of which is achieved through the collection of contractual cash flows and through sale of the financial assets; and
- the contractual terms of the financial asset envisage cash flows on specified dates only from payments of principal and interest on the principal amount to be repaid.

At the time of initial recognition of an equity instrument not held for trading, the Group can make the irrevocable decision to present subsequent changes in fair value under other comprehensive income. This decision is made for each investment.
All financial assets not classified as measured at amortized cost or at FVOCI, as indicated above, are designated at FVTPL. These include all derivatives. At the time of initial recognition, the Group can irrevocably designate the financial asset at FVTPL if by doing so it eliminates or significantly reduces an accounting balance that would otherwise result from measuring the financial asset at amortized cost or at FVOCI.
Except for trade receivables with no significant financing component, which are originally measured at the transaction price, financial assets are originally measured at fair value plus, for financial assets not designated at FVTPL, the transaction costs directly attributable to acquisition of the financial asset.
The following measurement criteria apply to the subsequent measurement of financial assets.

<u>Financial assets designated at FVTPL</u>
These assets are subsequently measured at fair value. The net profit and losses, including dividends or interest received, are recognized in profit (loss) for the period. See note (iii) for information on hedging derivatives.

<u>Financial assets measured at amortized cost</u>
These assets are subsequently measured at amortized cost in compliance with the effective interest method. The amortized cost is reduced by any impairment loss (see note (ii)). Any interest income, exchange gains or losses and impairment losses are recognized in profit/(loss) for the period, as are any gains or losses from netting.

<u>Debt securities measured at FVOCI</u>
These assets are subsequently measured at fair value. The interest income calculated in compliance with the effective interest method, exchange gains or losses and impairment losses are recognized in profit (loss) for the period. Other net gains and losses are recognized under other comprehensive income. At the time of netting, any gains or losses accrued in other comprehensive income are reclassified in profit (loss) for the period.

<u>Equity securites measured at FVOCI</u>
These assets are subsequently measured at fair value. Dividends are recognized in profit (loss) for the period unless they clearly represent a recovery of part of the cost of investment. Any other net gains or losses are recognized under other comprehensive income and are never reclassified in profit (loss) for the 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 purchase 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 purchased for resale, which are measured at purchase cost.

Trade receivables and other receivables

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 loss allowance, 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 pending with the debtor relating to collectability of the receivable;

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 expected future cash flows and recognized in the income statement. The non-recoverable receivables are removed from the statement of financial position through the loss allowance. If in subsequent periods 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 fulfil 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.*

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 post-employment benefits (TFR), which are considered a defined benefit and defined contribution plan. Defined benefit 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 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 period 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 plan payments are recognized in the income statement as a cost, where applicable.

Post-employment benefits

Post-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 options is determined by an external appraiser 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 period represents the change in cumulative expense recognized at the beginning and end of the period. 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 to sell.

In accordance with IFRS, the data relating to significant business lines (discontinued operations) are presented as follows:

- In two specific items of the statement of financial position as "Non-current assets held for sale and discontinued operations" and "Liabilities directly associated with non-current assets held for sale and discontinued operations";
- In a specific item of the income statement: "Profit/(loss) from non-current assets held for sale and discontinued operations";
- In a specific item of the statement of cash flows, "Cash flows from non-current assets held for sale and discontinued operations".

The corresponding income statement and statement of cash flows amounts relating to the previous period, 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 is 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 date control of a business is acquired, 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 stages, the fair value at the acquisition date of control of the equity interest already held in the acquired company;

b) the fair value of the identifiable assets acquired, net of the identifiable liabilities assumed, measured 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 at the date of acquisition of control, recognizing the difference in the income statement.

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

Revenue recognition

Revenue is recognized when the customer takes over control of the goods or services. Determination of the moment in which transfer of control takes place - at point in time or over time - calls for an assessment by group management.
The following criteria must be met when allocating revenue to the income statement:
- *sale of goods*: the revenue is recognised when the entity has transferred control of the asset to the buyer;
- *provision of services*:
  - *print* revenue, which relates to the publication of paper directories, is recognized in full at the time of publication;
  - *online* and *onvoice* revenue is recognized on a straight-line basis over the term 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 "liabilities for services to be provided";
  - revenue from the sale of "impressions" is recognized 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 recognized 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 actual traffic;
  - revenue from the sale of "unique browsers with frequency cap" (also called "reaches") is recognized 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 webpage 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 webpage (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.

Cost recognition

Costs are recognized when they relate to goods and services purchased or consumed in the period or allocated systematically 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.

Tax expense

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 period.
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 period calculated for the financial statements or the results for the period 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

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

5. Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life amounted to € 251,377 thousand at June 30, 2018 (€ 250,720 thousand at December 31, 2017) 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)* € 657 thousand as the difference between the purchase price and the net assets acquired of the Italian business unit of AdPulse, provisionally allocated to goodwill, *iv)* € 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

As required by IAS 36, the Group, at the reporting date of the condensed interim consolidated financial statements, has evaluated, considering information from external and internal sources, if there is any indication that any assets might have suffered an impairment loss.

In the case of goodwill and other intangible assets with an indefinite useful life, IAS 36 requires that, irrespective of any indications of impairment, there should be an annual check (always at the same time every year) that their recoverable amount is at least equal to the carrying amount. The Group has chosen to make a comparison between the recoverable amount and the carrying amount of intangible assets with an indefinite useful life and equity investments in subsidiaries and joint ventures (impairment test) at the annual reporting date (December 31).

With reference to intangible assets with a finite life (including the customer relationship and database intangible assets), International Financial Reporting Standards require that impairment testing is carried out only in cases where it is felt necessary, that is, when there is a triggering event (IAS 36 § 9). 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.

At June 30, 2018, these analyses revealed no evidence to suggest impairment testing was required and therefore none was performed.

In particular, note that:

- the market capitalization of the Parent at June 30, 2018, is essentially in line with the consolidated equity amount at the same date;
- Based on the data available for H1 2018 compared to the forecasts included in the Business Plan 2018-2020, at Group level revenues are slightly lower while Ebitda is substantially in line.

Such trends will nevertheless be closely monitored in the coming months so as to detect factors which could require impairment testing to be performed in a timely manner.

Note that the results of the impairment testing carried out on the assets with indefinite useful life at December 31, 2017 indicated the recoverability of the investments, and therefore no impairment losses were recognized.

7. Intangible assets with a finite useful life

Intangible assets with a finite useful life totaled € 51,306 thousand at June 30, 2018 (€ 56,193 thousand at December 31, 2017) and can be broken down as follows:

	1ST HALF 2018				
(euro/thousand)	CUSTOMER RELATIONSHIPS AND DATABASES	SOFTWARE	PATENTS, CONCESSION, BRANDS AND LICENSES	OTHER INTANGIBLE ASSETS	TOTAL
Opening balance	**21,756**	**31,339**	**473**	**2,625**	**56,193**
- Investments	-	6,035	159	3,218	9,412
- Purchases	*-*	*3,132*	*159*	*2,296*	*5,587*
- Capitalized costs	*-*	*2,903*	*-*	*922*	*3,825*
- Amortization	(2,614)	(11,417)	(91)	(179)	(14,301)
- Changes		1,335	1	(1,334)	2
Closing balance	**19,142**	**27,292**	**542**	**4,330**	**51,306**
of which:					
Cost	*35,128*	*237,868*	*1,074*	*20,588*	*294,658*
Accumulated amortization	*(15,986)*	*(210,576)*	*(532)*	*(16,258)*	*(243,352)*

Intangible assets with a finite useful life consist of:

- Customer Relationships and Databases, for € 19,142 thousand at June 30, 2018, relating to Customer Relationships for € 16,847 thousand and Databases for € 2,295 thousand. During the first half of 2018, the item decreased by the amortization for the period amounting to € 2,614 thousand.
- *Software*, for € 27,292 thousand at June 30, 2018 which includes the costs for purchases from third parties and the internal implementation of programs owned and used under license mainly to support commercial offers. In the first six months of 2018, the item decreased due to amortization of € 11,417 thousand, but investments were made for € 6,035 thousand, of which € 2,903 thousand related to personnel expense.
- *Patents, concessions, brands and licenses* amounted to € 542 thousand at June 30, 2018 (€ 473 thousand at December 31, 2017);
- *Other intangible assets*, amounting to € 4,330 thousand at June 30, 2018 (€ 2,625 thousand at December 31, 2017), refer primarily to software projects in progress.

Capital expenditure, referring to intangible assets and property, plant and equipment, totaling € 9,533 thousand, relates to the following areas of activity:

- the ITALIAONLINE segment: € 8,581 thousand in the first half of 2018 (of which € 3,357 thousand related to Italiaonline S.p.A. personnel expense) for:
  i) renewal of the sales processes and systems for SMEs with the adoption of the Saleforce platform;
  ii) user license for the "AdVantage Platform" (Matchcraft) that allows the use of application services for the implementation and management of marketing campaigns;
  iii) development of the IOL Audience platform for the integrated management of Google ADwords, Google Display and Facebook Adv campaigns;
  iv) support for developments and micro-developments in the online and publishing sectors.

Consodata S.p.A. € 947 thousand in the first half of 2018 (of which € 468 thousand for personnel expense) for investments in 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:

	1ST HALF 2018
Customer relationships and Databases	13-25%
Software	20-100%
Patents, concessions, brands and licenses	20-100%
Other intangible assets	20%

8. Property, plant and equipment

Property, plant and equipment amounted to € 7,733 thousand at June 30, 2018. This item was recorded net of accumulated depreciation totaling € 39,825 thousand at the reporting date, which as a proportion of the gross value was 83.74%.
These are broken down as follows:

	1ST HALF 2018			
(euro/thousand)	PROPERTY	PLANT AND EQUIPMENT	OTHER ASSETS	TOTAL
Opening balance	**1,652**	**969**	**6,809**	**9,430**
- Investments	2	36	83	121
- Depreciation and impairment losses	(365)	(221)	(1,223)	(1,809)
- Disposals and other changes	-	340	(349)	(9)
Closing balance	**1,289**	**1,124**	**5,320**	**7,733**
of which:				
Cost	*5,654*	*2,599*	*39,305*	*47,558*
Accumulated depreciation	*(4,365)*	*(1,475)*	*(33,985)*	*(39,825)*

Property, plant and equipment include:

- *property* of € 1,289 thousand at June 30, 2018 (€ 1,652 thousand at December 31, 2017). During the first half of 2018, the assets were depreciated and impaired for € 365 thousand;
- *plant and equipment* of € 1,124 thousand at June 30, 2018 (€ 969 thousand at December 31, 2017). This item decreased during the period, mainly as a result of depreciation, of € 221 thousand;
- *other assets* of € 5,320 thousand at June 30, 2018 (€ 6,809 thousand at December 31, 2017), of which € 4,425 thousand related to IT equipment and systems. This item decreased during the period, mainly as a result of depreciation and impairment losses totaling € 1,223 thousand.

The accumulated depreciation (€ 39,825 thousand at June 30, 2018) 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:

	1ST HALF 2018
Improvements to third party assets	14-39%
Plant and equipment and leasehold improvements	15-57%
Other assets	10-50%

9. Right of use of leased assets

At June 30, 2018, this item includes the present value of future lease payments for the "right of use of leased assets" deriving from the application of IFRS 16, with breakdown as follows:

	1ST HALF 2018			
(euro/thousand)	LEASED PROPERTY AND IFRS 16	LEASED PLANT AND IFRS 16	OTHER LEASED ASSETS AND IFRS 16	TOTAL
At 01.01.2018	**25,122**	**10,935**	**3,943**	**40,000**
- Depreciation and impairment losses	(2,304)	(1,555)	(736)	(4,595)
- Disposals and other changes	(1,060)	(108)	476	(692)
Closing balance	**21,758**	**9,272**	**3,683**	**34,713**
of which:				
Cost	*24,062*	*10,827*	*4,419*	*39,308*
Accrued depreciation	*(2,304)*	*(1,555)*	*(736)*	*(4,595)*

The leased assets include:
- *property* for € 21,758 thousand at June 30, 2018, referring to the present value of leases on properties used as Group company offices.
- *plant* for € 9,272 thousand at June 30, 2018, including € 8,613 thousand as the present value of the installation and right of use on equipment used in the Data Center in Rozzano.
- *other assets* for € 3,683 thousand at June 30, 2018, relating to the present value of the right of use of cars and of other equipment such as printers.

10. Other equity investments

At December 31, 2017, this item included € 2,699 thousand as the fair value measurement of 16.24% of the equity investment held by Italiaonline S.p.A. in 11880 Solutions AG which was sold on February 14, 2018 for a total of € 3.4 million, recognizing a capital gain of around € 1.3 million in the income statement.

11. Other non-current financial assets

Other non-current financial assets at June 30, 2018 totaled € 2,735 thousand (€ 2,901 thousand at December 31, 2017) and specifically include loans to employees for € 2,553 thousand, issued at market rates for transactions of this nature.

12. Inventories

The amount of inventories can be broken down as follows:

(euro/thousand)	1ST HALF 2018 RAW MATERIALS, SUPPLIES AND CONSUMABLES	WORK IN PROGRESS AND SEMI-FINISHED PRODUCTS	FINISHED GOODS	TOTAL
Opening balance	**86**	**1,191**	**2**	**1,279**
Increase (decrease)	(12)	250	-	238
Other changes	-	1	-	1
Closing balance	**74**	**1,442**	**2**	**1,518**

Inventories at June 30, 2018 amounted to € 1,518 thousand (€ 1,279 thousand at December 31, 2017); raw materials, supplies and consumables include inventories related to the print products of Italiaonline S.p.A..

13. Trade receivables

(euro/thousand)	1ST HALF 2018 TRADE RECEIVABLES	ALLOWANCE FOR IMPAIRMENT	CARRYING AMOUNT
Opening balance	**171,456**	**(33,662)**	**137,794**
Accruals	-	(410)	(410)
Utilization	-	6,241	6,241
Estimation revised	-	18	18
Other changes	(25,511)	-	(25,511)
Closing balance	**145,945**	**(27,813)**	**118,132**

Trade receivables, net of loss allowance, amounted to € 118,132 thousand at June 30, 2018.
The *loss allowance* amounted to € 27,813 thousand at June 30, 2018 (€ 33,662 thousand at December 31, 2017), of which € 26,785 thousand relating to Italiaonline S.p.A., and is considered sufficient to cover estimated losses for customer insolvency.
In the first half of 2018, € 6,241 thousand was drawn down from the loss allowance for receivables considered not recoverable (of which €6,065 thousand relating to Italiaonline S.p.A.), without any effect in the income statement, and an accrual of € 410 thousand was added to it, ensuring that the coverage of overdue receivables remained adequate, also thanks to the maintenance of a high level of focus on the quality of sales and on the management of trade receivables.
For a more detailed analysis of the Group's credit risk, see Note 19 herein.

14. Other assets (current and non-current)

Other assets (current and non-current) amounted to € 68,254 thousand at June 30, 2018 (€ 60,965 thousand at December 31, 2017), detailed as follows:

(euro/thousand)	AT 06.30.2018	AT 12.31.2017	CHANGE
Advances on sales commissions and other assets due from agents	16,596	17,139	(543)
Prepayments	7,991	6,306	1,685
Contract costs	7,824	-	7,824
Advances to suppliers	693	838	(145)
Other receivables	10,731	12,830	(2,099)
Total other current assets	**43,835**	**37,113**	**6,722**
Other non-current assets	**24,420**	**23,852**	**568**
Total other current assets and non-current assets	**68,255**	**60,965**	**7,290**

Specifically:

- *advances on sales commissions and other amounts due from agents* amounted to € 16,596 thousand at June 30, 2018 (€ 17,139 thousand at December 31, 2017) and are recognized net of the related loss allowance totaling € 3,653 thousand at December 31, 2017 (€ 3,822 thousand at December 31, 2017);
- *prepayments* amounted to € 7,991 thousand at June 30, 2018 (€ 6,306 thousand at December 31, 2017); 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;
- *contract costs*, amounting to € 7,824 thousand, include the incremental costs referring to the acquisition of new customers recognized in the income statement on the basis of the expected duration of the customer relations, in accordance with the provisions of IFRS 15;
- *advances to suppliers*, totaling € 693 thousand at June 30, 2018 (€ 838 thousand at December 31, 2017);
- *other receivables*, amounting to € 10,731 thousand at June 30, 2018 (€ 12,830 thousand at December 31, 2017), include amounts due from INPS for € 1,860 thousand, guarantee deposits equal to € 404 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 Authorities 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* amounting to € 24,419 thousand at June 30, 2018 refer 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 non-deduction of regional production tax (IRAP) relative to personnel and similar expense recognized in 2013 in accordance with the available official interpretations; *ii)* € 19,080 thousand corporation tax (IRES) receivable, including interest, emerging from the national tax consolidation of the Italiaonline Group requested for reimbursement by the Parent submitted via Form CNM 2014.

15. Equity

Equity is broken down as follows:

(euro/thousand)	AT 06.30.2018	AT 12.31.2017	CHANGE
Share capital	20,000	20,000	-
Share premium reserve	117,217	117,217	-
Legal reserve	4,000	4,000	
Actuarial reserve	(1,113)	(1,386)	273
Other reserves	180,911	149,345	31,566
Profit (loss) for the period	(7,385)	26,417	(33,802)
Total equity attributable to the owners of the Parent	**313,630**	**315,593**	**(1,963)**
Total equity attributable to non-controlling interests	**-**	**-**	**-**
Total equity	**313,630**	**315,593**	**(1,963)**

Share capital
Share capital amounted to at € 20,000 thousand at June 30, 2018.
At June 30, 2018, the share capital consisted of 114,761,225 ordinary shares and 6,803 savings shares. With reference to 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 reserve stood at € 117,217 thousand at June 30, 2018.
It is to be considered fully taxable on distribution as a result of the realignment made in 2005 between the carrying amount and the tax base of the customer database, pursuant to Law no. 342/2000.
Deferred tax liabilities were not calculated as the Group is not planning to distribute the share premium reserve.

Legal reserve
The reserve stood at € 4,000 thousand at June 30, 2018.
Note that this reserve is fully subject to taxation in the case of distribution as a result of the realignment in 2005 pursuant to Law no. 342/2000.

Actuarial reserve
The actuarial reserve at June 30, 2018 was a negative € 1,113 thousand (€ 1,386 thousand at December 31, 2017) and included the effect of recording actuarial gains (losses) on the Post-employment benefits – the portion remaining at 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 20 herein.

Other reserves

Other reserves show a balance of € 180,911 thousand at June 30, 2018 (of which € 21,401 thousand subject to taxation in the 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 € 161,089 thousand.

16. Other comprehensive income

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

(euro/thousand)	1ST HALF 2018	1ST HALF 2017
Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss for the period		
Net actuarial gains (losses)	111	626
Tax effect of net actuarial gains (losses)	(39)	(150)
Other changes of the period	-	-
Total other comprehensive income (expense) that will not be reclassified subsequently to profit or loss for the period	72	476
Other comprehensive income (expense) that will be subsequently reclassified to profit or loss for the period	-	-
Total other comprehensive income (expense), net of tax effect	**72**	**476**

17. Earnings per share

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

		AT JUNE 30, 2018	AT JUNE 30, 2017
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*	*114,768,028*
Profit (loss) for the period	€/thousand	(7,385)	6,309
Earnings (losses) per share	€	(0.064)	0.055

Moreover, earnings per share are reported below also considering the shares granted under the stock option plan of the Parent, numbering 4,369,069 at June 30, 2018.

		AT JUNE 30, 2018	AT JUNE 30, 2017
Number of Italiaonline S.p.A. shares	*no.*	119,137,097	118,552,326
Profit (loss) per share	€	(0.0620)	0.0532

18. Net financial indebtedness

At June 30, 2018, the net financial position was € 55,927 thousand (€ 72,947 thousand at December 31, 2017).
At June 30, 2018 the net financial indebtedness was composed as follows:

(euro/thousand)		AT 06.30.2018	AT 12.31.2017	CHANGE
A	Cash and cash equivalents	92,071	74,476	17,595
B	Other cash and cash equivalents	-	-	-
C	Trading securities	-	-	-
D=(A+B+C)	**Liquidity**	**92,071**	**74,476**	**17,595**
E.1	**Current financial receivables due from third parties**	**764**	**666**	**98**
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	8,919	2,195	6,724
H.2	Other current financial debt due to related parties	-	-	-
I=(F+G+H)	**Current financial debt**	**8,919**	**2,195**	**6,724**
J=(I-E-D)	**Net current financial indebtedness**	**(83,916)**	**(72,947)**	**(10,969)**
K	Non-current bank debt	-	-	-
L	Bond issues	-	-	-
M.1	Other non-current loans due to third parties	27,989	-	27,989
M.2	Other non-current loans due to related parties	-	-	-
N=(K+L+M)	**Non-current financial debt**	**27,989**	**-**	**27,989**
O=(J+N)	**Net financial indebtedness (ESMA)**	**(55,927)**	**(72,947)**	**17,020**

Following the early adoption of IFRS 16 - Leases, the net financial position at June 30, 2018 reflects the recognition of a financial liability of € 36,849 thousand, representing the present value of future lease payments, against the recognition under assets of the "right of use of leased assets".
A description of the items which constitute the net financial position is provided below:

Non-current financial debt

This item totaled € 27,989 thousand at June 30, 2018, and refers entirely to the financial liability associated with early adoption of IFRS 16, as described above;

Current financial debt

This item totaled € 8,919 thousand at June 30, 2018 (€ 2,195 thousand at December 31, 2017) and refer to *Other current financial debt to third parties*. In particular, the amount includes € 8,860 thousand referring to the current portion of the financial liability associated with the adoption of IFRS 16.

Current financial receivables

Current financial receivables amounted to € 764 thousand at June 30, 2018 (€ 666 thousand at December 31, 2017) and mainly refer to loan assets amounting to € 725 thousand (€ 630 thousand at December 31, 2017) and € 39 thousand in loans to employees (€ 36 thousand at December 31, 2017).

Cash and cash equivalents

Cash and cash equivalents amounted to € 92,071 thousand at June 30, 2018 (€ 74,476 thousand at December 31, 2017) and mainly refer to the Parent Italiaonline S.p.A. (€ 91,638 thousand).
Note 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, as part of the deed of arrangements. Therefore there are no longer any amounts subject to restriction/guarantee.

19. Information on financial risks

Risk associated with financial debt

No risks related to financial indebtedness are recognized with respect to funding available at June 30, 2018.

Credit risk

Italiaonline group's business is characterized by the presence of a large number of customers in the SME segment (small and medium-sized 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. All of which making use of updated and customized software.
The monitoring of collection through advances and guarantees collected in the process of creating a contract and incentives for forms of payment such as SEPA Direct Debit (SDD), now 80% of sales to SMEs (+2% per annum), which allow our Group to better manage the dynamics of receipts at due dates.
The net trade receivables of the Italiaonline Group at June 30, 2018 amounted to € 118.1 million (€ 137.8 million at December 31, 2017), almost entirely due to the Parent Italiaonline S.p.A. (€ 117.4 million), which at the end of 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 at June 30, 2018 amounted to approximately € 49 million (€ 55 million at December 31, 2017) with an average coverage percentage of the loss allowance amounting to about 54%, deemed adequate. The monitoring at an early stage and 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 quality.
Exposure to credit risk - represented in the financial statements as the loss allowance - is measured using a statistical model, related to customer segmentation based on criteria of territoriality and days outstanding, which in its estimates reflects the historical behavioral experience in collecting amounts due and re-projects it to the receivables balance at June 30.
At June 30, 2018 the loss allowance at Group level amounted to € 27.8 million (€ 26.8 million at Italiaonline Parent level), down compared with December 31, 2017 (€ 33.7 million) because the valuation of receivables outstanding at June 30, 2018 was qualitatively better, due to the reduction of the overdue outstanding time period and gradual improvement of receipts at due dates.

20. 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 fulfils all its obligations by paying these contributions. The cost for the financial period accrues based on the service history of the employee and is recorded in the income statement (€ 1,619 thousand in the first half of 2018).
Defined benefit plans are either unfunded, as in the case of post-employment benefits, 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 different types of plans during the reporting period.

	1ST HALF 2018		
(euro/thousand)	POST-EMPLOYMENT BENEFITS- PORTION REMAING WITH THE GROUP	DEFINED CONTRIBUTION PLANS	TOTAL
Opening balance	**17,145**	**1,125**	**18,270**
Accruals	335	1,619	1,954
Contributions	-	452	452
Benefits paid/disbursements	(608)	(1,934)	(2,542)
Discount interest	109	-	109
Actuarial losses (gains) recognized in equity	(111)	-	(111)
Curtailment and settlement gain	(292)	-	(292)
Other changes	58	(64)	(6)
Closing balance	**16,636**	**1,198**	**17,834**

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.

Post-employment benefits - portion remaining with the Group

The post-employment benefits portion remaining with the Group, amounting to € 16,636 thousand at June 30, 2018 (€ 17,145 thousand at December 31, 2017), was measured as a defined benefit plan in accordance with 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 of post-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 the first half of 2018 changes in equity of € 111 thousand were recognized (€ 72 thousand net of the tax effect). 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 06.30.2018	AT 06.30.2017
A.	**Change in defined benefit obligations**		
	1. Opening defined benefit obligations	17,145	17,832
	2. Current service cost	335	1,170
	3. Financial expense	109	234
	4. Benefits paid by plan/group	(608)	(2,455)
	5. Other changes and change in consolidation scope	58	767
	6. Changes recognised in equity (OIC effect)	(111)	(403)
	a. Effects due to changes in demographic assumptions	-	-
	b. Effects due to changes in financial assumptions	(178)	15
	c. Effects due to changes in actuarial assumptions	-	(1)
	d. Effects due to changes of assumptions from experience	67	(417)
	7. Curtailment (**)	(292)	-
	Closing defined benefit obligations	16,636	17,145
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	16,636	17,145
	2. Other changes		
	Net liability recognised in the statement of financial position	16,636	17,145
	Amounts in the statement of financial position		
	1. Liabilities	16,636	17,145
	2. Assets	-	-
C.	**Cost component**		
	Amounts recognized in the income statement		
	1. Current service costs	335	1,170
	2. Interest expense	109	234
	Total cost recognised in the income statement	444	1,404
D.	**Main actuarial ssumptions**		
	Weighted-average assumptions to determine defined benefit obligations		
	1. Discount rate	1.45%	1.30%
	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.

(euro/thousand)		AT 06.30.2018	AT 06.30.2017
F.	**Sensitivity analysis - benefit obligation evaluation based on underlying assumptions**		
	1. Discount rate		
	a. Discount rate -0,25%	16,284	16,787
	a. Discount rate +0,25%	15,447	16,012
	2. Rate of inflation		
	a. Rate of inflation -0,25%	15,585	16,139
	b. Rate of inflation +0,25%	16,136	16,651
	3. Turnover rate		
	a. Turnover rate -1%	15,974	16,518
	b. Turnover rate +1%	15,754	16,281
	4. Weighted-average duration of benefit obligation (years)		
	- ITALIAONLINE S.p.A.	10,6	10
	- DLS	19,9	20,3
G.	**Expected cash flow for next year**		
	1. Contributions for the next year	-	-
	2. Contributions forecast to reimbursements		
	- ITALIAONLINE S.p.A.	-	-
	- DLS	533	600
	2. Expected payments of total services		
	Year 1	5,806	1,974
	Year 2	573	829
	Year 3	681	876
	Year 4	782	962
	Year 5	563	1,035

(*) This is the amount of actuarial gains/ (losses) from applying the previous year's actuarial assumptions to the current workforce.
(**) Represents the best estimate of the change in liabilities due to changes to the plan or events involving a reduction in personnel following the implementation of the new agreement.

21. Other non-current liabilities

Other non-current liabilities amounting to € 19,364 thousand at June 30, 2018 (€ 19,505 thousand at December 31, 2017), are detailed as follows:

	1ST HALF 2018		
(euro/thousand)	PROVISION FOR AGENTS' TERMINATION INDEMNITIES	OTHER NON-CURRENT OPERATING LIABILITIES	TOTAL
Opening balance	**19,002**	**503**	**19,505**
Accruals	487	-	487
Utilizations	(834)	(54)	(888)
Discounting losses (gains)	(9)	-	(9)
Other changes	269		269
Closing balance	**18,915**	**449**	**19,364**

The balances at June 30, 2018 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 change due to the passage of time and due to the different discount rate applied was recorded as financial income (€ 9 thousand).

Pursuant to current legislation, the *provision for agents' termination benefits* represents the liabilities accrued at the end of the period for the indemnities due to sales agents in the event of termination of the agency contract. This provision at June 30, 2018 amounted to € 18,915 thousand (€ 19,002 thousand at December 31, 2017) and decreased over the period by € 87 thousand.

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

These are broken down as follows:

(euro/thousand)	1ST HALF 2018			
	PROVISION FOR COMMERCIAL RISKS	PROVISIONS FOR CONTRACTUAL AND OTHER OPERATING RISKS	NON-OPERATING PROVISIONS	TOTAL
Opening balance	**4,191**	**13,042**	**18,733**	**35,966**
Accruals	352	2,421	37,453	40,226
Utilizations/Releases	(585)	(1,977)	(14,098)	(16,660)
Other changes	(1)	(328)	(3)	(332)
Closing balance	**3,957**	**13,158**	**42,085**	**59,200**

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

Current provisions for risks and charges at June 30, 2018 amounted to € 59,200 thousand (€ 35,966 thousand at December 31, 2017) and consist of:

- the *provision for commercial risks*, of € 3,957 thousand at June 30, 2018 (€ 4,191 thousand at December 31, 2017), is commensurate with estimated charges for incomplete compliance with contractual obligations;
- the *provisions for contractual and other operating risks*, of € 13,158 thousand (€ 13,042 thousand at December 31, 2017), include € 7,001 thousand for legal disputes (€ 5,862 thousand at December 31, 2017) and € 2,437 thousand for pending litigation with agents and employees (€ 3,478 thousand at December 31, 2017). Among the legal disputes pending, note the allocation of € 1,520 thousand following the claim form served to the Parent for third party liability in the criminal proceedings pending before the Court of Turin against the past directors and statutory auditors of the former Seat Pagine Gialle S.p.A., as described in the paragraph "Administrative, criminal and legal and arbitration proceedings";
- the *non-operating provisions* - current portion - amount to € 42,085 thousand as at June 30, 2018 (€ 18,733 thousand at December 31, 2017). They mainly include *(i)* € 37,754 thousand as the *provision for restructuring* - current portion, of which € 36,778 relating to actions following implementation of the reorganisation plan by the Parent. Further details can be found in the Industrial Relations paragraph under "Main events of the first half of 2018" in the Report on Operations; *(ii)* € 2,467 thousand of the restructuring provision for the sales network, used in the first half of 2018 for € 98 thousand; *(iii)* € 750 thousand, unchanged from December 31, 2016, for the risks provision for risks 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.

23. Trade payables and other current liabilities

Trade payables and other current liabilities are detailed as follows:

(euro/thousand)	AT 06.30.2018	AT 12.31.2017	CHANGE
Payables to suppliers	53,174	64,671	(11,497)
Payables to agents	12,354	14,996	(2,642)
Payables to employees	10,798	15,921	(5,123)
Social security charges payable	4,629	4,984	(355)
Payables to others	432	541	(109)
Total trade payables	**81,387**	**101,113**	**(19,726)**
Liabilities for services to be provided	87,672	89,404	(1,732)
Advances from customers	2,288	2,397	(109)
Other current liabilities	3,184	4,532	(1,348)
Total liabilities for services to be provided and other current liabilities	**93,144**	**96,333**	**(3,189)**

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

- *payables to suppliers*, of € 53,174 thousand at June 30, 2018 (€ 64,671 thousand at December 31, 2017) including € 51,151 thousand relating to Italiaonline S.p.A.;
- *payables to agents*, of € 12,354 thousand (€ 14,996 thousand at December 31, 2017), are considered in conjunction with the item "advances on sales commissions" recognized in "other current assets" amounting to € 16,596 thousand (€ 17,139 thousand at December 31, 2017);
- *liabilities for services to be provided* amounted to € 87,672 thousand (€ 89,404 thousand at December 31, 2017); 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.

24. Revenue from sales and services

Revenue from sales and services amounted to € 157,403 thousand in the first half of 2018, of which € 154,353 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 Performance by Business segment section.

25. Other income and operating costs

25.1 Other income

Other income totaled € 1,315 thousand in the first half of 2018 (€ 2,746 thousand in the first half of 2017). The item includes € 777 thousand relating to the recovery of costs from third parties (mainly administrative, legal and postal costs) and € 519 thousand relating to other income of different nature.

25.2 Costs of materials

The costs of materials amounted to € 332 thousand in first half of 2018, down by € 969 thousand compared to the first half of 2017 (€ 1,301 thousand). The decrease, compared to the same period of the previous year, is due to the decision to ask printers to buy the paper for the printing of smartbooks, without directly purchasing it.

25.3 Costs for external services

The costs for external services totaled € 82,157 thousand in the first half of 2018 (€ 83,874 thousand in the first half of 2017).
Note that the costs performance in the first half of 2018 was affected by the early adoption of IFRS 16 - Leases, which led to a different nature and classification of related costs (depreciation of the "right of use of leased assets" and "interest expense" with respect to the "Costs for use of third-party assets"). Further details can be found in paragraphs 3.1 and 3.4 of the Notes to this Interim Financial Report.
The main changes were as follows:

- commissions to web publishers, up € 5,749 thousand due to the revenue performance of IOL Audience (mainly Google AdWords and Facebook) and revenue from advertising agency activities for the large accounts market;
- production, distribution and stocking costs, down by € 2,956 thousand due to the decrease in Traditional revenue and circulation figures, reflected in the lower number of pages;
- rental expense and costs for use of third-party assets, down by € 5,873 thousand, around € 4,400 thousand of which due to the adoption of IFRS 16 as mentioned previously.

25.4 Personnel expense

Personnel expense in the first half of 2018 amounted to € 34,153 thousand (€ 40,257 thousand in the first half of 2017).
This decrease was mainly due to the reorganization implemented within the Group.
The Group workforce - including directors, project workers and interns - totaled 1,781 at June 30, 2018 (1,830 at December 31, 2017). The average active workforce of the Group for the period was 1,453, down by 62 compared to the first half of 2017 (1,515).

25.5 Loss allowances

Loss allowances are broken down as follows:

(euro/thousand)	1ST HALF 2018	1ST HALF 2017	CHANGE	
			ABSOLUTE	%
Loss allowance - trade receivables	410	3,610	(3,200)	(88.6)
Reversal of loss allowance - trade receivables	(18)	(47)	29	61.7
Impairment (gains) losses on other operating assets	(121)	1,508	(1,629)	n.s.
Other impairment losses	4	-	4	n.s.
Total loss allowances	**275**	**5,071**	**(4,796)**	**(94.6)**

25.6 Accruals to provisions for risks and charges, net

(euro/thousand)	1ST HALF 2018	1ST HALF 2017	CHANGE	
			ABSOLUTE	%
Provisions for commercial risk	352	356	(4)	(1.1)
Provisions for risks and operating charges	2,421	1,592	829	52.1
Reversal of provision for risks and operating charges	(5)	(943)	938	99.5
Total accruals to provisions for risks and charges, net	**2,768**	**1,005**	**1,763**	**n.s.**

For further details, see Note 22 herein.

25.7 Net non-recurring charges

The net non-recurring charges came to € 767 thousand (€ 393 thousand in the first half of 2017) and include strategic consultancy costs of € 1,785 thousand. In the first half of 2017 the item had included income of € 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..

25.8 Net restructuring charges

The net restructuring charges totaled € 26,854 thousand and referred mainly to actions following implementation of the reorganization plan by the Parent, fully described in the paragraph "Industrial Relations" under "Main events of the first half of 2018".

26. Financial income and expense

26.1 Financial expense

Financial expense of € 402 thousand in the first half of 2018 (€ 367 thousand in the first half of 2017) is detailed as follows:

(euro/thousand)	1ST HALF 2018	1ST HALF 2017	CHANGE	
			ABSOLUTE	%
Interest expense on lease liabilities	202	-	202	n.s.
Exchange rate losses	34	6	28	n.s.
Other financial expense	166	361	(195)	(54.0)
Total financial expense	**402**	**367**	**35**	**9.5**

Other financial expense included € 155 thousand (€ 329 thousand in the first half of 2017) in interest expense from discounting, mainly relating to post-employment benefits.

26.2 Financial income

Financial income in the first half of 2018 amounted to € 2,545 thousand (€ 1,045 thousand in the first half of 2017).

(euro/thousand)	1ST HALF 2018	1ST HALF 2017	CHANGE	
			ABSOLUTE	%
Interest income from short-term liquidity in the bank	138	290	(152)	(52.4)
Discounting interests income	48	182	(134)	(73.6)
Exchange rate gains	13	7	6	85.7
Other financial income	2,346	566	1,780	n.s.
Total financial income	**2,545**	**1,045**	**1,500**	**n.s.**

It includes € 138 thousand (€ 290 thousand in the first half of 2017) in interest income from the use of short-term liquidity in the banking system at market rates, € 48 thousand (€ 182 thousand in the first half of 2017) as discounting interest income and € 2,165 thousand as the dividend paid by the investee Emittente Titoli.

27. Adjustments to financial asset values

Impairment losses on financial assets amounted, in the first half of 2018, to € 1,243 thousand and refer to the capital gain deriving from disposal of the investment in 11880 Solutions AG on February 14, 2018.

28. Current income taxes, deferred tax liabilities and deferred tax assets

Tax expense for the first half of 2018 came to € 365 thousand (€ 10,946 thousand in the first half of 2017). In compliance with the provisions of IAS 34, taxes were calculated by applying best estimate of the weighted average annual tax rates to the pre-tax profit/(loss) forecast for the entire year in the Business Plan for 2018.

Net deferred tax assets and liabilities

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

(euro/thousand)	AT 12.31.2017	CHANGES DURING THE PERIOD			AT 06.30.2018
		INCOME TAXES RECOGNIZED IN THE INCOME STATEMENT	INCOME TAXES RECOGNIZED IN FOR EQUITY	OTHER CHARGES	
Deferred tax assets	40,954	(114)	(39)		40,801
Deferred tax liabilities	(53,499)		(247)		(53,747)
Total	**(12,545)**	**(114)**	**(286)**		**(12,946)**
shown in the statement of financial position [1]					
Deferred tax assets	*117*				*81*
Deferred tax liabilities	*(12,661)*				*(13,027)*

[1] In the consolidated financial statements, deferred tax assets and liabilities are recorded at their carrying amount, having being offset against each other, where possible in terms of the tax authorities, the taxed entity and the relevant time frames.

Current tax assets

Current tax assets amounted to € 10,558 thousand at June 30, 2018 (€ 10,194 thousand at December 31, 2017) and are detailed as follows:

(euro/thousand)	AT 06.30.2018	AT 12.31.2017	CHANGE
Direct tax assets	9,786	9,838	(52)
Indirect tax assets	772	356	416
Total current tax assets	**10,558**	**10,194**	**364**

Direct tax assets of € 9,786 thousand at June 30, 2018 are related for € 7,354 thousand to Italiaonline S.p.A., of which € 3,563 thousand for IRES and € 3,567 thousand for IRAP.

Current tax liabilities

Current tax liabilities amounted to € 4,749 thousand at June 30, 2018 (€ 5,798 thousand at December 31, 2017) and are detailed as follows:

(euro/thousand)	AT 06.30.2018	AT 12.31.2017	CHANGE
Income tax liabilities	1,821	1,409	412
Other tax liabilities	2,928	4,389	(1,461)
Total current tax liabilities	**4,749**	**5,798**	**(1,049)**

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 withholdings

In 2014 and 2015 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 (assessment notified on December 24, 2014) and in the years 2010, 2011 and 2012 (5 assessments 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 ruling 2009'') upheld the Parent's appeal against the assessment notice for the 2009 tax period and ordered its cancellation.
The Office challenged the Lombardy Regional Tax Commission decision through an appeal filed with the Court of Cassation, notified to the Parent on May 4, 2018. On June 12, 2018, the Parent notified the Office of its own appeal and counter-appeal.
However, the Milan Provincial Tax Commission, by means of a ruling filed on May 29, 2017 (henceforth, "First instance ruling 2010-2011-2012"), with a decision contrary to that made by the Milan Provincial Tax Commission on the 2009 first instance ruling, confirmed the substantial validity of the 2010, 2011 and 2012 Assessment Notices.
On December 19, 2017, the Parent notified the DRE of the appeal against the First Instance Ruling 2010-2011-2012 of the Provincial Tax Commission of Milan and subsequent court filing. On February 19, 2018, the Office filed its own counterclaims. The discussions hearing was held on July 16, 2018 and the Parent is now awaiting the related decision.
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 related 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, legal and arbitration proceedings involving the Italiaonline Group".

29. 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 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 will 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 reserved for 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 deadline will be considered extended until the end of their term of office, whichever is later.
The stock option allocation plan is set up as an "equity-settled" plan.
For the purpose of calculating the fair value of the stock option 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 characteristics of the Parent, was used.

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 June 30, 2018 and the results of operations for the six-month period then ended are summarized below.

The effects of intra-group transactions between consolidated companies have been eliminated in the consolidated financial statements.
The related party transactions carried out by the Group companies, including intra-group transactions, all referred to ordinary business and were 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 last approved financial statements that had a material effect on the financial position or results of operations of the Group.

Income statement

ITALIAONLINE GROUP - INCOME STATEMENT 1st half year 2018

(euro/thousand)	1ST HALF-YEAR 2018	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Other income	1,315	-	-	-	44	44
Costs for external services	(82,157)	-	-	-	(333)	(333)
Personnel expense	(34,153)	-	-	-	(2,404)	(2,404)

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

ITALIAONLINE GROUP - INCOME STATEMENT 1st half year 2017

(euro/thousand)	1ST HALF-YEAR 2017	PARENT COMPANY	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Revenue from sales and services	166,429	-	-	2	-	2
Other income	2,746	-	-	-	196	196
Costs of external services	(83,874)	-	-	-	(2,353)	(2,353)
Personnel expenses	(40,257)	-	-	-	(1,523)	(1,523)

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

Statement of financial position

ITALIAONLINE GROUP - STATEMENT OF FINANCIAL POSITION at June 30, 2018

(euro/thousand)	AT JUNE 30, 2018	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Assets						
Right of use of leased assets	34,713	-	-	-	8,613	8,613
Other current assets	-	90	-	-	64	154
Liabilities						
Non-current financial liabilities	27,989	-	-	-	6,677	6,677
Current financial liabilities	8,919	-	-	-	2,406	2,406
Trade payables	81,387	-	-	-	1,745	1,745
Liabilities for services to be provided and other current liabilities	93,144	-	-	-	242	242

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

ITALIAONLINE GROUP - STATEMENT OF FINANCIAL POSITION at December 31, 2017

(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

Statement of cash flows

ITALIAONLINE GROUP - CASH FLOW 1st half year 2018

(euro/thousand)	1ST HALF-YEAR 2018	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Cash flows used in operating activities	27,461	-	-	-	(3,620)	(3,620)
Cash flows used in investing activities	(6,456)	-	-	-	-	-
Cash flows used in financing activities	(3,410)	-	-	-	(800)	(800)
Cash flows from non-current assets held for sale and discontinued operations	-	-	-	-	-	-
Cash flows of the period	**17,595**	**-**	**-**	**-**	**(4,420)**	**(4,420)**

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

ITALIAONLINE GROUP - CASH FLOW 1° half year 2017

(euro/thousand)	YEAR 2016	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Cash flows from operating activities	42,338	-	-	36	2,057	2,093
Cash flows from investing activities	(15,870)	-	-	-	65	65
Cash flows from financing activities	(80,102)	-	-	-	-	-
Cash flows from non-current assets held for sale and discontinued operations	-	-	-	-	-	-
Cash flows of the period	**(53,634)**	**-**	**-**	**36**	**2,122**	**2,158**

(*) 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	313,630	(7,385)	(55,927)	(55,927)
Net non-recurring and restructuring costs	(27,621)	(27,621)	(6,172)	(6,172)
of which:				
- Strategic consulting and other non-recurring charges	*1,785*	*1,785*	*(2,272)*	*(2,272)*
- Personnel and agents reorganization	*26,854*	*26,854*	*(3,463)*	*(3,463)*
impact%	*(8.8%)*	*n.s*	*11.0%*	*11.0%*

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

Table 1

Company (business)	REGISTERED OFFICE	SHARE/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
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
Dealcome S.r.l. (business lead generation Face to Face)	Assago (Italy)	Euro 20,000	100.00	Consodata S.p.A.	100.00
BIZPAL 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

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

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

Local and global

OTHER INFORMATION

➚ Certification of the condensed consolidated interim financial statements pursuant to article 154-bis of Legislative Decree no. 58/98

1. The undersigned, Antonio Converti, in his capacity as Chief Executive Officer, Gabriella Fabotti, as Chief Financial Officer of Italiaonline S.p.A., hereby certify, taking into account the provisions of article 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of February 24, 1998, that the administrative and accounting procedures for the preparation of the condensed consolidated half-year financial statements, deemed to be suitable for the characteristics of the business, have been effectively applied during the first half of 2018.

2. The administrative and accounting procedures for the preparation of the condensed consolidated half-year financial statements at June 30, 2018 have been subjected, during the half year, to a critical examination in order to evaluate their suitability and the effectiveness of their application. No anomalies have emerged as a result of this verification.

3. The following is also certified:

   3.1 The condensed consolidated half-year financial statements at June 30, 2018:

   - have been prepared in compliance with applicable IAS/IFRS recognized by the European Union in compliance with (EC) Regulation No. 1606/2002 of the European Parliament and of the Council of July, 2002, and in particular IAS 34 – Interim Financial Reporting – as well as the implementing measures of article 9 of Legislative Decree 38/2005;
   - correspond to the results contained in the accounting books and records;
   - are suitable to provide a true and fair representation of the assets, results and cash flows of the issuer and of all the companies included in its consolidation scope;

   3.2 the interim report on operations contains references to important events which have taken place in the first six months of the financial year and their effect on the half-year financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year, in addition to information concerning significant related-party transactions

Assago, August 2, 2018

Chief Executive Officer	Chief Financial Officer
Antonio Converti	Gabriella Fabotti

KPMG

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Revisione e organizzazione contabile
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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

To the shareholders of
Italiaonline S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Italiaonline Group (the "Group"), comprising the statement of financial position as at 30 June 2018, the income statement and the statements of comprehensive income, cash flows and changes in equity for the six months then ended and notes thereto. The directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Italiaonline Group as at and for the six months ended 30 June 2018 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 3 August 2018

KPMG S.p.A.

(signed on the original)

Francesco Spadaro
Director of Audit

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