Annual Financial Report
at December 31, 2018

LIBERO.

No.1
Italian portal


LIBERO
Cerca nel web
CERCA
REGISTRATI
MAIL
COMMUNITY
ACCOUNT
MAIL
COMMUNITY
NOTIZIE
TECNOLOGIA
DONNE
FINANZA
VIAGGI
MOTORI
CUPIDO
Sanremo 2017: il clamoroso forfait scatena i social
Top Trend
7 / 20
MAILPEC
Dai valore legale alle tue mail con Libero Mail PEC
SCOPRI
Servizi
Preventivi Imbianchino
Libero Mail libera tutti
Guido Maria Brera, ecco quello che ignorate sul marito della Balivo
Tecnologia
Reggio di Calabria
13°
14°
I trucchi per utilizzare WhatsApp come un professionista
2 / 20

CONTENTS

Italiaonline is the leading internet company in Italy, with 4.8 million unique users, including 3.2 million from smartphones and 63%[1] market reach. Italiaonline offers digital presence, web marketing and digital advertising services, including management of advertising campaigns and the generation of leads through 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.

Highlights and general information 6
Company Bodies 6
Financial Highlights of the Group 7
Information for Shareholders 10
Group Organizational Structure 16
Market situation 17

Report on Operations 20
Contents of the Report on Operations 20
Performance of the Group 21
Disclosure required by CONSOB pursuant to Article 114 of Italian Legislative Decree No. 58/98 35
Main events of 2018 36
Events after the reporting date 42
Outlook 43
Performance by Business Segment 46
Other information 58

Consolidated financial statements of Italiaonline Group 96
Statement of financial position at December 31, 2018 96
Income statement for 2018 98
Statement of comprehensive income for 2018 99
Statement of cash flows for 2018 100
Statement of changes in equity for 2018 and 2017 101
Notes to the consolidated financial statements at December 31, 2018 102
Certification of the consolidated financial statements 162
Independent Auditors´ Report 163

Separate Financial Statements of Italiaonline S.p.A. 172
Statement of financial position of Italiaonline S.p.A. at December 31, 2018 172
Income statement for 2018 174
Statement of comprehensive income for 2018 175
Statement of cash flows for 2018 176
Statement of changes in equity in 2018 and 2017 177
Notes to the separate financial statements at December 31, 2018........ 178
Certification of the separate financial statements 241
Statutory auditors' report 242
Independent Auditors´ Report 251

Other information 260
Resolution proposals 260
Shareholders' Meeting's resolutions 261

[1] Source: Audiweb 2.0, powered by Nielsen, TDA - Total Digital Audience, December 2018. Audiweb 2.0 not including Google, Facebook and Microsoft

The new Italiaonline

VIRGILIO

The first ever internet portal


V:RGILIO
NOTIZIE
SPORT
ECONOMIA
DONNE
VIAGGI
MOTORI
IN CITTÀ
TOP TREND
VIDEO
CUCINA
OROSCOPO
METEO
MAILPEC
Dai valore legale alle tue mail con Libero Mail PEC
SCOPRI
CERCA
È qui che l'Italia ha subito la sua più grande sconfitta
10 / 10
Roma
Corvaglia, annuncio social: "Mi separo. Ecco perché"
virgilio.it
Ecco la nuova Yamaha di Rossi. E sul 10° titolo fa un annuncio

HIGHLIGHTS AND GENERAL INFORMATION

Company Bodies *(information updated at March 19, 2018)*

Board of Directors [1]
Chairperson Tarek Aboualam [2]
Chief Executive Officer (CEO) Roberto Giacchi [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]
Chairperson Vittoria Giustiniani [i]
Cristina Finocchi Mahne [i] - Corrado Sciolla [i]

Control, Risk and Sustainability Committee [5]
Chairperson Cristina Finocchi Mahne [i]
Arabella Caporello [i] - Vittoria Giustiniani [i]

Strategic Committee [6]
Chairperson Tarek Aboualam
Corrado Sciolla [i] - Onsi Sawiris - Sophie Sursock - Pierre de Chillaz

Board of Statutory Auditors [7]
Chairperson 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 Savings Shareholders [10] Stella d'Atri

(1) The Board of Directors was appointed at the Shareholders' Meeting on April 27, 2018, and shall remain in office until the approval of the financial statements as at and for the year ending December 31, 2020.
(2) Appointed Director and Chairperson of the Board of Directors at the Shareholders' Meeting of April 27, 2018.
(3) Position granted by co-optation with Board of Directors' resolution on December 6, 2018, following the resignation on the same date of Antonio Converti as Chief Executive Officer, and member of the Board of Directors of Italiaonline, and with limited effect, pursuant to Article 2386(1) of the Italian Civil Code, until the next Shareholders' Meeting (scheduled for April 30, 2019).
(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 Control, Risk and Sustainability Committee (renamed by Board of Directors' resolution of August 2, 2018 and before called 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 by the Shareholders' Meeting of May 12, 2016.
(10) Appointed by the Special Meeting of the Savings Shareholders on February 21, 2019 for the years 2019-2020-2021- and before appointed for the years 2016-2018 of conduct.
(i) Directors who meet the independence criteria set forth in Articles 147-*ter*(4) and 148(3) of Italian Legislative Decree 58/1998 and in the Code of Conduct of Listed Companies.

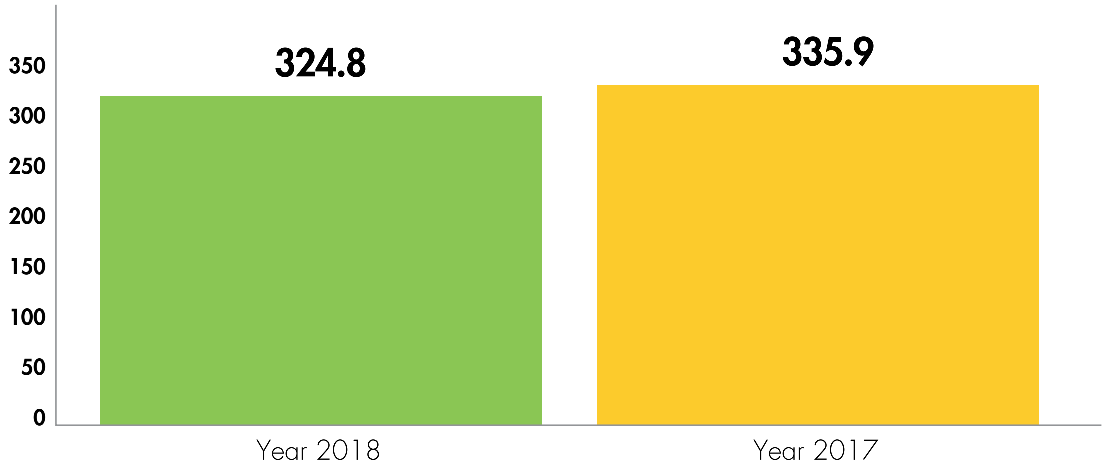
Financial Highlights of the Group

The results of the Italiaonline Group for 2018 and 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union.
It should be noted that, as from January 1, 2018, Italiaonline S.p.A. and the Italiaonline Group applied IFRS 15 and decided for the early adoption of IFRS 16, without restating the comparative data for the previous year on basis of the transition method adopted; for this reason, in order to allow a uniform comparison, the effects deriving from the application of the aforementioned standards are provided for the main indicators.
In addition to the above, the application of IFRS 9 did not have a significant effect on the separate and consolidated financial statements of Italiaonline S.p.A. at December 31, 2018.

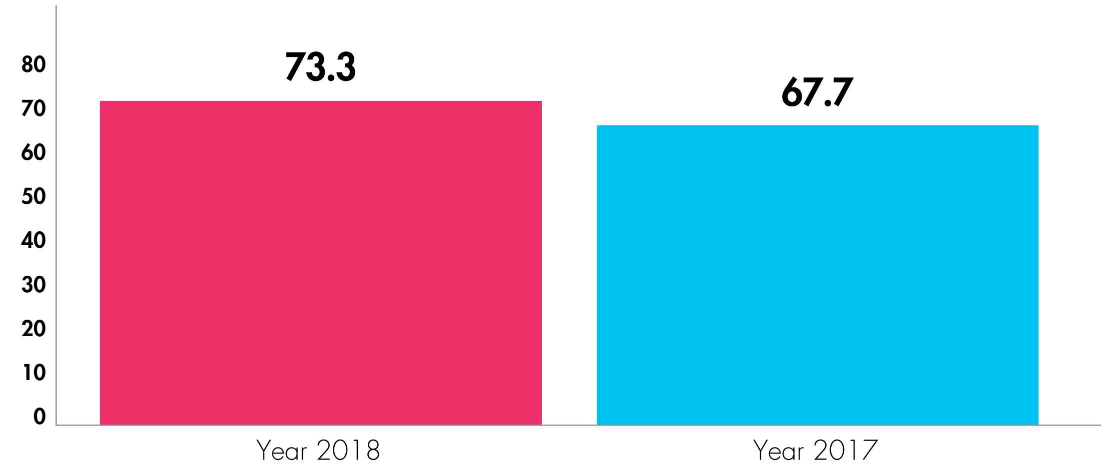
(euro/million)	YEAR 2018	YEAR 2018 WITHOUT IFRS 15 /16	YEAR 2017
Financial Highlights			
Revenue from sales and services	324.8	325.2	335.9
GOP (*)	81.0	72.9	77.9
EBITDA (*)	73.3	65.0	67.7
EBIT (*)	(3.4)	(2.2)	27.8
Profit (loss) attributable to the owners of the Parent	(8.7)	(7.3)	26.4
OFCF (*)	43.8	36.3	51.2
Unlevered FCF (*)	43.8	36.3	50.4
Capital expenditure	21.1	21.1	26.3
Net invested capital (*)	245.5	206.8	242.6
of which goodwill and marketing-related intangible assets	*267.5*	*267.5*	*272.5*
of which net operating working capital	*(35.7)*	*(43.4)*	*(45.5)*
of which net non-operating working capital	*(26.9)*	*(26.9)*	*(7.3)*
Equity attributable to the owners of the Parent	312.5	307.8	315.6
Net financial indebtness (*)	(67.0)	(101.1)	(72.9)
Profitability ratios			
GOP/Revenue	24.9%	22.4%	23.2%
EBITDA/Revenue	22.6%	20.0%	20.2%
EBIT/Revenue	(1.0%)	(0.7%)	8.3%
OFCF/Revenue	13.5%	11.2%	15.2%
Workforce			
Workforce at the end of the year (units)	1,675	1,675	1,830
Average workforce for the year	1,382	1,382	1,492
Revenue/Average workforce (€/000)	235	235	225

(*) See "Non-IFRS performance indicators" below for details on how the items are calculated.

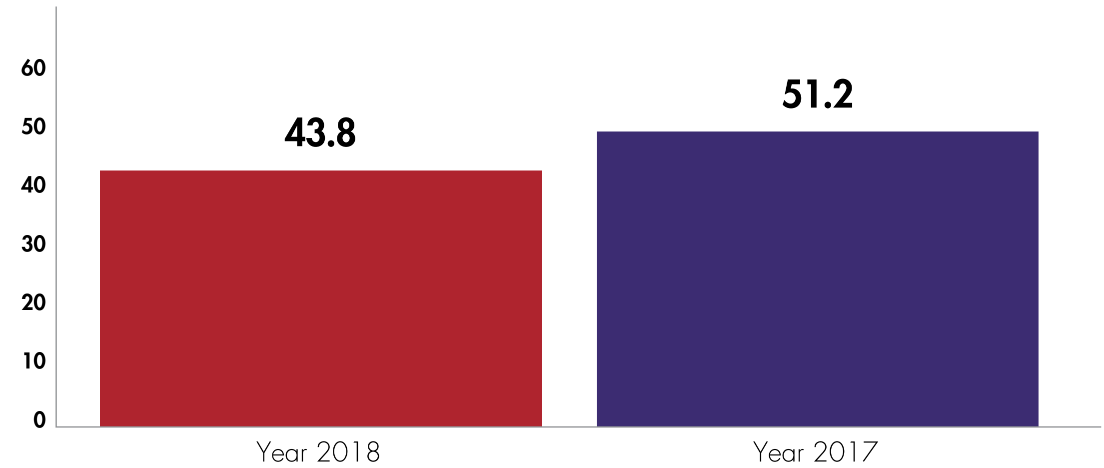
Revenues (euro/million)



EBITDA (euro/million)



Operating Free cash flow (euro/million)



Non-IFRS performance indicators

This section reports on several non-IFRS performance indicators used in Italiaonline Group's consolidated financial statements and in Italiaonline S.p.A.'s separate financial statements at December 31, 2018 to provide tools for analyzing the financial performance of the Group, in addition to those based on the financial statements.

These indicators are not identified as accounting measures within the IFRS framework and therefore, must not be considered as alternative measures by which to assess the performance of the Group and the Parent, 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 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 effects on net financial indebtedness of industrial investments, changes in operating working capital and changes in operating non-current operating liabilities.
- **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 December 31, 2018.

		AT 12.31.2018	AT 12.31.2017
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
Weighted average shares outstanding (*)		114,766,183	114,768,028
Market capitalization			
(based on market price) (**)			
Ordinary shares	euro/million	258.8	356.4
Saving shares	euro/million	2.8	2.0
Total	euro/million	261.6	358.5
Equity per share	euro	2.723	2.750
Earnings (losses) per share	euro	(0.076)	0.230
Diluted earnings (losses) per share	euro	(0.073)	0.222

(*) For the purposes of the calculation are considered 22,443 treasury shares purchased during 2018
(**) Reference prices at December 28, 2018 and December 29, 2017. The 2017 prices have been adjusted to take into account the extraordinary dividend distributed in May 2017 (ex-dividend date May 08, 2017).

Source: Thomson Reuters EIKON

Treasury shares or ultimate Parent shares

At December 31, 2018, the Parent holds 22,443 treasury shares purchased during the year. At December 31, 2018, the Parent does not hold shares in ultimate parents.

Management and coordination activities

Pursuant to Article 2497 of the Italian Civil Code, it should be noted that Italiaonline S.p.A. is subject to management and coordination by the ultimate Parent, Libero Acquisition S.à.r.l., which controls it at 58.82%, representing 67,499,999 shares of Italiaonline S.p.A..
The financial statements and the relationships with the party that exercises management and coordination activities are reported in Note 3 to the Separate Financial Statements.

Italiaonline on the Stock Exchange

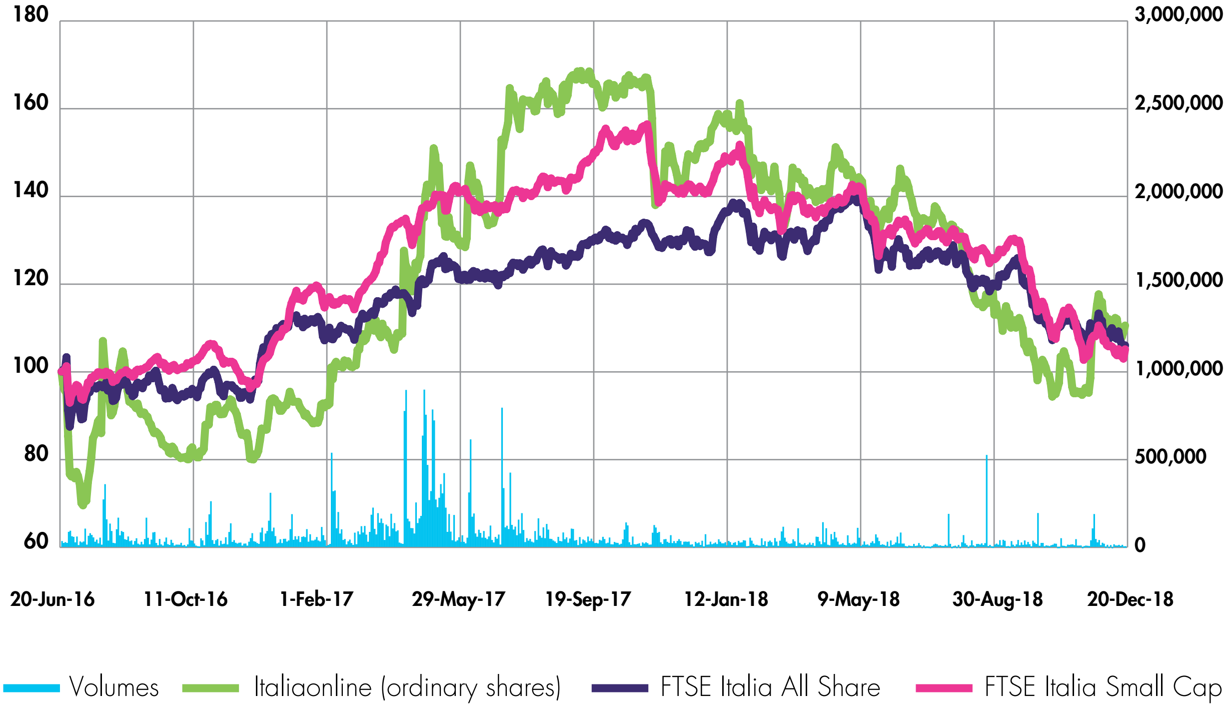
Italiaonline S.p.A. (ISIN: IT0005187940 - MTA: IOL), in the actual configuration, entered the MTA (Italian Online Stock Market), organized and managed by Borsa Italiana S.p.A. on June 20, 2016, following completion of the merger of Italiaonline S.p.A. into Seat PG and reserve share split (1:1000).
From June 20, 2016 to December 28, 2018, the share reported a total return (which in addition to the change in prices takes into account the extraordinary dividend distributed in May 2017) of +30.5% outperforming the total return of the FTSE Italia All Share Index (+13.7%) and the FTSE Italia Small Cap Index (+8.4%) in the same reporting period.

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

Source: Thomson Reuters EIKON

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

June 20, 2016 | December 28, 2018
(IOL Adjusted Reference Price, based on June 20, 2016 = 100)



Source: Thomson Reuters EIKON

2018 was a particularly difficult year for all financial markets, dominated by uncertainty and high volatility. In Italy, after an expansive first half of the year, fears linked to a slowdown in economic growth, political uncertainty and the worsening of the rating agencies' assessment of Italy's creditworthiness generated tension on government bonds, which was reflected in a significant widening of the spread (the yield spread between Italian government bonds and German government bonds with the same maturity).
In this context, almost all financial activities recorded negative results. The performance of the Italiaonline share and that of the main Italian share indices (FTSE Italia All Share and FTSE Italia Small Cap) reflected these uncertain economic and political conditions.

More specifically, in the first six months of the year, Italiaonline maintained a performance substantially in line with the FTSE Italia Small Cap index, although downward, falling from € 3.11 (closing price as at January 2, 2018) to € 2.77 (closing price as at June 29, 2018). In the second half of the year, in the months between August and October, Italiaonline's price index recorded a more significant decline, affected by the less favorable market momentum and recording a minimum of € 1.92 (closing price on October 24) in October. From this level, prices progressively rebounded, accompanied by a recovery in trading volumes, in the months between November and December, to close the year at € 2,255 (closing on December 28, 2018), with an overall performance of -27.5% (vs. -23% FTSE Italia Small Cape Index and -18% FTSE Italia All Share Index).

Prices and Volumes of the IOL share

Adjusted reference price December 29, 2017- December 28, 2018

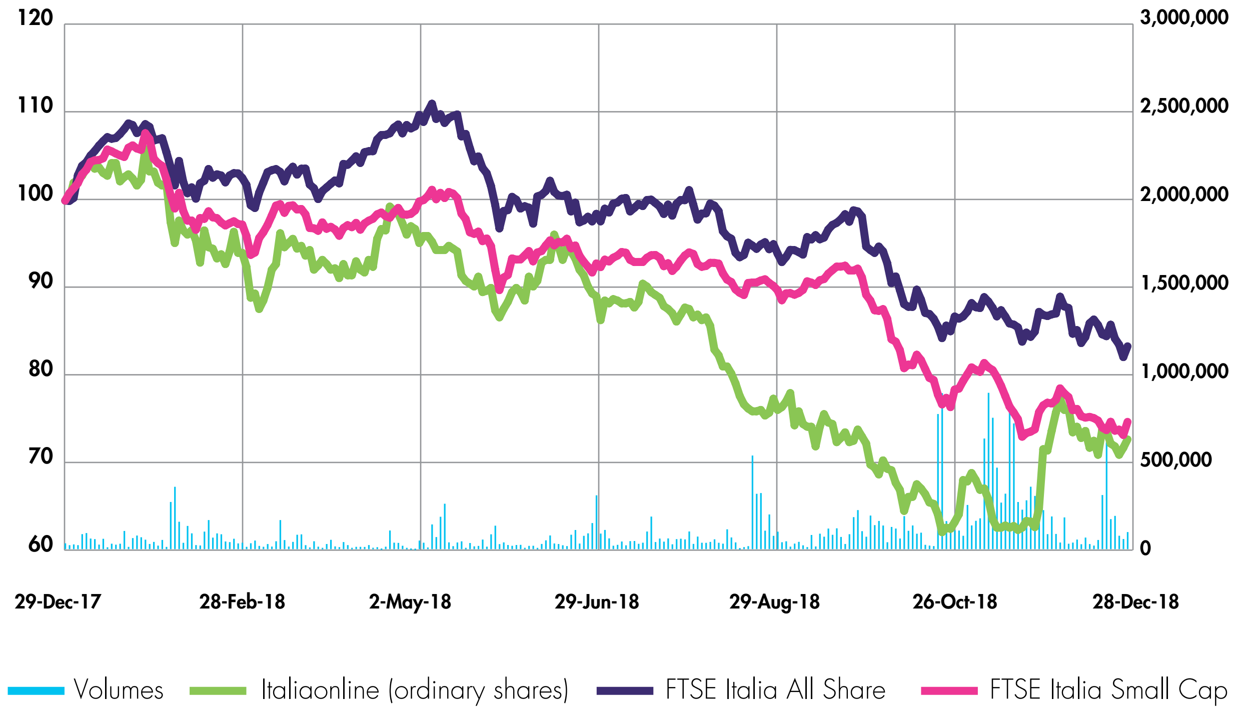
Source: Thomson Reuters EIKON

Share Price	**DATE**	**EURO**
Reference Price	29/12/2017	3.106
Reference Price	28/12/2018	2.255
Average Price		2.635
Highest Price	26/01/2018	3.290
Lowest Price	24/10/2018	1.924

Volumes traded	**DATE**	**NUMBER OF SHARES**
Average daily volume		25,624
Highest volume	29/08/2018	524,669
Lowest volume	13/12/2018	293

Source: Thomson Reuters EIKON

Performance of IOL shares with respect to the main Borsa Italiana Indices
December 29, 2017 | December 28, 2018
(IOL Adjusted Reference Price, based December 29, 2017 = 100)



Source: Thomson Reuters EIKON

Analyst coverage

The Italiaonline share is currently covered (at February 2019) by analysts from Intermonte Sim, Banca IMI and Banca Akros, who have provided 100% positive recommendations (Outperform, Buy and Buy, respectively).

Investor Relations activities

Italiaonline pays particular attention to the development of relationships with buy-side and sell-side analysts, investors and the financial community in general. 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 2018, 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, Paris and Madrid), maintaining constant dialogue with analysts and investors. In February 2018 Italiaonline also organized an Open Day at the Assago headquarters dedicated to financial analysts, aimed at providing the opportunity to meet and network with Group managers to develop a better understanding and learn about the Italiaonline business model, as well as the main products and services provided by the Group to its customers, along with demonstrations relating to: (i) the content factory of the properties of Italiaonline, (ii) Programmatic Advertising activities and (iii) the design and creation of websites. Finally, with reference to Investor Relations activities, in 2018 the Parent launched a new version of the Investor Relations section on its corporate website, with a new look and feel and with the addition of new features and content aimed at improving the user experience and transparency of the information provided to the financial community.

Shareholders

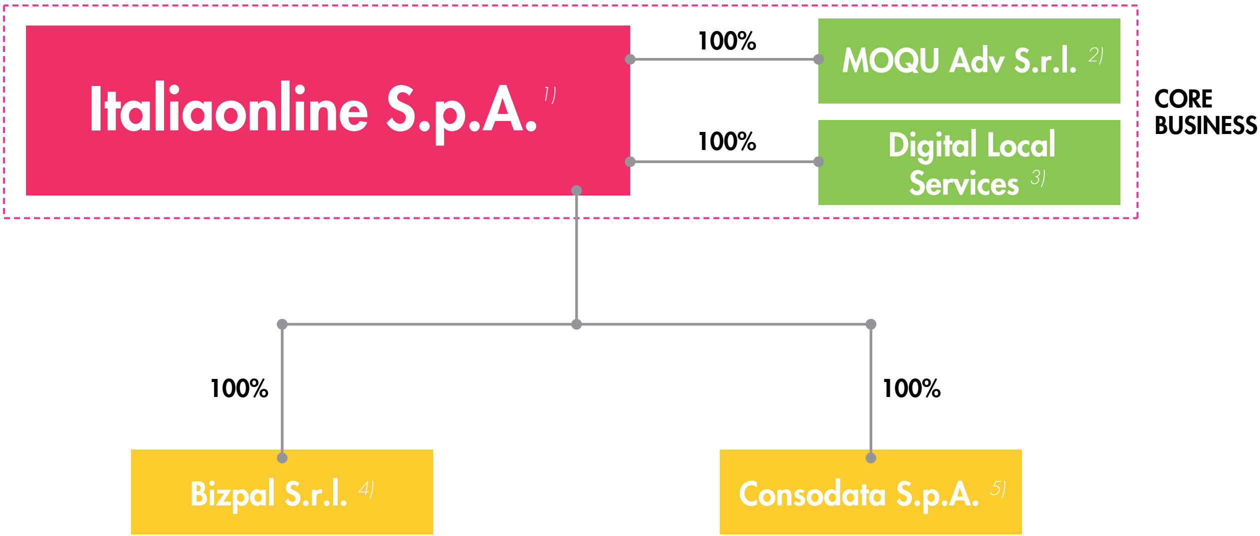
Holders of Italiaonline S.p.A. ordinary shares that hold more than 5% of the Parent's share capital, based on information available as of December 31, 2018, are shown below:

DECLARANT	SHAREHOLDRES	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	12,700,207	11.07
	Treasury Shares	22,443	0.02
	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

(information updated at March 19, 2019)



1) On January 16, 2018, the cancellation of the stake in Gold Five in liquidation from the Companies' Register was completed and on February 14, 2018 Italiaonline disposed of its 16.24% investment in 11880 Solutions Ag (formerly Telegate AG) to third parties. 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 100%-owned by Moqu AdvS.r.l., was definitively wound up and canceled from the Companies' Register at the Chamber of Commerce of Dublin.

3) There are 64 Digital Local Services (10 of which are in liquidation).

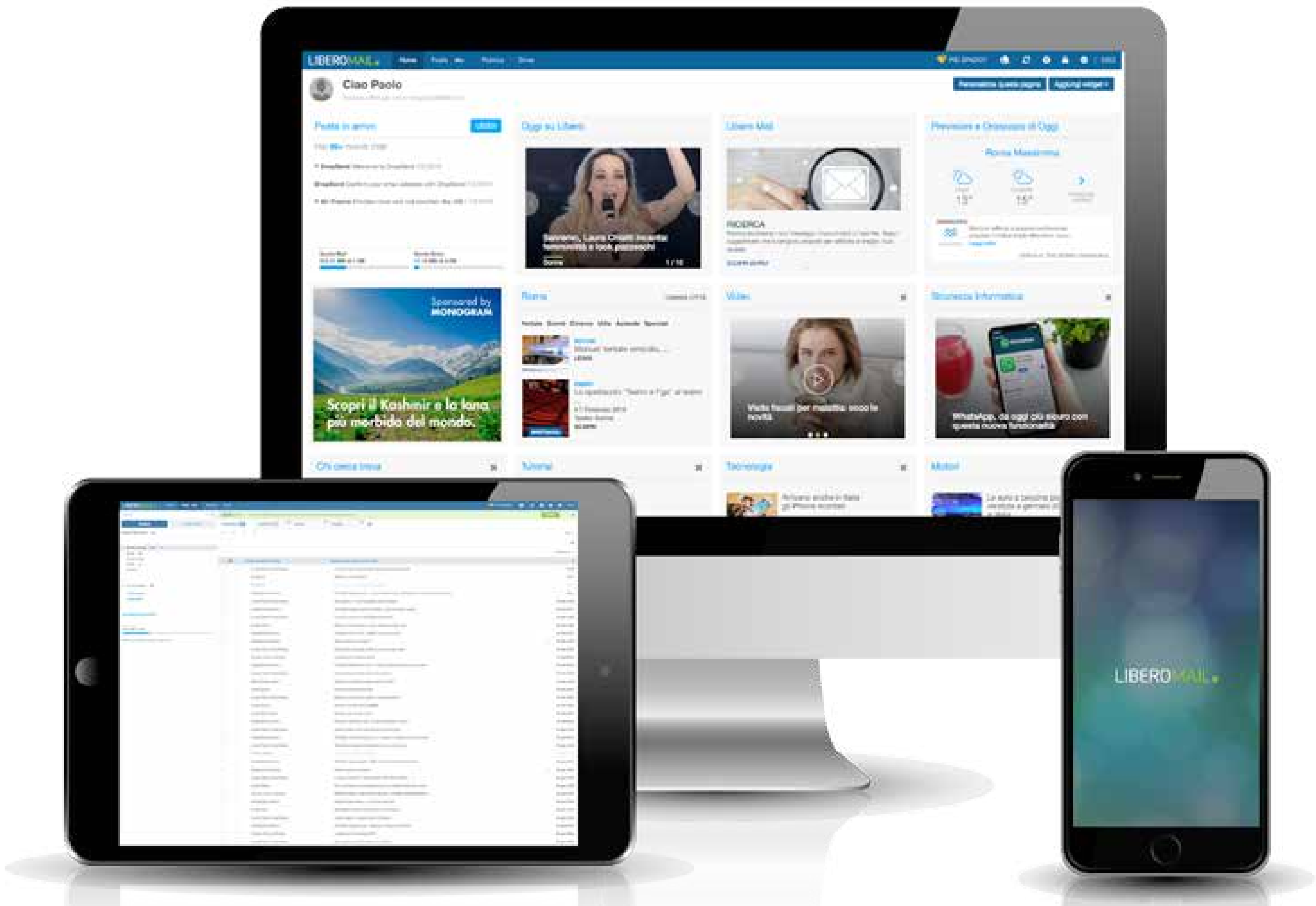
4) On April 5, 2018, the Shareholders of Prontoseat S.r.l. resolved to change the company name to Bizpal S.r.l. of their extraordinary meeting.

5) Dealcome S.r.l. holds 100% of Consodata S.p.A. in liquidation as of December 14, 2018.

Market situation

Operating profit for 2018 was achieved within a context of moderate economic growth, and substantial stability in the advertising investments market:

- According to ISTAT, in the fourth quarter of 2018, Italy's gross domestic product (GDP) decreased by 0.2% compared to the previous quarter and increased by 0.1% compared to the fourth quarter of 2017. This is the second negative quarter after the -0.1% result in the July-September period, which technically returned Italy into recession and represented the worst result in five years. In 2018 as a whole, Italian GDP, adjusted for calendar effects, increased by 0.8%. The slowdown in the Italian economy in 2018 inevitably had an impact on the growth forecast for 2019: the acquired growth for the current year, i.e. that which would be achieved if all quarters of 2019 recorded a GDP change of zero, was reduced to -0.2%. The government's 2019 forecast for December was revised downwards from +1.5% to +1%. In January, Banca d'Italia and the International Monetary Fund cut their estimates for 2019 to 0.6%.
- According to Nielsen, in 2018 the advertising market in Italy recorded a growth of +2.0% compared to 2017 (-0.2% if the Nielsen forecast for search, social, classified and so-called "Over The Top" - OTT operators are excluded from the web collection). In relation to individual advertising channels, in the twelve months of the year, increases were recorded by the Internet of +8.0% (+4.5% if search and social, which showed growth of +8.8%, are excluded), Go TV (+16.1%), Transit (+11.8%), Cinema (+6.4%), Radio (+5.5%) and TV (+0.6%). However, a decline was recorded for Outdoor (-8.6%), Magazines (-8.2%), Direct mail (-6.6%) and Newspapers (-6.2%). According to Nielsen, total advertising in December slowed down compared to the growth of recent years, yet above 3%; this is still a positive result, compared to 2017, which grew by +0.5% in relation to 2016 and considering the situation of economic and political uncertainty in 2018. In this regard, Nielsen highlights that, in light of the cyclical phenomena witnessed in the past, it will be necessary to monitor, in the coming months of 2019, whether the trend in 2018 represents the end of a cycle or the continuation of slight growth.


Ciao Paolo
Sponsored by MONOGRAM
Scopri il Kashmir e la lana più morbida del mondo.
LIBEROMAIL

REPORT ON OPERATIONS

Contents of the Report on Operations

Performance of the Group 21
Tables - consolidated data 22
Reclassified income statement for 2018 26
Reclassified statement of financial position at December 31, 2018 29
Statement of cash flows for 2018 33

Disclosure required by CONSOB pursuant to Article 114 of Italian Legislative Decree No. 58/98 35

Main events of 2018 36

Events after the reporting date 42

Outlook 43

Performance by Business Segment 46
Digital Italia 47
Other activities 57

Other information 58
Human Resources 58
Administrative, legal and arbitration proceedings 63
Corporate Governance 71
Environmental sustainability 88
Social responsibility 89

Performance of the Group

The financial data of the Italiaonline Group for 2018 and for the previous year have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union.
The annual financial report at December 31, 2018 has been prepared on a going concern basis as there is a reasonable expectation that Italiaonline S.p.A. will continue its operations in the foreseeable future and for more than twelve months.
The "Outlook" section contains forward-looking statements regarding the Group's intentions, beliefs and current expectations in relation to its financial results and other aspects of its business and strategies. Readers of this annual financial report should not 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[1]

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

Reclassified income statement

(euro/thousand)	YEAR 2018 30-DIC-99	YEAR 2017	CHANGE	
			ABSOLUTE	%
Revenue from sales and services	**324,757**	**335,925**	**(11,168)**	**(3.3)**
Costs of materials and for external services (*)	(173,010)	(180,574)	7,564	4.2
Personnel expense (*)	(70,741)	(77,443)	6,702	8.7
GOP	**81,006**	**77,908**	**3,098**	**4.0**
% of revenue	*24.9%*	*23.2%*		
Impairment losses on current assets and net accruals to provisions for risks and charges	(6,559)	(10,004)	3,445	34.4
Other net operating costs (**)	(1,140)	(243)	(897)	n.s.
EBITDA	**73,307**	**67,661**	**5,646**	**8.3**
% of revenue	*22.6%*	*20.1%*		
Operating amortization, depreciation and impairment losses	(38,023)	(30,681)	(7,342)	(23.9)
Non-operating amortization, depreciation and impairment losses	(5,613)	(5,228)	(385)	(7.4)
Net non-recurring and restructuring costs	(33,089)	(3,991)	(29,098)	n.s.
EBIT	**(3,418)**	**27,761**	**(31,179)**	**n.s.**
% of revenue	*(1.1%)*	*8.3%*		
Net financial income	1,893	681	1,212	n.s.
Reversal of impairment losses on financial assets and gains on the disposal of equity investments	1,243	-	1,243	n.s.
Pre-tax profit (loss)	**(282)**	**28,442**	**(28,724)**	**n.s.**
Tax expense	(8,452)	(2,025)	(6,427)	n.s.
Loss for the year	**(8,734)**	**26,417**	**(35,151)**	**n.s.**
- of which attributable to the owners of the Parent	(8,734)	26,417	(35,151)	n.s.
- of which attributable to non-controlling interests	-	-	-	-

(*) Less costs charged to non-controlling interests and shown in the IFRS financial statements under "Other income".
(**) The item includes "Other operating costs" and "Other income" less cost recoveries reclassified in the items "Costs of materials and for external services" and "Personnel expense"

[1] It should be noted that the percentage changes indicated with "n.s." are to be considered unrepresentative

Statement of comprehensive income

(euro/thousand)	YEAR 2018	YEAR 2017	NOTE
Profit (loss) for the year	**(8,734)**	**26,417**	
Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss:			
Actuarial gains, net of tax	354	306	
Net fair value gains (losses) on Telegate AG sold during the year already included in the loss for the year	(549)	-	
Total other comprehensive income (expense) that will not be subsequently reclassified to profit or loss	(195)	306	(16)
Other comprehensive income (expense) that will be subsequently reclassified to profit or loss:			
Net fair value gains (losses) on AFS securities and investments	-	589	
Total other comprehensive income (expense) that will be subsequently reclassified to profit or (loss)	-	589	(16)
Total other comprehensive income (expense), net of tax	**(195)**	**895**	
Total comprehensive income (expense) for the year	**(8,929)**	**27,312**	
- of which attributable to the owners of the Parent	(8,929)	27,312	
- of which attributable to non-controlling interests	-	-	

Reclassified statement of financial position

(euro/thousand)		AT 12.31.2018	AT 12.31.2017	CHANGE
Goodwill and marketing-related intangible assets		267,519	272,476	(4,957)
Other non-current assets [*]		92,876	73,436	19,440
Operating non-current liabilities		(31,586)	(37,775)	6,189
Non-operating non-current liablities		(20,729)	(12,661)	(8,068)
Operating working capital		(35,661)	(45,524)	9,863
- Operating current assets		*165,012*	*170,163*	*(5,151)*
- Operating current liabilities		*(200,673)*	*(215,687)*	*15,014*
Non-operating working capital		(26,896)	(7,306)	(19,590)
- Non-operating current assets		*15,441*	*16,217*	*(776)*
- Non-operating current liabilities		*(42,337)*	*(23,523)*	*(18,814)*
Net non-current assets held for sale and discontinued operations		-	-	-
Net invested capital		**245,523**	**242,646**	**2,877**
Equity attributable to the owners of the Parent		312,512	315,593	(3,081)
Equity attributable to non-controlling interests		-	-	-
Total equity	**(A)**	**312,512**	**315,593**	**(3,081)**
Cash and cash equivalents		(101,038)	(74,476)	(26,562)
Current financial assets,		(97)	(666)	569
Current financial liabilities		8,647	2,195	6,452
Non-current financial liabilities		25,499	-	25,499
Net financial position	**(B)**	**(66,989)**	**(72,947)**	**5,958**
Total	**(A+B)**	**245,523**	**242,646**	**2,877**

[*] This item includes non-current financial assets.

Reconciliation between equity of Italiaonline S.p.A. and consolidated equity at December 31, 2018

(euro/thousand)	ATTRIBUTABLE TO THE PARENT			TOTAL
	SHARE CAPITAL	RESERVES	PROFIT (LOSS) FOR THE YEAR	
Italiaonline S.p.A. as at December 31, 2018	**20,000**	**296,910**	**(10,089)**	**306,821**
Profit (loss) for the year, share capital and reserves of consolidated companies	-	8,449	(3,787)	4,662
Carrying amount of consolidated companies	-	(3,243)	-	(3,243)
Consolidation adjustments				
Reversal of impairment losses and accruals to provisions for risk on equity investments		(1,032)	5,296	4,264
Other movements	-	162	(154)	8
Share capital, reserves and consolidated profit as at December 31, 2018	**20,000**	**301,246**	**(8,734)**	**312,512**

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

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

RECLASSIFIED INCOME STATEMENT FOR 2018

In 2018, Revenue from sales and services was € 324,757 thousand, down 3.3% with respect to 2017.
The core business revenue (98.2% of consolidated revenue), represented by the "ITALIAONLINE" segment (which includes the results of Italiaonline S.p.A., Moqu and the Digital Local Services), in 2018 amounted to € 318,778 thousand, down 3.5% on 2017. Note that:

- digital revenue stood at € 244,388 thousand in 2018, up 7.2% on 2017, aided by the double-figure growth (+22.4%) in the digital advertising segment;
- traditional revenue totaled € 73,344 thousand in 2018, down 27.4% on the previous year.

For more details on the performance of individual product lines, please refer to the "ITALIAONLINE" segment.

The **costs of materials and for external services**, net of the portion of costs charged to third parties, included in the IFRS financial statements in "other income", amounted to € 173,010 thousand in 2018, a decrease of € 7,564 thousand (4.2%) compared to 2017 (€ 180,574 thousand).
Note that the performance of these costs in 2018 was affected by the early adoption of IFRS 16 - Leases, which led to a different nature and classification of related costs, with a consequent reduction in "Costs of rent and Costs for use of third-party assets" and at the same time an increase in amortization due to the recognition under assets of the "right-of-use assets"; further details can be found in Notes 3.1 and 3.4 to this Financial Report.
The main changes were as follows:

- commissions paid to web publishers, up € 10,667 thousand due to the effect of 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 € 6,056 thousand, mainly due to the decrease in Print revenue and circulation figures, which are reflected in a lower number of pages;
- rental expense and costs for use of third-party assets, down by € 12,124 thousand, approximately € 8,553 thousand of which is due to the adoption of IFRS 16 as mentioned previously.

Personnel expense, reduced by related cost recoveries, included in the IFRS financial statements in "other income", amounting to € 70,741 thousand in 2018, and decreased by € 6,702 thousand compared to 2017 (€ 77,443 thousand). This decrease was mainly due to the reorganization measures implemented within the Group.
The Group workforce - including directors, project workers and interns - totaled 1,675 at December 31, 2018 (1,830 at December 31, 2017). The average active workforce of the Group for the year was 1,382, down by 110 compared to 2017 (1,492).

The **gross operating profit (GOP)**, amounting to € 81,006 thousand in 2018, increased by 4.0% compared to 2017 (€ 77,908 thousand) as a result of the effects described above, including those resulting from the early adoption of IFRS 16, with operating profit margins up by 24.9% compared to 23.2% in 2017.

The **net impairment losses on current assets and net accruals to provisions for risks and charges** amounted to € 6,559 thousand in 2018 (€ 10,004 thousand in 2017). Of the net impairment losses, € 3,791 thousand refer to the loss allowance for trade receivables, down € 1,989 thousand compared to 2017. The item also includes the net accruals to provisions for risks and charges of € 1,662 thousand (allocation of € 2,434 thousand in 2017).

The **other operating costs** in 2018 amounted to € 1,140 thousand (€ 243 thousand in 2017).

Operating income before amortization, depreciation, net non-recurring and restructuring costs (EBITDA) was € 73,307 thousand in 2018, up by 8.3% with respect to 2017 (€ 67,661 thousand); the operating margin also increased to 22.6% (20.1% in 2017). The figure benefited from the adoption of IFRS 16 for € 8,737 thousand.

Operating amortization, depreciation and impairment losses amounted to € 38,023 thousand in 2018 (€ 30,681 thousand in 2017) and refer to intangible assets with a finite useful life for € 24,978 thousand (€ 26,900 thousand in 2017) and to property, plant and equipment for € 13,045 thousand (€ 3,781 in 2017). The increase mainly reflects (*i*) early adoption from January 1, 2018 of IFRS 16, which envisages recognition among assets of the "right-of-use assets" and therefore the related depreciation of such assets, amounting to € 8,856 thousand and ii) impairment losses of € 3,415 thousand following the impairment test carried out on the subsidiary Consodata S.p.A..

Non-operating amortization, depreciation and impairment losses were equal to € 5,613 thousand (€ 5,228 thousand in 2017) and include the amortization charge for Database and Customer Relationship intangible assets, as they derive from the Purchase Price Allocation.

Net non-recurring and restructuring costs amounted to € 33,089 thousand (€ 3,991 thousand in 2017) and included € 26,206 thousand as the net allocation for implementation of the reorganization plan launched by the Parent. Further details can be found in the Industrial Relations paragraph under "Main events during 2018". The item also includes amounts due to the former Chief Executive Officer, amounting to € 3,905 thousand, upon termination of their term of office as communicated by the Parent, and strategic consultancy costs of € 2,921 thousand.

The **operating loss (EBIT)** in 2018 was € 3,418 thousand, a decrease compared to 2017, when it was an operation profit of € 27,761 thousand, mainly due to the implementation of the reorganization plan mentioned above.

Net financial income, amounted to € 1,893 thousand in 2018 (€ 681 thousand in 2017).
In particular, *financial income* in 2018 amounted to € 3,106 thousand (€ 1,320 thousand in 2017) and included € 2,165 thousand for the dividend paid by the investee Emittenti Titoli, € 309 thousand as interest income resulting from short-term liquidity in the banking system at market rates and € 532 thousand for other financial income.
Financial expense totaled € 1,213 thousand (€ 639 thousand in 2017), of which € 376 thousand as interest expense associated with the adoption of IFRS 16 and € 410 thousand as interest from discounting, mainly referred to the post-employment benefits matured remaining in the group.

Reversal of impairment losses on financial assets and gains 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.

Tax expense for 2018 come to € 8,452 thousand (€ 2,025 thousand in 2017) and is broken down as follows:

(euro/thousand)	12 MONTHS 2018	12 MONTHS 2017	CHANGE ABSOLUTE
Current income taxes	(233)	(1,357)	1,124
Provision (reversal) of deferred tax assets	(9,386)	(4,975)	(4,411)
(Provision) reversal of deferred tax liabilities	1,755	1,639	116
Income taxes referred to previous years	(588)	2,668	(3,256)
Total tax expense for the year	**(8,452)**	**(2,025)**	**(6,427)**

Current income taxes for the year 2018 amounted to € 233 thousand and refer to Irap pertaining to Group companies.
The reversal of deferred tax assets and liabilities amounting to € 7,631 thousand (release of € 3,336 thousand in 2017), mainly attributable to Italiaonline S.p.A., refers in particular to changes in provisions for risks and to the portion of interest expense recovered in the current year.
Income taxes referred to previous years of € 588 thousand refer to charges of € 1,299 thousand related to the valuations that the Parent is making in order to adhere to the facilitated settlement of disputes related to outstanding disputes with the Italian Tax Authorities (for further details see the "Administrative, legal and arbitration proceedings" section in this Report) and € 712 thousand to the benefit relating to the conversion of the portion of the deduction of 2017 ACE into IRAP tax assets pursuant to Legislative Decree 201/2011.

The **loss attributable to the owners of the Parent** in 2018 amounted to € 8,734 thousand.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2018

Net invested capital

Net invested capital totaled € 245,523 thousand (€ 242,646 thousand at December 31, 2017), up € 2,877 thousand.
The breakdown of net invested capital was as follows:

- **goodwill and marketing related intangible assets** amounted to € 267,519 thousand (€ 272,476 thousand at December 31, 2017) and includes:
  - trademarks 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 € 81,314 thousand, of which € 71,997 thousand generated from the acquisition of the SEAT Group and € 9,317 thousand related to the acquisition of Matrix;
  - an intangible asset with a finite useful life called Customer relationships amounting to € 15,488 thousand (€ 18,477 thousand at December 31, 2017). In 2018 the item increased by € 657 thousand (original amount) relating to the acquisition of the Italian business unit of AdPulse;
  - an intangible asset with a finite useful life called Databases equal to € 1,311 thousand (€ 3,279 thousand at December 31, 2017).

- **other non-current assets** were € 92,876 thousand at December 31, 2018 (€ 73,436 thousand at December 31, 2017). These assets included:
  - *non-current operating assets*, both intangible assets and property, plant and equipment, for € 67,509 thousand at December 31, 2018, up by € 23,642 thousand from December 31, 2017 (€ 43,867 thousand) mainly as a result of the early adoption of IFRS 16 which requires recognition under assets for the "right-of-use assets".
    Capital expenditure amounting to € 21,064 thousand (€ 26,323 thousand in 2017) mainly related to the ITALIAONLINE segment for € 18,902 thousand (€ 24,128 thousand in 2017) and mainly relates 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.
  - *other equity investments* were reduced to zero in 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, amounting to €2,699 thousand;
  - *other non-current assets* amounting to € 25,173 thousand at December 31, 2018 (€ 26,753 thousand at December 31, 2017) which mainly included *i)* € 19,260 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*) € 449 thousand for loans to employees, provided at market rates for financial transactions of this nature.
  - *net deferred tax assets* were equal to € 194 thousand at December 31, 2018 (€ 117 thousand as at December 31, 2017).

- **operating non-current liabilities** were € 31,586 thousand at December 31, 2018 (€ 37,775 thousand at December 31, 2017). In particular, the item included:
  – *provision for agents' termination indemnities* equal to € 18,467 thousand as at December 31, 2018 (€ 19,002 thousand as at December 31, 2017). Pursuant to current legislation, this provision represents the discounted liabilities accrued at the end of the year for the indemnities due to sales agents in the event of termination of the agency contract. Taking into consideration future cash flows, the provision was discounted using an average market rate for liabilities of a similar duration, estimating its expected future use over time based on the average term of agency contracts;
  – *post-employment benefits* for € 11,706 thousand at December 31, 2018 (€ 17,145 thousand at December 31, 2017).

- **non-operating non-current liabilities**, equal to € 20,729 thousand at December 31, 2018 (€ 12,661 thousand as at December 31, 2017). This item refers to *net deferred tax liabilities*.

- **operating working capital**, negative for € 35,661 thousand at December 31, 2018 (negative for € 45,524 thousand at December 31, 2017).
  The main changes occurred over the year were as follows:
  – *trade receivables*, equal to € 129,645 thousand at December 31, 2018, were down by € 8,149 thousand with respect to December 31, 2017 (€ 137,794 thousand);
  – *other current assets*, amounting to € 33,294 thousand at December 31, 2018, up by € 2,560 thousand compared to December 31, 2017 (€ 30,734 thousand); in particular this item includes € 7,820 thousand in incremental costs referring to the acquisition of new customers which will be carried over to the income statement on the basis of the expected duration of relationships with new customers, in accordance with the provisions of IFRS 15;
  – *payables for services to be provided and other current liabilities*, amounting to € 91,984 thousand at December 31, 2018, which decreased by € 968 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 € 91,258 thousand at December 31, 2018, down by € 9,855 thousand with respect to December 31, 2017 (€ 101,113 thousand);

- **non-operating working capital**, negative for € 26,896 thousand at December 31, 2018 (negative for € 7,306 thousand at December 31, 2017). In particular, this includes:
  – *provisions for risks and current non-operating charges* equal to € 9,439 thousand (€ 18,733 thousand at December 31, 2017), with € 3,578 thousand relating to the provision for personnel reorganization charges (€ 14,264 thousand at December 31, 2017) and € 2,362 thousand for the sales network restructuring provision (€ 2,569 thousand at December 31, 2017). In 2018, with the signing of the agreement on July 2, the Parent began to implement a new staff reorganization plan that resulted in a net allocation of € 26,206 thousand; at December 31, 2018, the actions provided for in the agreement had all been substantially implemented and formalized and were completed in the first few months of 2019 and reclassified in the item "current non-operating liabilities". The item also includes the provision of € 1,299 thousand relating to the valuations that the Parent is making in order to adhere to the settlement of pending litigation connected with the current disputes with the Italian Tax Authorities;
  – *other current non-operating payables* of € 32,545 thousand (€ 3,381 thousand at December 31, 2017) increased in the year 2018 mainly due to amounts relating to agreements with employees already signed but not yet disbursed relating to the implementation of the agreement for the reorganization of the personnel started by the Parent, illustrated in the paragraph "Industrial relations" of the Report on operations.
  – *current tax assets* equal to € 9,057 thousand at December 31, 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 € 6,384 thousand at December 31, 2018 (€ 6,379 thousand at December 31, 2017), of which € 5,971 thousand arose as a result of the provisional payment made in the course of proceedings, 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; this amount was fully repaid plus interest on March 14, 2019.

Equity

Consolidated equity was equal to € 312,512 thousand at December 31, 2018 (€ 315,593 thousand as at December 31, 2017) and was entirely attributable to the Parent.
The decrease of € 3,081 thousand mainly reflects the joint effects of:

- the loss for the year of € 8,734 thousand;
- the net positive effects of € 6,106 thousand deriving from the adoption of IFRS 15 at January 1, 2018;
- the distribution of dividends to savings shareholders of the Parent for a total of € 204 thousand;
- the purchase of treasury shares for € 52 thousand in execution of the authorization approved at the Shareholders' Meeting of April 27, 2018 and launched on November 28, 2018.

Net financial indebtedness

At December 31, 2018, the net financial position was € 66,989 thousand (€ 72,947 thousand at December 31, 2017) and is composed as follows:

(euro/thousand)		AT 12.31.2018	AT 12.31.2017	CHANGE
A	Cash and cash equivalents	101,038	74,476	26,562
B	Other cash and cash equivalents	-	-	-
C	Trading securities	-	-	-
D=(A+B+C)	**Liquidity**	**101,038**	**74,476**	**26,562**
E.1	**Current financial receivables due from third parties**	**97**	**666**	**(569)**
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	8,647	2,195	6,452
H.2	Other current financial debt due to related parties	-	-	-
I=(F+G+H)	**Current financial debt**	**8,647**	**2,195**	**6,452**
J=(I-E-D)	**Net current financial indebtedness**	**(92,488)**	**(72,947)**	**(19,541)**
K	Non-current bank debt	-	-	-
L	Bond issues	-	-	-
M.1	Other non-current loans due to third parties	25,499	-	25,499
M.2	Other non-current loans due to related parties	-	-	-
N=(K+L+M)	**Non-current financial debt**	**25,499**	**-**	**25,499**
O=(J+N)	**Net financial indebtedness (ESMA)**	**(66,989)**	**(72,947)**	**5,958**

The positive net financial indebtedness at December 31, 2018 following the early adoption of IFRS 16 - Leases reflects the recognition of a financial liability of € 34,087 thousand, representing the present value of future lease payments, against the recognition under assets of the "right-of-use assets".

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

Non-current financial liabilities

This item totaled € 25,499 thousand at December 31, 2018, and refers entirely to the financial liability associated with early adoption of IFRS 16, as described above.

Current financial liabilities

This item totaled € 8,647 thousand at December 31, 2018 (€ 2,195 thousand at December 31, 2017) and refers to *Other current financial liabilities with third parties*. In particular, the amount includes € 8,588 thousand referring to the current portion of the financial liability associated with the adoption of IFRS 16.

Current financial assets

Current financial assets amounted to € 97 thousand at December 31, 2018 (€ 666 thousand at December 31, 2017) and mainly refer to loan assets amounting to € 67 thousand (€ 630 thousand at December 31, 2017) and € 30 thousand in loans to employees (€ 36 thousand at December 31, 2017).

Cash and cash equivalents

Cash and cash equivalents amounted to € 101,038 thousand at December 31, 2018 (€ 74,476 thousand at December 31, 2017) and mainly refer to the Parent Italiaonline S.p.A. (€ 100,669 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 arrangement. Therefore there are no longer any amounts subject to restriction/guarantee.

4. Information on financial risks

Risk associated with financial indebtedness

No significant risks related to financial indebtedness are recognized with respect to the financial indebtedness at December 31, 2018.
The table below shows the maturity of the financial liabilities:

	DUE BY			
	BY NEXT YEAR	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL
Financial liabilities for contracts of use of leased assets	8,588	19,527	5,972	34,087
Other financial liabilities	59	-	-	59
Total financial liabilities	**8,647**	**19,527**	**5,972**	**34,146**

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 Parent to implement a structured credit management process, which uses behavioral scoring 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 by 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.

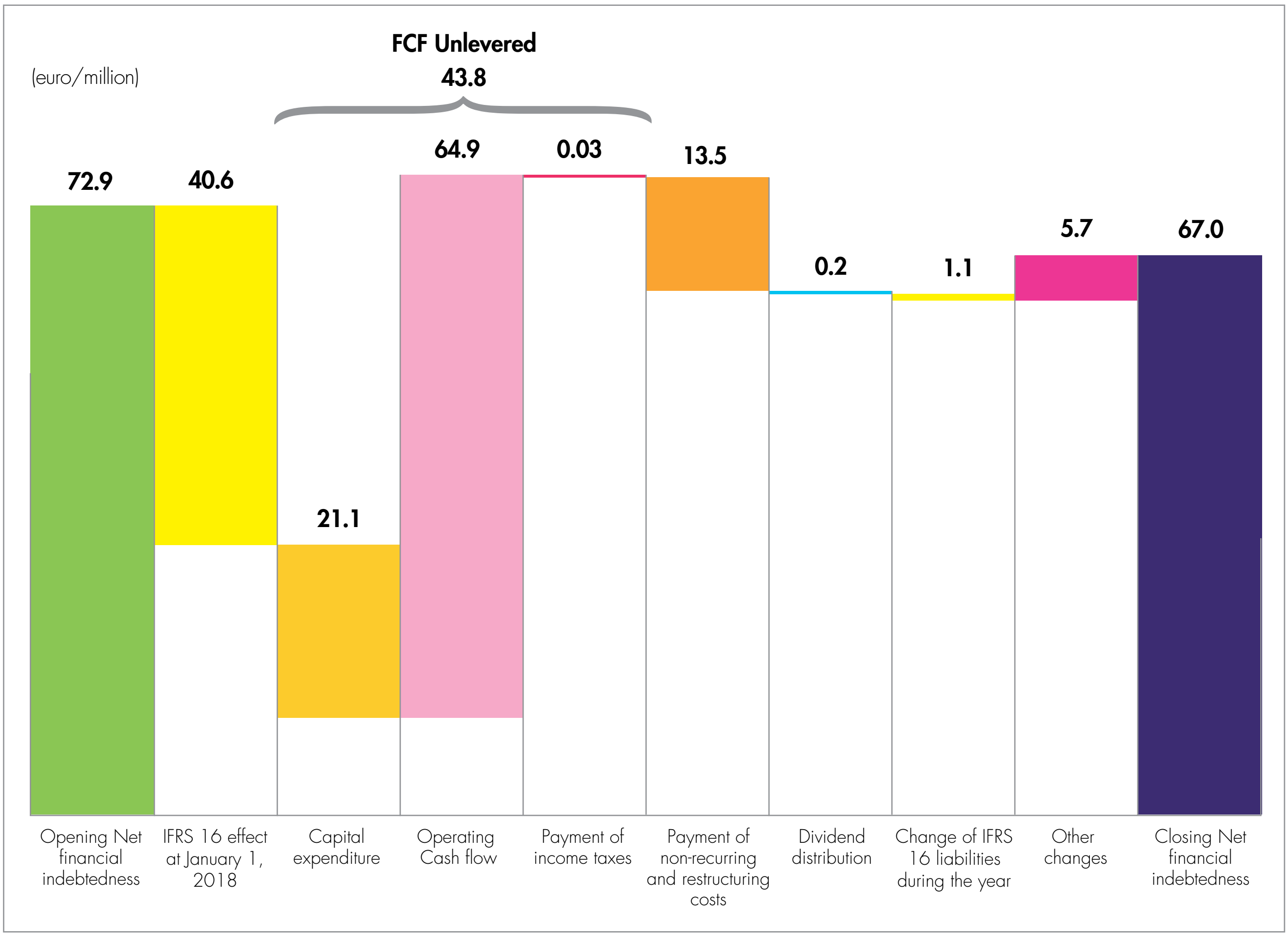
With reference to the Parent, the monitoring of collection through advances and guarantees collected in the process of creating a contract and incentives for forms of payment such as SEPA Direct Debit (SDD), currently 80% of sales to SMEs, allow it to better manage the dynamics of receipts at due dates.
The net trade receivables of the Italiaonline Group at December 31, 2018 were € 129.6 million (€ 137.8 million at December 31, 2017), almost entirely due to the Parent Italiaonline S.p.A. (€ 127.6 million), which at the end of 2018 had approximately 230,000 customers spread all over Italy consisting mainly of small and medium-sized enterprises.
The amount of overdue trade receivables of Italiaonline at December 31, 2018 amounted to approximately € 42 million (€ 55 million at December 31, 2017) with an average coverage percentage of the loss allowance amounting to about 58.6%, deemed adequate. The monitoring at an early stage and the credit collection process described above has led the Parent and 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, based on customer segmentation in function on territorial criteria and days outstanding, which reflects the Parent's historical behavioral experience in collecting receivables make a prevision on the balance of receivables at December 31.

CONSOLIDATED CASH FLOWS FOR 2018

(euro/thousand)	YEAR 2018	YEAR 2017	CHANGE
EBITDA	73,307	67,661	5,646
Net interest income (expense) from discounting of operating activities/ liabilities and stock options	(322)	730	(1,052)
Decrease (increase) in operating working capital (*)	(2,340)	11,733	(14,073)
Decrease (increase) in non-current operating liabilities (**)	(5,764)	(2,621)	(3,143)
Capital expenditure	(21,064)	(26,323)	5,259
Gains (losses) on disposal of non-current operating assets	27	(29)	56
Operating free cash flow - OFCF	**43,844**	**51,151**	**(7,307)**
Income taxes	(30)	(795)	765
Unlevered free cash flow	**43,814**	**50,356**	**(6,542)**
Collection of interest and financial expense, net	291	417	(126)
Payment of non-recurring and restructuring costs	(13,527)	(20,635)	7,108
Dividend distribution	(204)	(80,032)	79,828
Disposal of investment in Telegate AG	3,410	-	3,410
Share buy back	(52)	-	(52)
IFRS 16 effect	(41,679)	-	(41,679)
Other changes	1,989	724	1,265
Change in the net financial indebtedness	**(5,958)**	**(49,170)**	**43,212**

(*) The change doesn't include the non - monetary effects mainly arising from IFRS15 adoption
(**) The change doesn't include the non - monetary effects mainly arising from actuarial profit and losses recognised to equity.

The following graph summarizes the main elements that affected the change in the net financial indebtedness during 2018.



The ***unlevered* free cash flow,** generated in 2018, was positive for € 43,844 thousand, a decline of € 6,542 thousand with respect to that generated in 2017 (€ 51,151 thousand) which reflects the slowdown in the decrease in revenue, partially offset by reduced investments.

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

In compliance with the request sent by CONSOB on July 22, 2016, file no. 0067885/16, pursuant to Article 114 of Italian Legislative Decree 58/1998, regarding the request to add some information to the annual and interim financial reports and the interim financial statements starting from the interim financial report at June 30, 2016 as well as the press releases concerning the approval of the above mentioned financial statements, in lieu of the disclosure requirements provided with the request of September 7, 2011, file no. 11076499, additional information related to December 31, 2018 is reported below.
The net financial indebtedness of the Group and the Parent as of December 31, 2018 is described and commented on in note 17 "Net financial indebtedness" of the notes to the consolidated and separate financial statements at December 31, 2018.
The breakdown of overdue debt positions of the Company 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 as at December 31, 2018 were € 11,160 thousand (of which € 10,606 thousand related to Italiaonline S.p.A.), paid in January 2019 for € 9,039 thousand (of which € 8,750 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 in accordance with specific regulatory provisions. There were no atypical and/or unusual transactions, nor potential conflicts of interest. There were no changes or developments in the related party transactions described in the latest approved financial statements that had a material effect on the financial position or results of operations of the Group and Italiaonline S.p.A..
Detailed tables of transactions with related parties of the Group and the Parent are stated under note 29 "Related party transactions" of the notes to the consolidated and separate financial statements at December 31, 2018.
Based on the data available at December 31, 2018 compared to the forecasts included in the Business Plan 2018-2020, at Group level revenue and EBITDA are lower than expected; on the other hand, the Group generated a higher cash flow than forecast in the plan.
On March 19, 2019 the Board of Directors of Italiaonline S.p.A. approved an update of the Business Plan (already resolved on March 15, 2018) extending its duration to 2021 and updating the economic-financial objectives for the period 2019 - 2021 (the updated Plan).

Main events 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 canceled 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 with headquarters 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 also completed. Such business unit is 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 S.p.A. approved an update to the Business Plan (already resolved on March 15, 2017) extending it to 2020 and updating the financial targets for the period 2018-2020 (the **'updated Plan'**).
The updated Plan was essentially based on the same value creation levers announced in the previous version of the Business Plan (approved on March 15, 2017) and implemented the effects of progress in the development initiatives undertaken during 2017 and changes in the market context. The updated Plan also included 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.

Liquidation of Emittenti Titoli S.p.A.

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

Director resignation

On April 16, 2018, Maria Elena Cappello, a non-executive independent 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 listed issuers.

Ordinary and Extraordinary Shareholders' Meetings of April 27, 2018

The Parent's Ordinary and Extraordinary Shareholders' Meetings were held on April 27, 2018.
At the ordinary session, the shareholders resolved:

- to approve the 2017 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*) to the 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 Article 83-*terdecies*, of Italian 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 up to 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 Article 14 of the current Articles of Association, to integrate the candidates from the aforementioned list;
- to appoint Tarek Aboualam as Chairperson 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 Chairperson of the Board of Statutory Auditors, determining the annual remuneration for the Chairperson 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 at the Shareholders' Meeting by the shareholder Libero Acquisition S.à r.l., which received the majority vote;
- to authorize (*i*) pursuant to and for the effects of Article 2357 *et seq.* of the Italian Civil Code and Article 132 of Italian Legislative Decree 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 Article 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* of Italian Legislative Decree No. 58, dated 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 Article 2443 of the Italian Civil Code, excluding option rights pursuant to Article 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 Article 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 Article 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 Article 2349 of the Italian Civil Code, attributed for a period of five years to the Board of Directors pursuant to Article 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.

Manager in charge of Financial Reporting

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

Board positions

On April 27, 2018, the Parent's Board of Directors confirmed Antonio Converti's appointment as Chief Executive Officer.
On November 20, 2018, the Parent announced that its existing relations with the Chief Executive Officer Antonio Converti had been terminated by mutual consent. The agreement for the termination of relations with Antonio Converti was approved by the Parent's Board of Directors following the investigation conducted by the Appointments and Remuneration Committee and the favorable opinion of the Board of Statutory Auditors.
On December 6, 2018, Antonio Converti resigned, for personal reasons, with immediate effect from his positions held at the Parent as Chief Executive Officer and member of the Board of Directors of Italiaonline S.p.A..
Also on December 6, 2018, the Board of Directors of the Parent co-opted Roberto Giacchi, with whom an agreement, communicated on November 23, had been reached, as a member of the Board of Directors, also appointing him Chief Executive Officer of the Parent. In addition to his role as Chief Executive Officer, Roberto Giacchi also holds the position of General Manager.

Internal committees

On April 27, 2018, the Board of Directors, after confirming the existence of the independence requirements of the directors Arabella Caporello, Vittoria Giustiniani, Cristina Finocchi Mahne and Corrado Sciolla as independent directors, also appointed for the period 2018 - 2020:

- the Appointments and Remuneration Committee, with the directors Vittoria Giustiniani (Chairperson), Cristina Finocchi Mahne and Corrado Sciolla as members;
- the Audit and Risk Committee, with the directors Cristina Finocchi Mahne (Chairperson), Arabella Caporello and Vittoria Giustiniani as members.

It should also be noted that on May 9, 2018, the Board of Directors set up the Strategic Committee with the directors Tarek Aboualam (Chairperson), Corrado Sciolla (Independent Director), Onsi Sawiris, Sophie Sursock and Pierre de Chillaz, 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. On March 19, 2019 the Board of Directors resolved to remove the Strategy Committee from office.

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 Article 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 Article 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, four meetings were held with the trade unions in April and May.
On termination of the "trade union stage", four 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 employees 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, if available, 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 have been managed during a government-sponsored lay-off period for reorganization, with a 6-month duration until January 11, 2019.

Shareholders' agreements

On September 9, 2018, the shareholders' agreement relating, among other things, to the governance of the Parent entered into on September 9, 2015 between the shareholders Libero Acquisition S.à r.l., GL Europe Luxembourg S.à r.l., GoldenTree Asset Management Lux S.à r.l., GoldenTree SG Partners LP, GT NM LP and San Bernardino County Employees' Retirement Association, exhausted its effects due to the expiry of the term of the agreement.

Management and coordination

On September 27, 2018, the Board of Directors of the Parent agreed to follow up the obligations necessary for the purpose of declaring Italiaonline S.p.A. subject to the management and coordination activities of the ultimate parent, Libero Acquisition S.à r.l.

Savings shareholder appeals

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 Article 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 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 Articles of Association.
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, adjourning the parties to the hearing for a ruling on the conclusions on June 11, 2019.

By means of a ruling dated December 22, 2017, the Court of Turin rejected the appeal submitted by the Common Representative of Savings Shareholders of Italiaonline S.p.A., Stella d'Atri, against the resolution of the Ordinary Shareholders' Meeting of April 23, 2015 for the part concerning the allocation of the profit of the year ended December 31, 2014 and ordered the plaintiff to pay the costs of the legal proceedings. This ruling was appealed at the Court of Appeal of Turin by means of appeal notified on February 6, 2018. The Parent filed its defense on May 30, 2018.
At the hearing on July 11, 2018, the Court reserved the right to decide on the claim of invalidity of the appeal filed by Italiaonline S.p.A. and then declare the invalidity of the appeal pursuant to Article 348-*bis* of the Italian Code of Civil Procedure.

Repurchase of treasury shares

On November 28, 2018, in execution of the authorization provided by the Shareholders at their Meeting on April 27, 2018, the Parent began to repurchase treasury shares, pursuant to Article 2357 *et seq.* of the Italian Civil Code and Article 132 of Italian Legislative Decree No. 58 of February 24, 1998. To this end, the Parent has appointed a top-level intermediary to repurchase the shares, a task that will last until the end of the eighteenth month from the date of the aforementioned Shareholders' Meeting and, therefore, until October 27, 2019. For further information, please refer to the relevant press releases.

Events after the reporting date

Meeting of Savings Shareholders of February 21, 2019

On February 21, 2019, the Special Meeting of Savings Shareholders resolved to (i) grant the Common Representative of the Savings Shareholders the widest possible powers in order to ascertain the rights and any damage suffered by the category represented, with the consequent proposal of any appropriate legal action; (ii) approve the fund statements set up for the expenses required for the protection of the common interests of the category; (iii) appoint Stella d'Atri as Common Representative of this category of shareholders for the three-year period 2019-2021, establishing annual remuneration at € 50,000 including expenses; (iv) notice to shareholders on business plan, business performance and plans regarding the use / distribution of reserves.

Technical update of the Business Plan

On March 19, 2019, the Board of Directors approved a technical update of the Business Plan (resolved on 15 March 2018 under the former CEO's direction), for the approval of 2018 Financial Statements, extending the term to 2021 and updating the financial objectives for the period 2019-2021 (the updated Plan).
The updated Plan, essentially based on the same value creation drivers identified in the previous version of the Business Plan, takes account of the progress made in the initiatives undertaken in 2018 as well as the evolution of the market context. The changes to the financial objectives largely reflect a continuation of growth in the digital segment, which is able, within the time frame of the Plan, to offset the decline in the traditional business, also enabling an improvement in operating profitability.
The main drivers for the growth in digital revenue include:
- SME business segment: i) increase in customer retention, mirrored by a reduction in churn rate (rate of loss of customers); ii) growth in newly acquired customers, and ii) strengthening of upselling strategies aimed at increasing the ARPA. Growth and retention of the customer base will also be pursued by continuing to enrich the product portfolio and improve customer care services.
- Digital Advertising segment, Italiaonline will pursue the growth of the Group's web properties, which to date boast an undisputed leadership position in terms of daily audiences in the Italian market, both through organic development based on product innovation and on the production of original content, and through commercial partnerships with other digital publishers.

The Plan approved by the Board of Directors represents a vision of organic development of the current business lines and does not include any significant new initiatives.
Management, together with the new CEO, is committed to preparing a **New Business Plan** (2020 – 2022), which the management is expected to submit to the approval of the Board of Directors by the date of approval of the Interim Financial Report at 30 June 2019.

Consolidated non-financial information

On March 19, 2019 in observance of the new Legislative Decree 254/2016 on the publication of non-financial information, the Board of Directors approved the statement on non-financial information of Italiaonline Group for 2018.

Outlook

In 2019, Italiaonline management will be involved in initiatives aimed at sustaining and at stabilising the Top Line, through the continued growth of digital revenue, also with a view to offset the downturn in the traditional business. The development of the digital segment involves: i) the enrichment of the offer for SMEs, ii) strengthening of customer care activities aimed at supporting customer retention, also thanks to the creation of a "Digital Factory" division inaugurated on 7 March 2019 in Turin, which will gradually allow the insourcing of some production costs currently outsourced and iii) growth of the IOL Advertising agency in order to strengthen its leadership in the Italian market both through new partnerships and the development of web properties.

SUPEREVA

When news is trendy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LOL
GULP
LOVE
WOW
POP
NEWS
TRENDOMETRO
VIDEO
STORIE
COME FARE
ALTRO
Chi è Francesco Monte, futuro marito di Cecilia Rodriguez
Gigi D'Alessio cambia vita e diventa conduttore di "Made in Sud"
SUPEREVA
Jalisse: "Da 20 anni il Festival di Sanremo non ci vuole"
Ve la ricordate Rudy Robinson? È diventata mamma
Ora potete mandare messaggi su Whatsapp offline, ecco come
La top model: "Sono intersessuale e mi batto per quelli come me"

Performance by Business Segment

For comparison purposes, see the description provided in the above paragraph "Financial highlights of the Group".
The following table shows some economic and financial data, in addition to some alternative performance indicators for the main business segments of the Group:

(euro million)		ITALIAN DIGITAL	OTHER	AGGREGATE TOTAL	ELIMINATIONS AND OTHER ADJUSTMENTS	CONSOLIDATED TOTAL
Revenue from sales and services	Year 2018	318.8	6.9	325.7	(0.9)	324.8
	Year 2017	330.3	6.8	337.1	(1.2)	335.9
GOP	Year 2018	80.7	(0.2)	80.5	0.5	81.0
	Year 2017	81.1	(3.4)	77.7	0.2	77.9
EBITDA	Year 2018	73.0	0.4	73.4	(0.1)	73.3
	Year 2017	69.3	(1.6)	67.7	-	67.7
EBIT	Year 2018	1.0	(4.4)	(3.4)	-	(3.4)
	Year 2017	32.3	(4.6)	27.7	0.1	27.8
Total assets	December 31, 2018	641.7	3.2	644.9	(2.9)	642.0
	December 31, 2017	611.2	5.7	616.9	(9.5)	607.4
Total liabilities	December 31, 2018	326.6	6.3	332.9	(3.4)	329.5
	December 31, 2017	287.3	14.4	301.7	(9.9)	291.8
Net invested capital	December 31, 2018	246.0	(0.2)	245.8	(0.3)	245.5
	December 31, 2017	242.9	(0.4)	242.5	0.1	242.6
Capital expenditure	Year 2018	18.9	2.1	21.0	0.1	21.1
	Year 2017	24.2	2.2	26.4	(0.1)	26.3
Average workforce	Year 2018	1,322	60	1,382	-	1,382
	Year 2017	1,411	81	1,492	-	1,492
Average number of sales agents	Year 2018	698	11	709	-	709
	Year 2017	815	20	835	-	835

DIGITAL ITALIA

Product innovation

During 2018, Italiaonline focused on a number of initiatives aimed at achieving an increase in audiences and digital revenue.

More specifically,

Large Accounts Business Unit
In 2018 Italiaonline S.p.A. carried out:

- the launch of exclusive advertising, focusing on important players in the Italian media sector:
  - Prima comunicazione online, with a new more modern and functional responsive website, created by Italiaonline. Prima Comunicazione is the daily online reference point for those working in communication, media, advertising & marketing;
  - Dailymotion, one of the largest video platforms in Europe and Italy with premium content divided into 9 thematic areas: News, Music, Sport, TV&Film, Lifestyle, Technology, Automotive, Gaming, Comedy;
  - Scontomaggio, one of the largest sites in Italy for discount coupons, vouchers and free samples;
  - TuttoAndroid, one of the leading sites in Italy in the field of technology and dedicated to smartphones, tablets and smartwatches: technical information sheets, news and insights;
  - Spazio Mamma and Mamme Oggi, two portals/web magazines dedicated to the world of motherhood;
  - Quantum Italia, Europe's leading national advertising marketplace with over 300 premium publishers in its network;
  - UPDAY, Europe's largest news app, pre-installed on Samsung smartphones and integrated into the latest generation of tablets and smart TVs;
- the acquisition of the advertising agency ADPULSE ITALIA, the unit of AdUX (formerly HiMedia) specializing in advertising sales for leading Italian and international publishers (WeTransfer, ViaMichelin, GreenMe, Notizie.it, vegolosi,etc.);
- a considerable increase in content marketing projects, making the skills gained by iOL in managing content on proprietary portals available to the most significant brands;
- consolidation and continuous innovation in the analysis and delivery of rich-media formats designed ad hoc for advertising campaigns of the main Italian brands;
- the restyling and rebranding of the Buonissimo.org website, a portal dedicated to food, purchased by Italiaonline in 2017;
- the updating of the content dashboard (Clevero) with the introduction of the Instagram trend alerting system and the real-time monitoring of the SEO performance of individual content;
- the launch of a new video player, which optimizes user experience and viewability performance and completion rate on desktops and mobiles. The player can also be used on third party sites (video-syndication) and can contain a playlist of content;
- the new area "Virgilio Video for Kids" with a series of formats and premium content for children and young people (mondo scuola - school world);
- optimization of AMP (Accelerated Mobile Pages) and PWA (Progressive Web App) on the main thematic vertical channels (e.g. DiLei, SiViaggia, QuiFinanza) and on local Pagine Gialle, Pagine Gialle Casa and Pagine Bianche portals;
- the launch of the new mobile application Virgilio Mail for IOS and Android;
- the restyling of the Support areas of the Libero and Virgilio (Libero Aiuto and Virgilio Aiuto) portals;
- the launch of the new LiberoSito service, which allows you to create personal websites optimized for all devices (PC, smartphone, tablet) with a gallery of rich and constantly updated templates and a dashboard to monitor visits;
- the restyling of the Virgilio People service, the storied community for the Virgilio portal, with new personal profiles, a friend search engine and photo album;

- the restyling of paginegialle.it and the launch of a new editorial magazine associated with paginegialle.it (Giallo Magazine) with new content aimed at developing traffic from search engines and generating visits to business directories (lead generation);
- the restyling of pgcasa.it, the vertical marketplace dedicated to the world of Home Services, and the launch of a new editorial magazine associated with pgcasa.it (Pagine Gialle Casa Magazine) with new content aimed at developing traffic from search engines and generating requests for quotes (lead generation);
- the launch of new premium cross-device, multimedia and interactive advertising formats on the home pages of the Libero and Virgilio portals and on the thematic vertical channels (e.g., DiLei, SiViaggia, QuiFinanza) to strengthen the premium advertising range and comply with the guidelines of the Coalition for Better Ads, a consortium of leading representatives from the world of agencies, companies and publishers (including Google, Facebook, Procter & Gamble, Unilever, the Washington Post, IAB) that aims to improve the quality of online advertising;
- the launch of a new range of mobile advertising products (e.g. masthead mobile) and placement optimization to maximize viewability and the CTR (click-through rate);
- the launch of a new advertising product on the login pages of Libero and Virgilio: 2-step login (in the first step the email address is entered, in the second step the password) with the ability to plan the two steps in a coordinated and sequential manner, in order to implement storytelling projects;
- the launch of the new advertising product "bumper-ad", a 6-second video advertising format widely used on Facebook and Youtube;
- the launch of the new advertising product "Slink", a native product within Libero and Virgilio mail with the exclusive feature of being displayed for the duration of the user session;
- development of the CPC range based on Appnexus' DSP and integrated with Italiaonline's DMP;
- the partnership with Integral Ad Science (IAS) as a partner for the verification and optimization of the quality of the advertising inventory (viewability, brand safety, invalid traffic);
- adaptation to the GDPR (General Data Protection Regulation) and the adoption of a Consent Management Platform (CMP) for the consent management of the entire advertising chain;
- the scale optimization and adoption of the new architecture/stack of programmatic display advertising, which envisages the adoption of header bidding and exchange bidding (EBDA), techniques that integrate and create competition (real-time bidding) between different demand sources in order to optimize the conversion to cash of the advertising inventory.

SME Media Agency Business Unit
2018 was characterized by the enhancement of the product range:
- in the *Web Presence* segment, the iOL Connect platform has been enhanced by providing customers with a dashboard to monitor results obtained on all iOL products, with the option of displaying detailed information on individual products. At the end of the year, previewed at a number of local branches, the new range was launched on paginegialle.it. The new range supplements the existing offering with the addition of a component that will allow customers to have greater visibility of searches carried out by users on paginegialle.it.. Finally, one year after its launch and in light of impressive results, the PGCasa range has been revised, differentiating its components between presence, advertorials and refill quotes;
- with reference to the *Website* segment, the site production process was optimized (extending territorial support to medium/high end sites) along with post-production (introducing site training videos and add-ons and video inductions for new customers);
- with reference to the *Digital Marketing* segment, the search offering was strengthened with the expansion of campaigns on the Bing search engine. Google Ads has introduced the option of creating specific Landing pages to support search campaigns and displays, with the aim of generating Leads. With regard to the Facebook range, a multi-flight campaigns logic has been introduced with an increase in consultancy offered to the customer, thanks to suggestions on seasonality and on topics to be promoted in specific communications for SMEs, with the exclusive know-how of iOL;
- finally, the iOL Audience range was strengthened with a range designed for large and medium investors, Advanced and Top iOL Audience, which provides for the implementation of integrated communication plans tailored to customer needs, using the main digital ADV platforms (Google, Facebook, Programmatic, Linkedin) and content marketing on iOL channels.

Development of new IT systems

The following projects were developed in the IT systems domain:

In the business support systems, the main developments were as follows:
- **Coltrane ALS:** In 2018 Italiaonline launched a project that aims to release in 2019 the CRM Salesforce to support Sales Force Management, Order Management and Delivery processes. In 2018 the first feature integrated with the SFE acquisition system, already developed in Salesforce, was released, called Scheda Unica, which enables the collection of the contents of the Scheda Gialla, Scheda Bianca and iOL Connect range by Agents, BackOffice and Closing through a new App that introduces operational efficiency in the order confirmation phase (content loading) and in the content processing/validation phase (by Operations).
- **Payline - Credit PreScore**: creation of a new algorithm for the calculation of Credit Prescore for Customers and iOL Prospects, enhanced with data collected by Consodata Scoring Light and Cerved Payline.

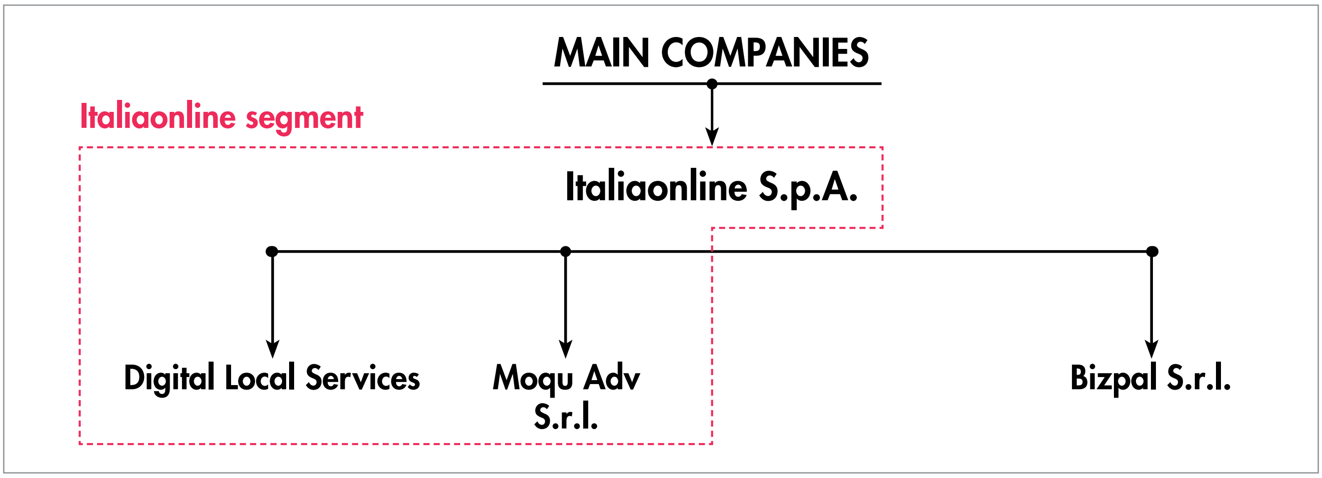
From 2018 Q3, implementation activities for the transmission and receipt of the flow of Customers and Prospects to Cerved were initiated. At the same time, a new algorithm was created for calculating pre-score credit to be used on legacy systems and on Salesforce at the time of the creation of the Contract. The release is scheduled for 2019.
Development IT were carried out with reference to the following products:
- iOL Audience, iOL Connect to support BU Small and Medium-sized Enterprises (SME).
- "Secure Password" project, "Mail upgrade project" and AdPulse project (for the integration of the flows and proceeded following the acquisition of the concessionaire) to support the BU Large Account (LA).

Services to support activities have been developed:
- Customer Operation, aimed at optimizing the management of customer tickets with the new Zendesk customer care system.
- Administrative, for the implementation of mandatory electronic invoicing from January 2019.
- Personnel management, with the development of the payroll system integrated with Time and Payroll functions.

In the IT systems segment, developments mainly concerned the Datacenter as the Rozzano and Pont-Saint-Martin server farms were dismantled and the systems were migrated to the Supernap Datacenter. Migration to the supernap data center of the applications and infrastructure components present in Turin was also started.
It should be noted that the Group carries out research and development activities for the development of its products, although there are no specific expenses capitalized in the financial statements for this purpose. The resources used so far for these activities have been aimed at the development and maintenance of the information assets and the IT structure, consequently the underlying expenses have been incorporated into the value of the software produced internally and aimed at enabling the operation of the Group's production systems. In the 2018 financial year these expenses amount to € 6,983 thousand.

Structure of the Business Segment

The Digital Italia Business Segment is structured 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 canceled 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 August 2, 2018 the final liquidation accounts of the following 10 DLS were deposited: Bologna 2, Brescia 1, Calabria 2, Campania 2, Milano 2, Puglia 2, Sicilia 2, Torino 1, Toscana 1, Veneto 2.
- On August 2, 2018 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 winding up of the companies.
- On November 30, 2018 DLS Firenze 1 was put into liquidation.
- On March 11, 2019 the Board of Directors of Digital Local Services Lazio 3 resolved to assess the grounds for winding up of the company.
- DLS Veneto 1, Varese 1, Roma 2, Milano 3 and Liguria 1 partially amended their business object.
- At December 31, 2018 the liquidation process of the DLS Rome 1, which began on August 3, 2017, has not yet been completed.

Financial highlights

The table below shows the main results of the Digital Italia Business Segment for 2018 compared with those from the previous year.

(euro million)	YEAR 2018	YEAR 2017	CHANGE	
			ABSOLUTE	%
Revenue from sales and services	318.8	330.3	(11.5)	(3.5)
MOL	80.7	81.1	(0.4)	(0.5)
EBITDA	73.0	69.3	3.7	5.3
EBIT	1.0	32.3	(31.3)	(96.9)
Capital expenditure	18.9	24.2	(5.3)	(21.9)
Average workforce	1,322	1,411	(89)	(6.3)
Net invested capital	246.0	242.9	3.1	1.3

ITALIAONLINE

The ITALIAONLINE segment includes Italiaonline S.p.A. data, 64 limited liability companies (10 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, an all-round advertising investment management and support platform designed especially for SMEs.
The table below shows the main results for 2018 compared with those of the previous year.

(euro million)	YEAR 2018	YEAR 2017	CHANGE	
			ABSOLUTE	%
Revenue from sales and services	318.8	330.2	(11.4)	(3.5)
GOP	80.2	81.2	(1.0)	(1.2)
EBITDA	72.7	69.5	3.2	4.6
EBIT	1.2	32.6	(31.4)	(96.3)
Capital expenditure	18.9	24.2	(5.3)	(21.9)
Average workforce	1,166	1,262	(96)	(7.6)
Net invested capital	243.4	240.1	3.3	1.4

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

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 *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 range (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 PagineGialle®, PagineBianche® and TuttoCittà® directories and the portion of revenue returned to Italiaonline by telecommunications operators for the paper directories distribution service.
- *Voice* revenue generated by directory assistance *89.24.24 Pronto PagineGialle® and 12.40 Pronto Pagine Bianche®* services.
- *Third-party product* revenue deriving from the sale of advertising on third-party traditional media and from *direct marketing* and *merchandising* services.

Revenue from sales and services of the ITALIAONLINE segment amounted to € 318.8 million in 2018, down 3.5% compared to the previous year.
The revenue trend for the year reflects, on the one hand, growth in digital revenue (+7.2%), aided by double-figure growth (+22.4%) in the *Digital Advertising* segment which outperformed the trend (+8%) of the *web advertising* market in Italy (source: Nielsen, January-December 2018, including search and social media), and on the other hand the forecast continuation of the structural decline in traditional products based on telephone directories and telephony.

More specifically:
a) *Digital* Revenue amounted to € 244.4 million in 2018, an increase of 7.2% compared to the previous year. The fourth quarter saw an increase of +7.6%, an improvement compared to the positive performance of the third quarter (+7.0%), following the strong growth of the third quarter (+7.9%) and the more moderate growth of the first quarter (+6.1%). In this respect, it should be noted that the growth in *Digital* revenue was driven by the *Digital Advertising* segment (+22.4% year on year) which saw, in particular, a double-figure increase in iOL Audience revenue (the digital advertising range dedicated to SMEs and unique in Italy), and the revenue of the distributor iOL Advertising, sustained by the increase in the audience data of iOL properties, 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 *Presence* segment recorded an improvement in the trend during the third (-1.8%) and fourth quarters (-1.9%) compared to the first two quarters (-8.0% and -5.1%, respectively), bringing the year-on-year change for the full year to -4.3%. This improvement is due to a substantial enhancement and strengthening of the product range. The total share of Digital Revenue for the year was 76.7% (an improvement on the 69.1% of the previous year).
b) *Traditional* revenue amounted to € 73.3 million in 2018, a decrease of 27.4% compared to the previous year. The total share of *Traditional* Revenue in the year amounted to 23.0%.
c) *Other* Revenue from other products in 2018 amounted to € 1.0 million, down by € 0.2 million compared to the previous year.

The GOP stood at € 80.2 million in 2018, down by € 1.0 million compared to 2017, with the operating margin up from 24.6% to 25.2%.
The costs of materials and for external services, net of the portion of costs charged to third parties, amounted to € 176.3 million in 2018, a decrease of € 5.2 million (2.9%) compared to 2017.
Note that the performance of costs in 2018 was affected by the early adoption of IFRS 16 – Leases, which led to a different nature and classification of related costs, with a consequent reduction in "Costs for use of third party assets" and at the same time an increase in amortization and depreciation due to the recognition, under assets, of the "right-of-use assets"; further details can be found in Notes 3.1 and 3.4 to this Annual Financial Report.
The industrial costs of € 96.8 million were up on 2017 by € 1.0 million (+1.1%). This performance is attributable to the increase in web publisher commissions (+€ 10.7 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 for the iOL WebSite and Presence products (+€ 3.3 million) as a result of the iOL Connect product range. These increases were partly offset by the reduction in production, distribution and stocking costs for € 5.9 million attributable to the decrease in Print revenue and circulation figures, reflected in the lower number of pages and and to the decrease in data center costs (- € 4.8 million relating to the Parent), partly due to the impact of the early adoption of IFRS 16 for the part relating to the rental for € 3.1 million and in part due to actual savings linked to the gradual migration process of the corporate data center to Supernap; in addition, the costs related to Voice services (- € 1.0 million) due to the trend in traffic revenues were reduced.
Commercial costs, equal to € 58.3 million, were in line with 2017.
Overheads amounted to € 21.1 million, down 25.7% (-€ 7.3 million) compared to 2017, of which € 3.8 million was due to the impact of the early adoption of IFRS 16 on the Parent's lease and rentals, with widespread savings on the majority of items thanks to constant efficiency improvement activities although mainly concentrated on credit recovery expenses (- € 1.1 million due to an improvement in credit quality with consequent lower entry practices), telephone expenses (- € 0.4 million for renegotiation of contracts and text message reduction related to Voice services), travel expenses (- € 0.3 million) and consulting (- € 0.4 million). Overheads include advertising costs of € 3.1 million, up € 0.8 million compared to the previous year.

Personnel expense, net of costs recovered for personnel seconded to other Group Companies, totaled € 62.3 million in 2018, down € 5.3 million (-7.8%) compared to 2017. The decrease is mainly due to the reorganization activities carried out within the Group. The average workforce, which identifies the work force in proportion to the actual time of active service, amounted to 1,166 employees in 2018 compared to 1,262 employees in 2017, a decrease of 96 due to the reorganization initiatives implemented in particular at the Parent.
EBITDA stood at € 72.7 million in 2018, an increase of € 3.2 million compared to 2017 (4.6%) which translated to 22.8% of revenue (21.1% in 2017). The figure benefited from positive effect of the early adoption of IFRS 16 for € 8.4 million.
EBIT is positive for € 1.2 million in 2018, down by € 31.4 million of which € 26.2 million related to the net allowance for implementation of the reorganization plan by the Parent, following the agreement signed on July 2, 2018 with the trade unions.
Capital expenditure in 2018 amounted to € 18.9 million and mainly relates 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 incorporating them into the Italian regulatory framework. The EU General Regulation 2016/679 ("GDPR") and Law 101/2018

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, transposed by Legislative Decree No. 196 of June 30, 2003 (so-called Privacy Code) and Directive 2000/31/EC, implemented by Legislative Decree No. 70 of April 9, 2003, in Italy these Directives have been incorporated into Legislative Decree No. 259 of August 1, 2003 (so-called Code of Electronic Communications) 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 136/2009 and 140/2009), which introduced several changes to the personal data protection code (Legislative Decree No. 69/2012) including regulations for the processing of cookies.
As part of the Digital Single Market Strategy, adopted by the European Commission in May 2015 with a view to establishing a European digital single market and fostering economic growth, the Commission promoted a series of measures including the revision of Directive 2002/58/EC, the so-called E-Privacy Directive. This revision will probably 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.
On August 10, 2018, Decree No. 101 "Provisions for the adaptation of national legislation to the provisions of Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC" (OJ General Series No. 205 of September 4, 2018) was published, which came into force on September 9.
This is a coordination measure between the Privacy Code and the European Regulation (GDPR) which i) repealed all the provisions of the Code that are not compatible with or replaced by those of the GDPR; ii) supplemented the framework of sanctions of the GDPR with a series of new criminal violations, confirming those already provided for in the text of the code (Article 167 *et seq.*). On the other hand, contrary to the provisions of Recital 47 of the GDPR, it did not confirm the possibility of carrying out direct marketing activities, without the need for consent, but with the sole application as a legal basis, of the *legitimate interest of the Holder*. This required a revision of the adjustments to the GDPR related to direct marketing, since consent was always required, except for the provisions on telemarketing and postal marketing, which were allowed subject to verification in the Opt-out Register (pursuant to Article 130 of the Code).
In order to continue its compliance with the GDPR, Italiaonline, starting from the last quarter of 2018 and through periodic meetings of the Privacy Committee composed of the Internal Audit Director, the CTO, the Legal & Corporate Affairs Director and the Data Protection Officer: (*i*) completed the drafting of the Group Guidelines on GDPR; (*ii*) mapped and uploaded the data required by the European Regulation (processing, data, applications) to the processing register; (*iii*) regulated relations with third parties (suppliers, partners and customers); (*iv*) published the new policy on data breaches; (*v*) completed the revision of the information and consent forms, for all portals and domains; (*vi*) formally designated the Holder's delegates in the parent; (*vii*) carried out the training of top management and the privacy representatives envisaged in the Group organization, implemented in accordance with the principle of adequacy; (*viii*) re-issued information for employees and consultants; (*ix*) initiated the principles of privacy by design and by default, both through the execution of certain Privacy Impact Assessments (on the mail system) and by examining from the outset certain particularly complex and impactful projects, in terms of privacy risk. Furthermore, an in-depth phase of more technical interventions was launched, with the support of a new leading consulting firm specializing in privacy in companies with high digital profiles and Telco.

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 Management of the Register was assigned to 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.
Furthermore, by means of the Stability Law for 2017, starting from April 1, 2017, the legislator introduced the obligation for all call centers to be registered in an appropriate section of the Register of Communication Operators (i.e.: ROC), as well as the obligation of prior disclosure of the place from which the operator is contacting the user, with the possibility for the latter to request and obtain the transfer of the call to another call center in the EU.
Finally, 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: i) 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; ii) 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; iii) 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.
Finally, on November 8, 2017, Presidential Decree No. 149 was issued, laying down "the Regulation containing "amendments to Presidential Decree No. 178 of September 7, 2010, on the public opt-out register with regard to the use of paper mail".
This measure: i) extended, in implementation, among others, of Article 129 of the Privacy Code, to paper mail for marketing purposes and the prohibitions arising from the inclusion of data in the public opt-out register; ii) confirmed, in 15 days, the effectiveness of verification in the Register for the purposes of processing data for sending advertising materials or direct selling or for carrying out market research or commercial communication through the use of the telephone, and in 30 days, for the processing of data for the same purposes through the use of paper mail.

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: firstly, 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 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 No. 1250 dated July 12, 2016 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 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.
  On December 14, 2018 winding-up proceedings were begun for Dealcome S.r.l., a wholly-owned subsidiary of Consodata S.p.A..
- 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. The resolution has been enforceable since October 5, 2018.
- On November 8, 2018, the legally-required audit engagement with PricewaterhouseCooper S.p.A. was terminated by mutual agreement and on the same date the engagement was conferred to KPMG S.p.A.

Financial highlights

The table shows the main results for 2018 for the Other Activities segment, compared with those of the previous year.

	YEAR 2018	YEAR 2017	CHANGE	
(euro million)			ABSOLUTE	%
Revenue from sales and services	6.9	6.8	0.1	1.5
GOP	(0.2)	(3.4)	3.2	94.1
EBITDA	0.4	(1.6)	2.0	n.s.
EBIT	(4.4)	(4.6)	0.2	4.3
Capital expenditure	2.1	2.2	(0.1)	(4.5)
Average workforce	60	81	(21.0)	(25.9)
Net invested capital	(0.2)	(0.4)	0.2	50.0

The business segment includes the activities of the subsidiary Consodata S.p.A..
Consodata S.p.A., the Italian market leader in Data-Driven Marketing and Marketing Intelligence, with a growing presence in the business & credit information market, has been offering wide-ranging and innovative customer acquisition, evaluation and management services to thousands of businesses operating in various product sectors for over 20 years. Consodata S.p.A. focuses its business on the great wealth of statistical data and personal content of its database and on the recognised expertise in dealing with and imparting value to the data.
Revenues from sales and services amounted to € 6.9 million in the 2018 financial year in line with the previous year.
At December 31, 2018 the Company, being in the presence of a situation of significant loss as per 2446 of the Italian Civil Code, identifiable as a trigger event, carried out the impairment test which showed an impairment loss for a total of € 3,415 thousand allocated between property, plant and equipment and intangible assets.

Other information

HUMAN RESOURCES

Italiaonline Group

	AT 12.31.2018	AT 12.31.2017	CHANGE
Senior Managers	97	102	(5)
Managers	202	220	(18)
White collars	1,143	1,274	(131)
Call operators	222	225	(3)
Employees	**1,664**	**1,821**	**(157)**
of which on government-sponsored lay-off scheme	*293*	*242*	*51*
Directors, coordinated and ongoing consultants, and interns	11	9	2
Total workforce at the end of the year	**1,675**	**1,830**	**(155)**

	12 MONTHS 2018	12 MONTHS 2017	CHANGE
Senior managers	101	110	(9)
Managers	180	193	(13)
White collars	960	1,057	(97)
Call operators	131	123	8
Employees	**1,372**	**1,483**	**(111)**
Directors, coordinated and ongoing consultants, and interns	10	9	1
Average workforce for the year	**1,382**	**1,492**	**(110)**

The Italiaonline Group had a workforce of 1,675 at December 31, 2018 (*of whom 293 under the government-sponsored lay-off scheme*), down by 155 with respect to 1,830 at December 31, 2017 (*of whom 242 under the government-sponsored lay-off scheme*), as a result of reorganization initiatives implemented mainly at the Parent and at Digital Local Services.
In 2018, Italiaonline Group had an average active workforce of 1,382, down by 110 from 1,492 in 2017.

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

	AT 12.31.2018	AT 12.31.2017	CHANGE
Senior Managers	94	100	(6)
Managers	190	208	(18)
White collars	1,076	1,204	(128)
Call operators	-	-	-
Employees	**1,360**	**1,512**	**(152)**
of which on government-sponsored lay-off scheme	*293*	*242*	*51*
Directors, coordinated and ongoing staff, and interns	10	9	1
Total workforce at the end of the year	**1,370**	**1,521**	**(151)**

	YEAR 2018	YEAR 2017	CHANGE
Senior managers	98	107	(9)
Managers	167	174	(7)
White collars	892	972	(80)
Call operators	-	-	-
Employees	**1,157**	**1,253**	**(96)**
Directors, coordinated and ongoing staff, and interns	9	9	-
Average workforce for the year	**1,166**	**1,262**	**(96)**

The Italiaonline segment had a workforce of 1,370 at December 31, 2018 (*of whom 293 under the government-sponsored lay-off scheme*), down by 151 with respect to December 31, 2017, when it had 1,521 (*of whom 242 under the government-sponsored lay-off scheme*), as a result of reorganization initiatives implemented mainly at the Parent and at Digital Local Services.
In 2018, the Italiaonline segment had an average active workforce of 1,166, down by 96 from 2017, when it was 1,262.

For further information, see the table of Italiaonline S.p.A.

	AT 12.31.2018	AT 12.31.2017	CHANGE
Senior managers	92	99	(7)
Managers	189	206	(17)
White collars	768	825	(57)
Journalists	-	-	-
Employees	**1,049**	**1,130**	**(81)**
of which on government-sponsored lay-off scheme	*293*	*242*	*51*
Directors, coordinated and ongoing consultants, and interns	10	9	1
Total workforce at the end of the year	**1,059**	**1,139**	**(80)**

	YEAR 2018	YEAR 2017	CHANGE
Senior managers	96	106	(10)
Managers	166	172	(6)
White collars	565	575	(10)
Journalists	-	-	-
Employees	**827**	**854**	**(27)**
of which on government-sponsored lay-off scheme	-	-	-
Directors, coordinated and ongoing consultants, and interns	9	9	(0)
Average workforce for the year	**836**	**863**	**(27)**

Industrial relations

Trade union relations in 2018 initially revolved around the issues covered in the agreement signed on December 14, 2016, at the Ministry for Economic Development and the Ministry of Labor, concerning the 2016-2018 reorganization plan, assisted by CIGS, the government-sponsored lay-off scheme.
On March 6, 2018, a meeting was also held with the trade unions pursuant to Article 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 start 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 employees in the administration and staff, credit and telephone directory management departments;
- transfers from Turin to Assago of 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, if available, to become exclusive agents for the Company;
- staff leaving incentive envisaged equal to 30 months' gross pay for the remaining 245 staff affected by the procedure;
- a government-sponsored lay-off scheme for reorganization with a 6-month duration until January 11, 2019.

In the second part of 2018, industrial relations were focused on managing the trade union agreement signed at ministerial level on July 2.
The management of all the provisions of the July 2 agreement involved intense work, particularly with regard to staff leaving with incentives (concentrated in January 2019) and the related activities, relocations within the company and the necessary organizational adjustments to facilitate these adjustments, the reintegration of personnel in Group companies with the organizational effort to reconcile the skill sets or potential of personnel with the needs of the target companies, the organization of all activities related to the professional retraining of staff under the government-sponsored lay-off scheme prior to inclusion in the "Digital Factory" organizational unit and the implementation of the transfer of personnel from the headquarters in Turin to Assago.
With regard to the latter element, in September a further agreement was signed with trade union representatives that defined terms, conditions and benefits in relation to the transfer. Measures have been agreed, including innovative approaches, in relation to the management of working time and in general aimed at facilitating staff living and working conditions.
Furthermore, three meetings were held at ministerial level - in August, October and December - to advance the July 2 agreement, with the participation of regional institutions.
At Bizpal (formerly Prontoseat) and Consodata, trade union relations in 2018 mainly related to management of the issues indicated in the trade union agreements signed in June and July 2017, respectively.

Recruitment

In 2018, activities focused on a thorough scouting of the market with respect to technical-digital profiles with specific and distinctive skills in the fields of the web, software development and cyber security, which led to the placement of staff in the Product Development and Innovation and Information Technology departments.
Recruitment activities were also characterized by the search and recruitment of a number of profiles in digital marketing, sales and advertising in the digital area within the SME Media Agency and Large Accounts business units, following the acquisition of the Adpulse business unit.
Furthermore, scouting and recruitment of profiles with commercial and digital skills in the sales field continued, which led to the placement, in 2018, of about 100 new exclusive agents and fixed-term sales agents.

Corporate training and sales networks

In 2018, Italiaonline Academy provided training to corporate employees with approximately 19,000 hours training and 600 attendees.
The training focused on the themes of leadership and on technical-specialist content:

- personal and team coaching for key roles in the Large Accounts 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 offices;
- various initiatives aimed at satisfying specialist needs that emerged during the year.

In 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 approximately 1,400 hours' training with 45 attendees.
Furthermore, in the second half of 2018, with the contribution, directly provided by the Piedmont Region, requalification training was provided for the Digital Factory, which involved 28 participants for approximately 8,400 hours of classroom training.
As regards training dedicated to sales employees and the Sales Force, the Italiaonline Academy provided online training on the company's e-learning platform relating to 22 courses for approximately 22,400 hours with 1,200 attendees.
The latter was supplemented by classroom courses for a total of 10,000 hours with 1,400 attendees.
In particular, training focused on the specific contents of the sales offer, on the characteristics of the constantly evolving product and on sales techniques, including telesales.
The induction courses dedicated to new agents continued during the year, with classroom training on product awareness and sales techniques: in 2018, courses were organized for approximately 6,000 hours with 200 participants. 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 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 content, classroom activities and on-the-job training were arranged with a view to improving sales efficiency.

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. (the Parent) 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 canceled, as a precaution, with the amount being demanded reduced 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 set forth in the provisions on tax collection, on May 21, 2015, appearing before the Court, the Company 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, "2009 first instance ruling"), the appeal against the assessment notice for the 2009 tax period was accepted and a first instance annulment was ordered. Following this ruling, the Company acquired the right to be reimbursed the amount paid while awaiting ruling, equal to € 1.2 million; this amount was fully repaid (plus interest of € 11,863) on July 7, 2016.

On June 7, 2016, the Parent received notification that DRE had prepared its appeal against the ruling of the Milan Provincial Tax Court, which had ordered the annulment of the tax assessment issued for the purpose of withholding taxes for the 2009 tax year. On August 2, 2016, the Parent 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 "2009 second instance ruling"), 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 Supreme 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. At the date of this Report, no hearing has yet been scheduled to deal with the dispute before the Supreme Court of Cassation.

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 for taxes and interest, 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 charges for non-payment and acknowledged the invalidity of the claim in relation to penalties for untrue statements and failure to make withholdings for the 2011 and 2012 tax years.
Therefore, in 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, "2010-2011-2012 first instance ruling"), 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. Furthermore, on June 30, 2017 DRE notified the Parent of 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 approximately € 3 million. These amounts were paid on August 4, 2017.
On December 19, 2017, the Parent notified DRE of the appeal against the 2010-2011-2012 first Instance Ruling of the Provincial Tax Commission of Milan and subsequent court filing. On February 19, 2018, the Office filed its own counterclaims.
The hearing to discuss the merits of the dispute was held on July 16, 2018 and on September 3, 2018 the Regional Tax Commission ordered the annulment of the assessment notices for 2010-2011-2012, upholding all the grounds for appeal, both procedural and substantive (hereinafter the "2010-2011-2012 second instance ruling").
At the date of this Report, the terms for the appeal to the Supreme Court of Cassation by DRE are still pending, as the provisions of Article 6(11) of Decree Law No. 119/2018 (converted with amendment by Law No. 136/2018) for the settlement of pending litigation in which the Italian Tax Authorities are a party, according to which the time limits for appeal expiring between the date of entry into force of the Decree Law (i.e. October 24, 2018) and July 31, 2019 are suspended for nine months. As a result of the above suspension of the time limits for appeal, the time limit for the Office to lodge an appeal with the Supreme Court of Cassation will expire on September 26, 2019.
For the sake of completeness, it should be noted that the 2010-2011-2012 second instance ruling is immediately enforceable, with the consequence that the Parent has accrued the right to reimbursement for the amounts paid provisionally, pending the ruling, amounting to approximately € 6.0 million, plus interest; in particular, since the ninety-day period, starting from the date on which the ruling was notified to the Office without DRE having paid the reimbursement, had elapsed, the Parent initiated the compliance proceedings on February 5, 2019. This amount was fully repaid plus interest on March 14, 2019.
The Parent, supported by its 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 and second and in the 2010-2011-2012 second instance ruling, believes that 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.
It should be noted that, despite the above considerations, the Parent is in the process of assessing the advisability of adhering to the settlement of pending litigation in accordance with the provisions of Article 6 of Decree Law No. 119/2018.

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, as no settlement was reached both by the Parent and by the acquiring company; the buying company also followed the same course of action.
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 the buying company.
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 filed its counter-arguments on October 4, 2018. The date for dealing with the dispute has not yet been set.

3) IRES Assessment notice

The Italian Tax Authorities by means of the assessment notice communicated on December 17, 2018, claimed the Parent indicated a higher amount as a notional return on equity as an ACE deduction for the 2013 tax year. The Office thus recalculated the Parent's taxable income for the 2013 tax year and has established additional IRES of € 8,966.00, plus interest, pursuant to Article 39 and the combined provisions of Articles 40-*bis* and 41-*bis* of Presidential Decree No. 600 of September 29, 1973; the Office also imposed a fine of € 8,069.40 on the Parent pursuant to Article 1(2) of Italian Legislative Decree No. 471/1997. Moreover, considering the type of adjustment for ACE purposes made by the Office for the 2013 tax year, the same may also take effect in subsequent tax years, estimated at approximately € 2.6 million in the event of a dispute being initiated.
On February 1, 2019, the Parent, while deeming the Office's claims to be groundless, filed an application for a tax assessment settlement, in order to be able to explain its reasons for its conduct to the Italian Tax Authorities. The tax assessment settlement procedure allows for the suspension of the time limit for appeal of ninety days and reserves the right to bring proceedings before the Provincial Tax Commission.
The Parent, supported by its advisers, considers that it has valid defense arguments and the risk of having to call on resources to cover the charges notified by the Office is not of a likely nature but possible. Therefore, it has not made any provision for risks and tax charges for this reason.

4) 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 Parent - presented before the Court of Rome a civil action for damages against, among others, Italiaonline S.p.A. (previously Seat Pagine Gialle S.p.A). The Plaintiffs have asked to establish the liability of the Parent, 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 Parent 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 Article 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*".

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 the Parent, 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(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 as 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 expenses 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 Article 342 of the Italian Code of Civil Procedure, because the requirements of the deed were not respected, and in accordance with Article 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.
At the hearing of December 11, 2018 before the Court of Appeal of Rome, the defense of the plaintiffs recalled the *note verbale* filed in view of the previous hearing of January 10, 2018, reiterating that the documents in the proceedings would reveal possible criminal offenses and insisting on the supposed need to carry out investigative activities in the context of the appeal proceedings. The Parent's defense opposed the content of the *note verbale*, arguing that it was inadmissible and pointing out that the references to criminal offenses are completely generic and unfounded, as well as irrelevant in relation to the position of Italiaonline and the subject of the ruling. The CONSOB defense expressed the same view.
The Board, not following the defense of the Plaintiffs in its considerations, invited the parties to specify their own conclusions, reserving the right to make any assessment on the admissibility and relevance of the content of the *note verbale* (even after that recorded by the parties in the final conclusions). The parties therefore referred to the conclusions already set out in the records. The Board has set the deadlines for submission of final statements and the rejoinder and replication, which will expire on February 11, 2019 and March 1, 2019, respectively.
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 - who rejected compensation claims as the statute of limitations had expired - was in favor of Italiaonline.

5) Savings Shareholders

Ruling against the Shareholders' resolution 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 Article 2377 *et seq.* of the Italian Civil Code - the resolution passed at the Ordinary Shareholders' Meeting of the Parent 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 the Parent 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(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.
By order dated July 11, 2018, the Court of Appeal of Turin declared the inadmissibility, pursuant to Article 348-*bis* of the Italian Code of Civil Procedure, of the appeal brought by the Common Representative of Savings Shareholders against the sentence handed down by the Court of Turin in December 2017; the Common Representative of Savings Shareholders was ordered to pay the costs in the amount of € 6,160.

Ruling against the Shareholders' resolution of April 27, 2017

On July 25, 2017, a claim form was communicated to the Parent with which the Common Representative of Savings Shareholders of Italiaonline S.p.A., Ms. Stella d'Atri, appealed before the Court of Milan, as per Article 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 Articles of Association.
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 the 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.

6) 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 Italiaonline S.p.A. (previously Seat), besides reiterating the illegitimacy of the Fee enforcement decisions, in accordance with the approach adopted by the European Court of Justice and subsequent Italian administrative case law, opposed the suspension of the administrative proceedings requested by AGCOM.
However, by order filed on October 20, 2015, the Lazio Regional Administrative Court suspended its ruling pending the appeal for determination of jurisdiction filed before the Supreme Court. As part of that ruling, the Company 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(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" revenue as the latter is 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 canceled the part of Resolution 96/11/CONS which states that 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.
Subsequently, on September 14, 2018, the Parent filed an application for a hearing to be held on December 18, 2018. Following the outcome of the appeal and, more specifically, with its decision of December 20, 2018, the Council of State declared the filed appeal inadmissible and ordered AGCOM to pay the costs of the proceedings totaling € 1,500.00.

Following the decision of the Council of State and the subsequent Regional Administrative Court judgment becoming final, the Parent, in agreement with the lawyers who assisted it, maintained a provision for risks only for the amount of the contribution it would have had to pay for the 2006-2010 years as an entity operating in the market under AGCOM's responsibility, without therefore taking into account the "White Pages Print" revenue, the latter in no way associated with the *ex ante* regulatory activities (and related costs) carried out by AGCOM.

7) Former Italiaonline disputes

With notification dated October 6, 2014, Uomini & Affari S.r.l. ("Uomini & Affari") summonsed the then 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 website 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 Article 183(6) of the 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.
Subsequently, with a ruling of January 15, 2019, the Court of Milan, in partial acceptance of the applications of Uomini & Affari, ordered IOL to pay the following amounts: (i) € 280,000.00 as compensation for non material damages paid; (ii) € 3,200.00 as interest on arrears for late payments, on a continuous basis, in total plus inflation adjustment and interest, and (iii) € 21,400.00 as legal expenses, over 15% reimbursement of general expenses, VAT and C.P.A.. The amount paid by the Court of Milan as compensation is derived, according to the reasoning of the Court, from the assessment of certain aspects of the contractual liability of the Parent; the quantification was made on an equitable basis and is equal to 10% of the total amount collected by the Parent during its relationship with Uomini & Affari.
At the date of this Report, the Parent, after having paid the amount agreed by the Court, is considering whether to appeal against the same ruling, which, in any case, given the partial loss of both parties, may also be challenged by Uomini & Affari itself. The latter, however, in a settlement proposal with reciprocal rejection of the appeal against the First instance ruling, have made a request that was higher than the ruling against the Parent.

8) 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 Article 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 the hearing of September 19, 2018, the Parent appeared before the court contesting any liability and any claim made against it by the civil parties who would actually seek compensation for indirect damage.
Subsequently, at the hearing of February 4, 2019, the civil plaintiffs withdrew their claims in the pending case and, consequently, the application for IOL's intervention as liable third party. The Parent, as well as the civil plaintiffs, have therefore become "unconnected" to the criminal proceedings in which the former directors and statutory auditors of the then Seat Pagine Gialle S.p.A. are accused and therefore the nature of the dispute of the Company has ceased.

CORPORATE GOVERNANCE

Introduction

The Company adopted the current version of Corporate Governance Code, undertaking to performe all activities necessary to fully implement the principles and rules provided for therein.
The Code may be accessed by the public from the website of Borsa Italiana, in the section dedicated to the Corporate Governance Committee https://www.borsaitaliana.it/comitato-corporate-governance/documenti/format.htm

Management and coordination activities

In September 2018 the Company was informed by the controlling shareholder, Libero Acquisition S.à r.l., that the latter was going to begin to exercise management and coordination activities over the Parent pursuant to art. 2497 et seq. of the Italian Civil Code.
Libero Acquisition S.à r.l., which holds a 58.82% investment of the Parent's share capital, is a company established under Luxembourg law, indirectly controlled by Mrs. **Loza Yousriya Nassif.**
Pursuant to article 2497 *bis* of the Italian Civil Code, companies directly controlled by IOL have identified the latter as the entity that exercises management and coordination activities over them. Such activity consists in indicating the general strategic and operating guidelines of the Group and takes concrete form in the definition and updating of the corporate governance and internal audit model, and in the formulation of the general policies for the management of human and financial resources, the procurement of production, training and communication factors.

Organizational structure

The organisational structure of the Company is set up according to the traditional system and is comprised of:
- The Shareholders;
- The Board of Directors; and
- The Board of Statutory Auditors.

The statutory audit is carried out by the Independent Auditors.

Board of Directors

The Company's Board of Directors is composed of 11 directors.
In this respect, at their Meeting of April 27, 2018, the Shareholders resolved, *inter alia*:
- to set the number of members of the Board of Directors at 11, establishing their term of office term until the approval of the financial statements as at and for the year ending December 31, 2020; and
- to appoint as Directors Hassan Abdou, Tarek Aboualam, Arabella Caporello, Antonio Converti, Pierre de Chillaz, Cristina Finocchi Mahne, Vittoria Giustiniani, Frederick Kooij, Onsi Sawiris, Corrado Sciolla and Sophie Sursock (all drawn from the only list submitted – filed by the shareholder Libero Acquisition S.à. r.l.), also appointing Tarek Aboualam as Chairperson of the Board of Directors. Such resolution was passed with the favorable vote of 99.925% of the voting share capital.

Please note that on December 6, 2018 Antonio Converti resigned as Chief Executive Officer and member of the Board of Directors of the Company. On the same date, the Board appointed Roberto Giacchi, by co-optation, also vesting him with the office of Company's Chief Executive Officer and the related managerial delegations.

Please note that Directors Arabella Caporello, Cristina Finocchi Mahne, Vittoria Giustiniani and Corrado Sciolla declared that they met the independence requirements set out in the combined provisions of articles 147-*ter*, paragraph 4 and 148, paragraph 3, of Legislative Decree no. 58/1998 and of the Code.
For the sake of completeness, please note that on March 19, 2019 the Board of Directors also granted a mandate to the Chief Executive Officer to call the ordinary Shareholders' Meeting on April 30, 2019, in single call, to discuss and resolve on, inter alia, the approval of the annual Financial Statements at December 31, 2018 as well as to confirm the appointment of Roberto Giacchi as director of the Company.
The appointment of the directors is regulated by art. 14 of the Company's Articles of Association, an article that was last modified at the Extraordinary Shareholders' Meeting of June 12, 2012.
Specifically, the proposed amendments to article 14 (*Composition of the Board of Directors*) of the Articles of Association arose from the need to comply with the regulations introduced by Law no. 120 of July 12, 2011, governing gender equality in the composition of management and control bodies of listed companies, which, in amending the provisions governing the appointment of the members of management and control bodies set out in Legislative decree no. 58 of February 24, 1998, as subsequently amended,(the Consolidated Finance Act - TUF) require listed companies to comply with the gender equality criteria so that the less represented gender should include at least one fifth of the members for the first term after August 12, 2012 and at least one third for the two subsequent terms.
Furthermore, Consob Issuers' Regulation requires listed companies, *inter alia*, to regulate, in their Articles of Association, the procedures for the compilation of lists, as well as to replace the board members whose terms come to an end in order to ensure compliance with the gender equality principle.
The Board of Directors is appointed on the basis of lists submitted by the shareholders or by the outgoing Board of Directors. Each list must contain and expressly indicate at least two candidates who meet the independence requirements required by article 147-*ter*, paragraph 4, of the Consolidated Finance Act.
The list possibly submitted by the outgoing Board of Directors and the lists submitted by the shareholders must be deposited at the registered office of the Company within the twenty-fifth day prior to the date of the shareholders' meeting called to resolve on the appointment of the members of the Board of Directors and must be made available to the public at the registered office, on the Company's website and according to the other procedures envisaged by Consob regulations at least twenty-one days prior to the date of the Shareholders' Meeting itself.
Every shareholder may submit, or contribute to the submission of only one list and each candidate may be appointed to only one list under penalty of ineligibility.
Only those shareholders who, alone or together with other shareholders, own voting shares representing at least 2% of the voting capital in the ordinary shareholders' meeting, or representing the lower percentage determined by Consob pursuant to article 147-*ter*, I C, of the Consolidated Finance Act, are entitled to submit lists. In such regard, it should be noted that on January 24, 2018, with Resolution No. 20273, Consob set, pursuant to article 144-septies, paragraph 1, of Consob Issuers Regulation, at 2.5% the shareholding percentage necessary for the submission of candidate lists for the election of the management and control bodies, subject to the possibility for a lower percentage to be set forth in the Articles of Association; therefore, in accordance with the Articles of Association provision currently in force, the threshold for the submission of lists for the appointment of the management body must be deemed to be 2%. In order to prove ownership of the aforesaid right, copies of the certifications issued by authorised intermediaries must be deposited at the Company's registered office, proving ownership of the number of shares necessary to submit the lists themselves, within the time limit set out for the publication of the lists.
Together with each list, within the term indicated above, professional resumes and statements are to be submitted in which each candidate accepts the nomination and attests, under his/her own responsibility, that there is no cause for ineligibility or disqualification, and to his/her compliance with the requirements of law and the Articles of Association prescribed for the position, and mentions the possibility of being qualified as independent pursuant to article 147-*ter*, IV C, of the Consolidate Finance Act. The lists that present a number of candidates equal to or higher than three must also include candidates of different genders, as required in the notice of call of the Shareholders' Meeting, so as to allow a composition of the Board of Directors that complies with the current regulations governing gender equality.
Any list* which fails to meet the foregoing requirements shall be considered as not having been submitted.
For information on the personal and professional profile of the directors, please see the abovementioned article 14 of the Articles of Association and the Report on Corporate Governance Report and ownership structure on the Company's website www.italiaonline.it in the section dedicated to the corporate bodies.

Delegated Bodies

Pursuant to the application criterion 2.C.1, only the Chief Executive Officer – Mr. Roberto Giacchi may be considered an Executive Director. The other Directors, who are therefore non-executive directors, are therefore such, in terms of number, authority and authoritativeness, as to assure that their opinion carries significant weight in Board decision-making; specifically, they particularly supervise areas where conflicts of interest may arise.
For a more complete disclosure, the attributions of the Chairperson and of the Chief Executive Officer are listed below, together with information about the power delegation system of managerial powers.
The Chairperson is vested with powers of signature and legal representation of the Company vis-à-vis third parties and before courts. The Chairperson - who is not ordinarily vested with managerial powers - is ordinarily responsible for organising the board proceedings and for acting as a connection between the executive director and the non-executive directors.
The Chief Executive Officer, Roberto Giacchi, oversees the technical and administrative performance of the Company and ensures the execution of the resolutions passed by the Board of Directors; Mr. Giacchi is vested with powers of corporate signature and legal representation of the Company vis-à-vis third parties and before courts, as well as – in accordance with the applicable obligations provided for by the law and by the Articles of Association, in terms of matters that cannot be delegated by the Board of Directors – specific powers and responsibilities aimed at ensuring the operational management of the company activities, within a revenue limit equal to Euro 10 million, for supply contracts, and an expenditure limit equal to Euro 5 million, for purchase contracts. For some types of deeds, specific limits are envisaged. The Chief Executive Officer has also been appointed as director in charge of the internal audit and risk management system.

Independent directors

The Board of Directors adopts a procedure to assess the independence of the directors, pursuant to which the Directors, following their appointment and on an annual basis, sign an appropriate declaration form (for submission to the Board of Directors and to the Chairman of the Board of Statutory Auditors), in which they certify that they meet the independence requirements under article 3 of the Code, if they in fact do so, with specific regard to the valuation criteria under the application criterion 3.C.1 of the Code.
On the basis of the information received, the Board – during its meeting of March 19, 2019 – considered whether the independence requirements as regards each of the non-executive directors were met and, accordingly, acknowledged and confirmed the independence of Directors Arabella Caporello, Cristina Finocchi Mahne, Vittoria Giustiniani and Corrado Sciolla. Note that the abovementioned Directors also meet the independence requirements under article 148, paragraph 3, of the Consolidated Finance Act.

Board of Directors' Committees

In accordance with principle 4.P.1 and criterion 4.C.1 of the Code, the Board of Directors with resolution of October 8, 2015, established the following internal committees:
• the Appointments and Remuneration Committee, and
• the Control, Risk and Sustainability Committee,
with advisory and consultative functions.

It should be noted that, in accordance with the comments on article 4, the Board, given the organizational structure of the Group, as well as of the skills expressed by the designated members, has resolved that the functions referred to in articles 5, 6 and 7 of the Corporate Governance Code must be carried out by a single Committee (Appointments and Remuneration Committee) made up of three members with adequate professional skills for these functions.
A chairperson has been appointed for both Committees. Duties are defined by resolution of the Board of Directors, in line with the provisions of articles 5, 6 and 7 of the Code, and may be supplemented or changed by a subsequent resolution of the Board.

Committees are entitled to access corporate information and departments as necessary for the performance of their functions.
In this regard, the Chairperson of the two Committees are also entitled to submit specific requests for resources for the Committees in consideration of specific requirements that will be reported to the Board from time to time.
Furthermore, please note that the Board of Directors, with resolution of 9 May 2018, had set up an internal Strategic Committee, with advisory and consultative functions to the Board of Directors in the matter of, *inter alia*, investments and M&A transactions, as well as corporate restructurings and reorganizations.
The Strategic Committee was subsequently wound up by the Board of Directors with resolution of March 19, 2019.

Appointments and Remuneration Committee

In accordance with the principles 5.P.1 and 6.P.3 of the Code, the Committee in question is currently fully composed of non-executive directors, who are independent directors, in the persons of Vittoria Giustiniani (Chairperson), Cristina Finocchi Mahne and Corrado Sciolla.
It should be noted that the chairpersonship is entrusted to an independent Director and that all the members have adequate knowledge and experience of financial issues or remuneration policies.
The Committee currently in office was appointed by the Board of Directors on April 27, 2018.
As regards the functions referred to in article 5 of the Code, the Committee in question performs the following duties:
- submitting opinions to the board as to the size and composition of the same, and expressing concerning appropriate candidates on the Board, as well as recommendations on the issues referred to in criteria 1.C.3 and 1.C.4;
- submitting proposals to the Board on candidates for the position of director in the cases of co-option where it is necessary to replace independent members.

With reference to Article 5.C.2 of the Code, it should also be noted that the Board has not passed resolutions regarding the adoption of a succession plan for executive directors.
As regards the duties performed by the Committee pursuant to principle 6.P.4 of the Code, it should be noted that the same submits proposals to the Board of Directors on the remuneration policy of directors and key management personnel.
Having said that, on March 19, 2019 the Board resolved upon the Remuneration Policy, as described in the Remuneration Report to which reference is made.
During the meeting of 27 April 2018, the Board of Directors resolved to confer on the Committee the duties set out in criterion 6.C.5 of the Code, in line with what was already established by the Board of Directors on 8 October 2015. In particular, the Committee in question is responsible for:
- periodically assessing the adequacy, the overall consistency and the actual application of the policy for the remuneration of directors and of key management personnel, with strategic responsibilities, with regard to the latter, it will make use of the information provided by Chief Executive Officers; submitting proposals to the board of directors concerning this issue;
- submitting proposals or giving opinions to the board of directors concerning the executive directors' remuneration and that of other directors holding particular positions, as well as the performance targets correlated to the variable component of such remuneration;
- monitoring application of the decisions adopted by the board itself, specifically verifying the actual achievement of the performance targets.

Unless expressly invited to provide supporting information, no director takes part in Committee meetings in which proposals regarding his/her remuneration are submitted to the Board of Directors (criterion 6.C.6 of the Code). Furthermore, should the Committee intend to make use of services rendered by a consultant in order to obtain information on market practices concerning remuneration policies, the Committee will preliminarily verify that he/she is not in a situation which could compromise his/her independence of opinion.

Finally, in accordance with the "note" to article 6 of the Code, it should be noted that the Appointments and Remuneration Committee:
- is supported, in performing its duties, by the competent corporate departments;
- provides for the participation of the Chairperson of the Board of Statutory Auditors or of any other Statutory Auditor appointed by the latter in its own meetings, in which any other statutory auditors may also participate.

General remuneration policy

Please note that the remuneration policy regarding the Chief Executive Officer and key management personnel, determined by the Board of Directors upon proposal of the Appointments and Remuneration Committee pursuant to principle 6.P.4 and criterion 6.C.1 of the Code, is described in the abovementioned Remuneration Report.

Control, Risk and Sustainability Committee

The Control, Risk and Sustainability Committee, which was last appointed by the Board of Directors on April 27, 2018, is currently made up of the Directors Cristina Finocchi Mahne (Chairperson), Arabella Caporello and Vittoria Giustiniani.
The Committee is comprised of independent Directors, adequately experienced in accounting and financial issues or risk management (in accordance with principle 7.P.4 of the Code).
Meetings are usually attended by the Chairperson of the Board of Statutory Auditors or another statutory auditor, the Committee Secretary and the Head of the Internal Audit and Compliance Department, in addition to the members of the Committee.
Furthermore, depending on the items on the agenda, meetings may also be attended, upon invitation by the Committee, by the Chief Executive Officer, also acting as Director in charge of the internal audit system, as well as by the representatives of the Independent Auditors and the Company's management.
During the aforesaid meeting of April 27, 2018, the Board of Directors resolved to confer on the Committee the tasks described in criterion 7.C.2 of the Code, in line with that already established by the Board of Directors on October 8, 2015 for the Committee previously in office.
The Regulations of the Committee contain, coherently with the recommendations of the Code, the rules for the appointment, composition and functioning of the Committee itself. Specifically, pursuant to the Regulations, as most recently approved on November 7, 2016 and in accordance with the abovementioned criterion 7.C.2, the Committee:
1. verifies, with the support of the manager in charge of financial reporting, the independent auditor and the Board of Statutory Auditors, the correct use of the accounting standards applied and, in the case of groups, their consistency for the purposes of the preparation of the consolidated financial statements;
2. expresses opinions on specific aspects concerning the identification of the main business risks;
3. examines interim reports concerning the assessment of the internal audit and risk management system, and those of particular importance prepared by the internal audit department;
4. monitors the independence, adequacy, effectiveness and efficiency of the internal audit department;
5. may ask the internal audit department to carry out checks on specific operating areas, giving notice thereof to the chairperson of the board of statutory auditors;
6. reports to the Board, at least on a six-monthly basis, on the occasion of the approval of the annual and interim financial report, on the work carried out, as well as on the suitability of the internal control and risk management system;
7. supports, with an adequate investigation activity, the assessments and decisions of the Board of Directors in relation to the management of risks deriving from adverse events which came to the knowledge of the Board of Directors.

In performing the functions entrusted thereto, the Committee is supported by the competent internal departments, among which, in particular, the "Internal Audit & Compliance" Department, as well as external persons, whose professional skills might be necessary from time to time.

The Control, Risk and Sustainability Committee (also as the Independent Directors Committee pursuant to the RPT Procedure) met 10 times during 2018 (the average time of meetings was equal to around 2.6 hours) and twice since January 1, 2019.

During the meetings held in 2018, the Committee performed, *inter alia*, the following activities:

- examined and assessed the progress of the activities envisaged in the audit plan prepared by the Internal Audit & Compliance Department for financial years 2017 and 2018, and the findings of the activities performed;
- examined the progress of the introduction process of the non-financial reporting introduced by Legislative Decree 254/2016 and monitored the drafting process of the non-financial statement for 2017;
- met with the representatives of the independent auditors to examine the main significant aspects emerged during the audit activities carried out;
- examined the method adopted in the performance of the impairment test, already being examined by the Independent Auditors;
- met with the Manager in charge of financial reporting, the top management of the Administration, Finance and Control department, the Board of Statutory Auditors and the representatives of the Independent Auditors in order to examine the main features of the separate Financial Statements at December 31, 2017, the correct use of the accounting standards and their uniformity for the purposes of preparing the consolidated financial statements;
- examined the document describing the organisational, administrative and accounting structure prepared by the competent departments in order to contribute to the assessment of the Company's corporate governance system;
- periodically monitored the adequacy of the Internal Audit and Compliance structure, of line controls, of second level controls and, more in general, of the internal audit and risk management system in its entirety;
- met the Manager in charge of financial reporting, top managers of the Administration, Finance and Control Department, the Board of Statutory Auditors and the independent auditors, to review the essential features of the interim financial report at June 30, 2018 and the proper use of the accounting standards adopted;
- examined the findings of the Enterprise Risk Management (ERM) process aimed at defining an integrated approach to the identification, assessment, management and monitoring of business risks; and
- carried out its assessments on transactions potentially relevant under the current Company procedure regarding Related Party Transactions.

Internal Audit System

Pursuant to principle 7.P.1. of the Code, it should be noted that the Company has an internal audit and risk management system aimed at allowing the identification, measurement, management and monitoring of the main risks; this system is integrated into the more general organisational and corporate governance structures and takes due account of the reference models and best practices applied at a national and international level.

As specified in principle 7.P.3. of the Code, the internal audit system involves the Control, Risk and Sustainability Committee referred to above, i) the Board of Directors, ii) the Director in charge of the internal audit and risk management system, iii) the Head of the Internal Audit & Compliance Department, iv) the Board of Statutory Auditors, as well as v) other specific corporate roles. The Company establishes the methods to coordinate these persons by holding special collective meetings that provide for the participation of the various supervisory bodies and functions (Control, Risk and Sustainability Committee, Board of Statutory Auditors, Supervisory Body, External independent auditor, Manager in charge of financial reporting and Head of the Internal Audit and Compliance Department).

The Company has sought to disseminate a culture at all levels of its business which is fully aware of the existence and usefulness of checks and controls. The Company's Code of Ethics imposes responsibility on all for creating and maintaining an internal audit system which is effective throughout the organisational structure. As a consequence, all staff, in the context of their specific activities, have responsibility for the correct functioning of the audit system.

Board of Directors

The Board of Directors carries out activities of direction and assessment of the suitability of the internal audit system. Pursuant to criterion 7.C.1. of the Code, the Board, subject to the preliminary opinion of the Control, Risk and Sustainability Committee:

- defines the guidelines of the internal audit and risk management system;
- pursuant to criterion 7.C.1., letter b), of the Code, assesses the suitability of the internal audit and risk management system with respect to the features of the Company and the risk profile assumed, as well as its efficacy: in 2018 such evaluation was conducted after the Board carried out its review of the adequacy of both the Company's corporate governance system and of the Group's structure, and the organisational, administrative and accounting structure of the Company without prejudice to the initiatives suggested by the Control, Risk and Sustainability Committee;
- pursuant to criterion 7.C.1., letter d), of the Code, it resolved that it considers the Company's internal audit system to be adequate, efficient and effective;
- assesses, after having consulted the Board of Statutory Auditors, the results reported by the Independent Auditors in the letter of suggestions (if any) and in the report on the basic issues that arose at the time of the statutory audit of accounts;
- approves the work plan of the Internal Audit Department, after having consulted the Board of Statutory Auditors and the Director in charge of the internal audit and risk management system.

Specifically, it should be noted that the Board examines, on an annual basis, the results of the ERM process (Enterprise Risk Management), aimed at the identification, self-assessment and monitoring of the main risks to which the Company is exposed, and which constitutes the basis of the Annual Audit Plan.
Furthermore, the Board, upon a proposal by the Director in charge of the internal audit system, having consulted the Board of Statutory Auditors, and subject to the prior favourable opinion of the Control, Risk and Sustainability Committee, appoints and dismisses the Head of the Internal Audit Department, ensuring that the same is provided with adequate resources to perform his/her duties and defining his remuneration consistently with the company's policies.

Director responsible for the internal control and risk management system

In accordance with criterion 7.C.4. of the Code, on October 8, 2015 the Chief Executive Officer was appointed by the Board of Directors as the Director in charge of the internal audit and risk management system. Said mandate was confirmed by the Board of Directors with resolution of April 27, 2018, following the appointment of Mr. Roberto Giacchi as the Company's Chief Executive Officer. In particular, the Chief Executive Officer, as the director in charge of the internal audit and risk management system, is in charge of the following tasks:

- ensuring that the main business risks have been identified, taking account of the characteristics of the activities carried out by the issuer and its subsidiaries, submitting them for consideration by the board of directors on a periodical basis;
- executing the guidance defined by the Board of Directors, taking care of the design, implementation and management of the internal audit and risk management system and constantly assessing its adequacy and efficacy;
- being responsible for adapting the system to the dynamics of the operational conditions and the legislative and regulatory framework;
- requesting the Internal Audit Department to carry out checks on specific operating areas and on the compliance with internal rules and procedures in the performance of corporate transactions, giving notice thereof to the Chairperson of the Board of Directors, the Chairperson of the Control, Risk and Sustainability Committee and the Chairperson of the Board of Statutory Auditors;
- promptly reporting to the Control, Risk and Sustainability Committee (or to the Board of Directors) as to problems and critical issues that arise in the performance of his activity or which he is become aware of, so that the Committee (or the Board) may take the appropriate initiatives.

Head of the Internal Audit and Compliance Department

The Company is supported by the Internal Audit and Compliance Department. Said Department is structured to verify and ensure adequacy in terms of effectiveness and efficiency of the Internal Audit System and ascertain whether said system provides for reasonable guarantees in order to be able to effectively and efficiently achieve the objectives set.
As of January 1, 2017, the Department was renamed Audit & Compliance Department hence bringing together the third (Audit) and second (Compliance & Risk) control level, within the Internal Audit System, in line with the provisions of the new IAA standards (International Internal Audit Institute, standard 1112 of the Profession of Internal Audit) providing for the possibility to entrust additional roles to the head of the department.
Mr. Angelo Jannone, already appointed as Audit Manager during the meeting of June 7, 2016 of the Board of Directors upon the proposal of the Director in charge of the internal audit and risk management system, having acknowledged the favorable opinion expressed by the Control, Risk and Sustainability Committee and having consulted the Board of Statutory Auditors, was confirmed as Head of the Department. Mr. Jannone (i) is not responsible for any operational area and hierarchically reports to the Board of Directors; (ii) is provided with adequate resources for the fulfilment of his responsibilities; (iii) performs the duties as set out in article 7.C.5 of the Corporate Governance Code.
The Head of the Internal Audit & Compliance Department is appointed to verify that the internal audit and risk management system is responsive and adequate and operates in accordance with criterion 7.C.5. of the Corporate Governance Code.
The action plan (Audit and Compliance Plan) mainly included activities deriving from the Risk Assessment process, including those connected to compliance with Legislative Decree 231/2001, compliance with Law no. 262/2005, compliance with Legislative Decree 196/03 and the Regulation (EU) 2016/679, related to personal data protection (GDPR), as well as verifications on specific processes, verifications carried out after reporting by the management and employees, also through the whistleblowing system, set up in accordance with the provisions of Law no.179/2016, and monitoring the effective implementation of the recommendations made on the occasion of previous actions (follow-up).
During 2018, the Head of the Internal Audit & Compliance Department:

- carried out the checks set out in the Audit Plan established for the financial year;
- periodically reported to the Director in charge of the internal audit and risk management system as to the outcomes of the actions taken;
- promptly reported to the Chairpersons of the Board of Directors, Board of Statutory Auditors and Control, Risk and Sustainability Committee, besides the Director in charge of the internal audit system, on the most relevant cases;
- attended all meetings of the Control, Risk and Sustainability Committee, illustrating the results of the actions taken.

Main characteristics of the risk management and internal audit system in relation to financial disclosure (pursuant to article 123 bis, paragraph 2, letter b) of the Consolidated Finance Act - TUF)

The Company makes use of a risk self-assessment process, Enterprise Risk Management (ERM) aimed at identifying, assessing and monitoring the main business risks, according to a CRSA methodology (Control Risk Self-Assessment). The ERM process is hence a process implemented by the management in order:

- to identify any events which could affect the achievement of the objectives the company has set, assessing their risk and establishing their acceptable level;
- to provide the Board of Directors with the information required to define operational and organisational strategies for the company;
- to provide reasonable confidence that the processes and the main checks identified are effective and ensure the achievement of company objectives.

For this purpose, a dedicated application is used for the collection, management and consolidation of information. Consistently with the international best practise, and specifically with the CO.S.O. Model[1], during 2018, the Audit & Compliance Department which supports management in the management of the risk self-assessment process: i) reviewed the classification of risks adding to the 4 traditional macro-categories (strategic, operational, financial (reporting) and compliance) also the fraud risk and risks associated with the fairness and truthfulness of non-financial data as per Legislative Decree 254/16 ii) reviewed the risk calculation algorithm according to an integrated risks logic.
The self-assessment process is conducted annually and has the objective of identifying the key activities and checks that are suitable to reduce the occurrence of the identified risks and/or to mitigate their impact.
The calculation algorithm provides for an initial risk assessment (inherent or potential risk) and, having considered the checks declared by management for each risk, a "residual score rating" is obtained. The risks identified which show a high residual score rating are reported to the Director in charge of the internal audit system, the Control, Risk and Sustainability Committee, the Board of Statutory Auditors and the Board of Directors.
In any case the outcome of the self-assessment process constitutes one of the reference components for the draft annual Audit Plan.

<u>The Risk management and internal audit system</u>
The risk management and internal audit system, even in respect of the financial disclosure process, is based on 3 traditional control levels:

- the first level (line controls) is entrusted to management within the respective delegations and powers and through the validation of administrative accounting data, control over the underlying documents and segregation of duties in the different activities, both in terms of accounting rules, and on administrative-accounting systems;
- the second control level is comprised of a series of management activities of homogeneous types of risks that the Company, with a view of simplification and in light of its size, deemed to govern with specific organizational solutions, in accordance with the standards and best practices. In particular, as mentioned, it was decided: i) to entrust the compliance «231» function on civil liability of Entities from Offences and compliance «262» on savings protection, to the same Internal Audit and Compliance Department; ii) to entrust said Department with the management and coordination of the abovementioned ERM process in support of audit activities with a view of making the control system more effective (guaranteeing assurance also on compliance risks and integrating the risk monitoring system as a key implementation tool for Audit plans); iii) to entrust management control, in line with the solutions adopted by the majority of listed companies, to the Administration, Finance and Control Department, to better support the activity of the Manager in charge of financial reporting with second level controls; and iv) to set up (as from July 2017) in the context of the same Department, the specialist Information Security Audit compliance Department, unbundling it from the Information Technology Department, in which it was called IT Security.

[1] Acronym for *Committee of Sponsoring Organizations of the Treadway Commission*, it is a standard established in 1984 and last revised in May 2013 and constitutes the set of internationally recognised Best Practices used for the management of Internal control and Corporate Governance.

- the third control level entrusted to the Internal Audit and Compliance Department through the execution of the annual Audit Plan which conducts third level audits over corporate processes with assurance and adequacy verification purposes of controls compared to the relating risks.

In particular, with reference to financial and reporting risks identified within the ERM process, in addition to the Audit activities, for the purpose of providing guarantees on the reliability, accuracy, trustworthiness and timeliness of the financial reporting, as required by Law no. 262/05, on the basis on action plan annually defined in agreement with the Chief Financial Officer/Manager in charge of financial reporting, the Company conducts, availing itself of the Audit & Compliance Department, testing activities on the main financial statements items, the findings of which are brought to the attention of the same Manager in charge of financial reporting, with the certifications pursuant to article154-bis paragraph 5, of the Consolidated Finance Act of the Control, Risk and Sustainability Committee and Board of Statutory Auditors. These tests include, *inter alia*:

- definition of the "scope", that is the quantitative analysis of the significance of the companies included in the scope of consolidation. This analysis is conducted on the occasion of material changes in the Group's structure or possibly in the relevant business of each subsidiary if with relevant impact on the consolidated financial statements. On the basis of the scoping process, namely a materiality assessment, it was determined that, to date, in quantitative terms as indicated by the Board the other subsidiaries are not of significant size for this purpose. However, for subsidiaries audits are scheduled on accounting administrative processes in the context of the Audit Plan applicable at Group level;
- identification of the significant corporate processes and of the risks arising from the possible failure to achieve audit objectives. This activity entails the quantitative and qualitative analysis of current processes and the consequential identification of those considered to be the most sensitive;
- assessment of controls. Significant corporate processes identified in the previous phase are subject to a specific analysis activity through the preparation and/or updating of the accounting and administrative procedure and in particular of the flowchart and *narrative*, namely the identification of the process flow and description of the specific activities, and of the audit matrix. The latter identifies key controls and features of the same: type (automatic or manual), how often it is conducted, the person responsible for the process activity and the person responsible for first level control;
- performance of tests on the key controls identified in order to check for compliance with the statements of preparation of the Financial Statements (Completeness, Existence, Rights & obligations, Valuation, Recognition, Presentation, Disclosures). Said activity takes into account the control execution modalities, broken down between manual controls, automatic controls at application systems level and general controls of IT structures as well as the frequency of said controls;
- identification of possible improvements to the current internal audit and risk management system in order to ensure an increased monitoring of the areas and processes which are considered relevant in terms of impact on the financial disclosures.

In addition to the Audit Plan, submitted to the prior assessment of the Control, Risk and Sustainability Committee and the Board of Statutory Auditors and to the approval of the Board of Directors, the Internal Audit Department, where required, carries out further third level verifications, aimed at assessing the adequacy of the risk management and internal audit system in place – as regards administrative and accounting procedures - on the basis of the instructions given by the supervisory bodies and by the Company's management.
Furthermore, in 2018, following the entering into force of Regulation (EU) 2016/679 on the protection of personal data (GDPR), the Company designed a specific "Privacy Compliance" control structure made of three levels: (i) appointing a Data Protection Officer (DPO), choosing a manager of the Legal and Corporate Affairs Department; (ii) appointing a Privacy Committee comprised of the Audit and Compliance Manager, the Chief Technology Officer and the Legal and Corporate Affairs Director; and (iii) choosing the Company's managers the persons delegated by the data controller and choosing from among.
Please note that, with a view to greater streamliring of the internal audit system, the Company, starting from the first few months of 2019, launched a series of organizational changes which, once at full steam, will entail a greater separation of the mentioned three control levels. In particular, on March 19, 2019, the Company resolved upon a redefinition of its privacy governance privacy, which consisted in the transfer of the second control activities under the supervision of the Legal and Corporate Affairs Department and, as a result, in the appointment of a person who is not a member of the Legal and Corporate Affairs Department, namely the Head of Audit and Compliance Department.

Supervisory Body and Organizational, management and control model pursuant to Legislative Decree no. 231/2001

Please note that, on December 16, 2016, the Board of Directors of Italiaonline S.p.A. approved the new Group Code of Ethics and the new "Group Guidelines for the implementation of the Organisational, Management and Control Model", addressing the administrative liability of Entities for offences committed by top executives and by those subject to their direction or supervision.
Please further note that during 2018 and in the first few months of 2019 the abovementioned guidelines have been updated to take into account legislative changes in the matter.
The Group Guidelines represent, on the one side, indications for all subsidiaries and, on the other side, the general part of the organizational model pursuant to Legislative Decree 231/01 for the Parent and have been drafted in accordance with the scheme of the same Decree and taking account of the indications of Confindustria 2014, prevaling position adopted in case law, but also anticipating new tools to encourage reporting, such as the section dedicated to the protection of reporting persons (so called whistleblowing system) in line with the indications of the Corporate Governance Code of listed companies and with the draft law then made into law 179/2017 which also supplemented art. 6 of Legislative Decree no. 231/01.
Both documents, i.e. the Code of Ethics and the 231 Guidelines, have a two-fold relevance since, on one side they illustrate the procedures and controls system requested by the Board of Directors, aimed at reducing the risk of commission of the offences provided for by the special legislation, on the other side they provide a series of behavioral indications and prohibitions aiming at an ethical management of business, compliance with all regulations governing its functioning and, last but not least, at the effectiveness and efficiency of all corporate activities, in the interest of stakeholders. Specific attention is dedicated to the customer orientation, corruption prevention, gender equality, protection of workers as well as their health and safety and to transparency.
In support also of the Supervisory Body, in addition to the Supervisory Bodies of subsidiaries, the establishment of an Ethical Committee, comprised of the heads of the Internal Audit & Compliance, Human Resources and Legal and Corporate Affairs Departments, which will be able to better ensure a multidisciplinary overview of the issues examined, has further been provided for.
During 2018, after a specific assessment activity, the Company approved the "new" Special Parts of the Organizational Model pursuant to Legislative Decree 231/2001. Said Special Parts, drafted for single groups of offences, define conduct rules, provisions and prescriptions (control activities) aimed at an effective prevention and monitoring action of conducts that, within the company's sensitive processes and activities, may give rise to direct or indirect risks in relation to "231" offences rules.
A special section dedicated to this subject can be consulted on the Company website at the following address www.italiaonline.it.
On March 19, 2019, the Company's Board of Directors confirmed, setting the term of officeat a further two years, Giancarlo Russo Corvace (as Chairperson), Angelo Jannone (Internal Audit & Compliance Manager) and Giuseppe Vaciago as members of the Supervisory Body pursuant to Legislative decree no. 231/2001.
The approach followed in setting up the Supervisory Body seems consistent with the guidance contained in the Accompanying Report of Legislative Decree no. 231/2001 and the prevailing orientations, endowing the Committee with the requisites of autonomy, independence, professionalism and continuity of action needed to perform the necessary activity efficiently.
The Board resolved that the Supervisory Bodies meetings shall always be attended by a member of the supervisory body envisaged by the Articles of Association.
The Supervisory Body is assigned the following tasks:

- overseeing the effectiveness of the Model, in order to guarantee that the lines of conduct adopted in the company comply with the established Organisation, management and control Model;
- monitoring the effectiveness of the controls provided for by the Model in relation to the objective of preventing offences;
- managing updates to the Model, in order to propose appropriate adjustments following legislative and/or organizational changes.

For purposes of performing the above activities, the Supervisory Body avails itself of the assistance of the Internal Audit & Compliance Department.
In carrying out the assigned tasks, the Supervisory Body has unlimited access to company information for the activities of investigation, analysis and control. Upon requests from the Supervisory Body or upon the occurrence of events or circumstances that are significant for the purpose of the performance of the Supervisory Body's activities, all of the company's departments, employees and/or members of the corporate bodies are under a duty to provide information in such regard.
The Supervisory Body met 4 times in 2018 and twice since January 1, 2019.
In 2018, the Supervisory Body:

- assessed and examined the updating of the documents pursuant to Legislative Decree no. 231/2001, which were concluded with the preparation of the Special Parts of the Organizational Model 231, submitted, for the relating approval, to the Board of Directors of the Company during the meeting held on 20 February 2018;
- continued with its ordinary supervision activity pursuant to Legislative Decree no. 231/2001; and
- assessed the implementation activities of the whistleblowing system, as per the following paragraph.

The "Whistleblowing" System
In accordance with the comments on art. 7 of the Corporate Governance Code as well as Law no. 179 of 11/30/2017 - "*Provisions in protection of those reporting offences or irregularities they became aware of in the context of a public or private employment relationships*", which made significant amendments, inter alia, to Legislative Decree no. 231/2001, the Company adopted a specific platform, which can be reached even from the outside. Please note that the main provisions had already been envisaged within the 231 Guidelines approved by the Company in December 2016.
Through this system, allowing to choose whether to be identified or remain anonymous, it is possible to report breaches of the Code of Ethics or especially virtuous behaviors of which the reporting person became aware. The whistleblowing system mainly represents an effective tool of the Supervisory Body, which will be timely informed, in particular, should the reported facts have a direct impact for the purposes of Legislative Decree no. 231/2001 (however, the Body will in any case be informed, of additional reported facts, through a periodic summary reporting).
The Supervisory Body resolved – in accordance with the approach expressed in this sense also by the Board of Statutory Auditors – that the management of the whistleblowing system technical platform, entrusted to the Internal Audit and Compliance Department (which ensures the independency thereof), may be subjected to periodic verification, even independent, by the same Body and the Board of Statutory Auditors.

Independent Auditors

At their ordinary Meeting of May 12, 2016 the Shareholders resolved to assign the engagement to carry out the statutory audit of the financial statements of the accounts for the period 2016-2024 to KPMG S.p.A..

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

In accordance with the provisions of article 154-*bis* of the Consolidated Finance Act, introduced by the so-called "Savings Act", at their extraordinary Meeting held on April 19, 2007, the Sahreholders resolved to amend article 19 of the Articles of Association, providing for the Board of Directors (subject to the mandatory opinion of the Board of Statutory Auditors) to be granted the power to appoint and dismiss the Manager in charge of financial reporting determining his/her term of office. Only persons with at least three years of experience in a position of appropriate responsibility in the administrative and/or financial area of the Company or of another company of comparable size or organizational structure may be appointed as Manager in charge of financial reporting.

During the meeting held on April 27, 2018 the Board of Directors resolved, subject to the prior opinion of the Board of Statutory Auditors, to appoint Gabriella Fabotti – who had undertaken since January 1, 2017 the role as head of the Finance, Administration and Control Department of the Company – as Manager in charge of financial reporting (confirming the mandate previously granted on January 12, 2017 with term until the Shareholders' Meeting called to approve the financial statements at December 31, 2017). The term of this office has been determined until the Shareholders' Meeting called to approve the financial statements at December 31, 2020.
The Board also resolved that the Manager in charge of financial reporting should exercise the powers and have the means at her disposal that are necessary for the effective performance of the duties referred to in the abovementioned article 154-*bis* of the Consolidated Finance Act. The Manager in charge of financial reporting to the Board at least every six months on the manner in which the management and control activity is carried out with regard to the process of preparing the accounting documents, on any critical issues found during the relevant period and on the adequacy of the structure and means put at her disposal.
The position of the Manager in charge of financial reporting takes on a fundamental role in the light of the strengthening of the Company's internal audit system, attributing express importance to the internal process of preparing the draft annual financial report in particular, and to the main information documents concerning the Company's financial position in general.

The Board of Statutory Auditors

The Board of Statutory Auditors is composed of three standing statutory auditors and two alternate statutory auditors, appointed at the Shareholders' Meeting which established the relevant remuneration.
Having said this, it should be noted that at their meeting of April 27, 2018, the Shareholders appointed Giancarlo Russo Corvace, Felice De Lillo and Mariateresa Salerno as Standing Statutory Auditors and Angelo Conte and Lucia Pagliari as Alternate Statutory Auditors, until the approval of the financial statements at December 31, 2020, also appointing Giancarlo Russo Corvace as Chairperson of the Board of Statutory Auditors.
Only those shareholders who, alone or together with others, own shares with voting rightsrepresenting at least 2% of the voting capital in the Ordinary Shareholders' Meeting, or representing the lower percentage determined by Consob pursuant to Article 147-*ter*, paragraph 1, of the Consolidated Finance Act, are entitled to submit lists.
In such regard, on January 24, 2018, through Resolution No. 20273, Consob set, pursuant to article 144-septies, paragraph 1, of Consob Issuers Regulation, at 2.5% the shareholding percentage necessary for the submission of candidate lists for the election of the management and control bodies, subject to the possibility for a lower percentage to be set forth in the Articles of Association; therefore, in accordance with the Articles of Association provision currently in force, the threshold for the submission of lists for the appointment of the control body must be deemed to be 2%.
The lists must be filed at the Company's registered offices by the end of the twenty-fifth day before the date of the shareholders' meeting convened to resolve on theappointment of the members of the Board of Statutory Auditors. In order to prove the aforesaid title, a copy of the certificates issued by authorised intermediaries and proving ownership of a number of shares necessary to present the lists themselves is to be filed with the registered offices of the Company by the deadline established for publication of the lists.
No shareholder, as well as shareholders belonging to the same group, may submit, personally or through a trustee, more than one list and vote for different lists. Each candidate may appear on only one list, or shall otherwise be disqualified.
Candidates who do not meet the ethical and professional requirements established in applicable legislation may not be included in the lists. Exiting statutory auditors may be re-elected.
Together with each list, within the term indicated above, the designated parties' professional resumes are lodged, plus the declarations with which each candidate accepts the nomination and attests, under his or her own responsibility, that there is no cause for ineligibility or disqualification, and to his/her compliance with the requirements of law and the Articles of Association prescribed for the position.
Any lists which fail to observe the foregoing requirements shall be considered as not having been submitted.

The procedures indicated below are to be followed in electing the Statutory Auditors:
1) two standing members and one alternate are to be selected from the list that received the greatest number of votes at the Shareholders' Meeting, based upon the order of priority in which they are listed in the sections of the list;
2) the remaining standing member and alternate member are to be selected from the list that received the second greatest number of votes in the Shareholders' Meeting and who are not connected, either directly or indirectly, with the shareholders who presented or voted the list which has ranked first in the number of votes, based upon the order of priority in which they are listed in the sections of the list.

The chairperson of the Board of Statutory Auditors is the candidate appointed from the second slate, if any, that receives the greatest number of votes.
If the requirements of pertinent laws or the Articles of Association are not met, the statutory auditor is dismissed from the position.
In the event of replacement of a statutory auditor, the alternate auditor from the same list as the auditor being replaced shall be the substitute. If this replacement does not allow compliance with the current regulations governing gender equality, the second alternate member, if present, belonging to the less represented gender and elected from the list of the replaced candidate, will be the alternate member. Should the application of the procedures referred to above not allow compliance with the current regulations governing gender equality, a shareholders' meeting shall be called as soon as possible in order to ensure compliance with the provisions under these regulations.
The foregoing requirements for appointing the Board of Statutory Auditors do not apply to the Shareholders' Meetings, which, pursuant to law or the Articles of association, must appoint the standing and/or alternate auditors and the chairman as necessary to re-compose the Board of Statutory Auditors following replacement or dismissal and for appointing auditors for any reason if they are not appointed in accordance with the previous paragraphs. In these cases, the Shareholders' Meeting is to proceed according to the quorum required by law, without prejudice to the requirement – where applicable – of Article 144-sexies, paragraph 12, of Consob Issuers' Regulation, as well as in accordance with the regulations governing gender equality and any additional applicable provisions of law.
For further information on the voting procedure of the statutory auditors, please refer to article 22 of the Company's Articles of Association, and on the Report on Corporate Governance and ownership structure. Information concerning the list presented for the renewal of the corporate bodies is included herein.

<u>List submitted on the occasion of the appointment of the Board of Statutory Auditors (information pursuant to article 144-decies of the Consob Issuers' Regulations)</u>
On the occasion of the ordinary Shareholders' Meeting held on April 27, 2018, within the terms set out by the regulations in force, information was provided and the documentation was prepared referred to in article 144-*sexies*, paragraph 4, of the Consob Issuers' Regulations. Furthermore, the shareholder - Libero Acquisition S.à. r.l.- which submitted the list (based on the shareholders' agreement in force at the time between Libero Acquisition S.à r.l., GL Europe Luxembourg S.à r.l., GoldenTree Asset Management Lux S.à r.l., GoldenTree SG Partners L.P., GT NM L.P. and The San Bernardino County Employees Retirement Association), as well as the aggregate investment held (58.82% of the ordinary share capital) have been disclosed.
The Company has promptly taken steps to make public the documentation concerning the list submitted through its website at https://www.italiaonline.it/wp-content/uploads/2018/03/Lista-socio-Libero-Acquisition-S.%C3%A0-r.l.-Nomina-CdA-e-Collegio-Sindacale.pdf.
Furthermore, with reference to the provisions under article 144-*octies*, paragraph 2, of the Consob Issuers' Regulations, the Company has notified that, at the date of expiry of the time limit set for filing the lists for the appointment of the Board of Statutory Auditors, no minority lists had been submitted. Therefore, in accordance with the provisions under article 144-*sexies*, paragraph 5, of the aforesaid Consob Issuers' Regulations, it was notified that additional lists for the appointment of the Board of Statutory Auditors could be deposited by and no later than April 6, 2018 and that the percentage of interest necessary for submitting lists, as per the Articles of Association, was reduced to half (and it was then equal to 1% of the voting share capital at the ordinary shareholders' meeting). On said occasion no minority list was submitted. See, for this purpose, the press release circulated by the Company: https://www.italiaonline.it/wp-content/uploads/2018/04/cs04apr_ITA.pdf.

Finally, it should be noted out that the Company – following the Shareholders' Meeting of April 27, 2018 – informed the public of the appointment of the Board of Directors and of the Board of Statutory Auditors in the press release available through the website at https://www.italiaonline.it/wp-content/uploads/2018/04/180427_cs-27-4-2018-ITA-comunicato-post-assemblea-1.pdf.

Shareholders' Meeting

As is known, the so-called "Shareholders' Rights" rule (Legislative Decree no. 27 of January 27, 2010, as amended and integrated) amended articles 2366/2373 of the Italian Civil Code and strongly affected the Consolidate Finance Act, introducing new important provisions for listed companies, with specific regard to the carrying out of the activities of the shareholders' meetings.
The current text of article 8 of the Articles of Association (as attached hereto), as finally amended by the resolution passed by the Shareholders' Meeting on October 22, 2012, provides that those who are entitled to vote and are authorised according to the applicable regulations may attend the Shareholders' Meeting, in the manner and at the terms and conditions set out[1]. Each party who has the right to vote and who has the right to attend shareholders' meetings can cause himself/herself to be represented by means of a written proxy or a proxy granted via electronic mail pursuant to the applicable regulations.
It should be remembered that the extraordinary Shareholders' Meeting held on April 20, 2011, the Shareholders resolved to amend article 8 in order to make it more compliant with article 135-*novies* of the Consolidated Finance Act, which provides for the possibility of granting proxies by electronic means: each party who has the right to vote and who has the right to attend shareholders' meetings can cause himself/herself to be represented by means of a written proxy or a proxy granted via electronic mail pursuant to the applicable regulations.
The proxy may be issued to an individual or legal entity.
The proxy can be notified electronically via use of a specific section of the Company's website, according to the procedures indicated in the meeting notice, or via certified email sent to the email address indicated at any given time in the meeting notice.
It should be noted that, pursuant to article 135-*undecies* of the Consolidated Finance Act, as introduced by Legislative Decree 27/2010, the companies with listed shares may designate, for each Shareholders' Meeting, a person to which the shareholders may grant a proxy with voting instructions on all or some of the proposals on the agenda, according to procedures and time limits set out by the rule itself. It is also provided for the application of the rule, except for any provisions to the contrary laid down in the Articles of Association.
Having stated this, the Board has deemed it appropriate, in the interests of the Company, not to deprive itself of the possibility of resorting, in specific circumstances, to the designation of the person specified by paragraph 1 of article 135-*undecies* of the Consolidated Finance Act referred to above; for this reason, at their extraordinary Meeting of April 20, 2011, the Shareholders resolved to grant the Board itself, where it deems appropriate, the right to make this designation, giving specific notice thereof in the notice of call of the related Shareholders' Meeting.
In order to ensure the best possible management with regard to the organization of the shareholders' meeting's proceedings (in technical/logistics terms), at their extraordinary Meeting of April 20, 2011, the Shareholders also resolved to provide for the place of calling of the shareholders' meetings to coincide with the Municipality district where the registered office or, if required, the secondary office of the Company is located (article 10 of the Articles of Association).
Pursuant to the article 10 of the Articles of Association, as amended at the aforesaid extraordinary Shareholders' Meeting, the following is noted.

[1] Pursuant to the provisions in force, persons who are holders of the securities account at the end of the trading day on the seventh trading day prior to that scheduled for the Shareholders' Meeting are entitled to vote at the Shareholders' Meeting. Furthermore, as the ownership of the shares could vary between the seventh day prior to the shareholders' meeting and the date of the shareholders' meeting, it is not necessarily correct to talk about shareholders, but about "those who are entitled to vote".

The Shareholders' Meeting is convened in accordance with law in the municipal district in which the registered office of the company is located or, if required, the secondary office, by means of a notice published in the manner and within the terms envisaged by applicable regulations. The Ordinary Shareholders' Meeting for approval of year-end financial statements must be held within 180 days after the end of the company's financial year, according to the relevant law, due to the Company being required to prepare consolidated financial statements or, in any case, whenever specific needs concerning the structure and the corporate purpose of the Company render it necessary.
Shareholders' meetings are also held whenever the Board deems it to be appropriate or when the law requires that they be held.
Their extraordinary Meeting held on October 22, 2012, the Shareholders amended article 10 of the Corporate By-Laws, providing for the ordinary and extraordinary shareholders' meetings, the notice of call of which was published after January 1, 2013, to be held on a single call, pursuant to law.
Pursuant to article 11 of the Articles of Association, the quorum for the establishment and resolutions of Shareholders' Meetings is provided for by the law.
The Shareholders Meeting, upon the proposal of the meeting's Chairman, appoint a secretary, who need not be a shareholder. In the possible cases contemplated by law and when the meeting's Chairperson deems it to be necessary, meeting minutes are prepared in the form of a public deed by a notary designated by the Chairperson.
It should be noted that article 19 of the Articles of Association - pursuant to article 2365, paragraph 2, of the Italian Civil Code - states that the attributions provided for therein do not fall within the competence of the shareholders' meeting and must instead be allocated to the Board of Directors (see, in this regard, the information reported above in the paragraph "The role of the board of directors - Article 1 of the Code").
Directors make every effort to facilitate the maximum possible shareholders' attendance at meetings and exercise of shareholders' rights. Whenever possible, all directors and statutory auditors (especially those directors who - by virtue of the position held - can make a useful contribution to meeting discussions) take part in shareholders' meeting.
As regards application criterion 9.C.3 of the Code, the characteristics of the Shareholders' Meetings – i.e. streamlined proceedings and absence of criticalities – have allowed us not to propose, thus far, adoption of a shareholders' meeting regulation. It is also pointed out that article 2371 of the Italian Civil Code expressly provides, as regards meeting chairpersonship, for the meeting's Chairperson to check proper constitution of the meeting and the identity and the legitimate right of those present, to manage proceedings and to ascertain the results of voting (pursuant to article 12 of the Articles of Association, the meeting's Chairperson checks - also through specifically appointed officers - the right to attend, compliance of proxies with current legislation, the valid constitution of the meeting as such, and the identity and the legitimate right of those present. He or she then manages meeting proceedings and takes appropriate measures to assure orderly discussion and voting, defining the latter's approach and ascertaining results).
In particular, it should be noted that:

- With reference to the matters from time to time on the agenda, the Board has taken action to ensure that the shareholders are provided with adequate disclosure on the elements necessary in order to make decisions falling under their responsibility;
- In order to ensure that each shareholder is guaranteed the right to speak on items on the agenda, the Chairperson of the meeting, prior to addressing each item on the agenda, reminds the attendees who intend to take the floor to reserve their slot and that during discussions such speeches must be concise and pertain to the agenda and be completed within a maximum of 10 minutes per speaker; most recently, those who have already taken part in the discussions may take the floor once again for a short speech, not exceeding, in general, 5 minutes, in order to reply.

Shareholders' meetings held during 2018

During 2018 the following shareholders' meetings were held:

1) Ordinary and extraordinary Shareholders' Meetings

At their ordinary and extraordinary Meetings held on April 27, 2018, the Shareholders resolved:

- to approve the 2017 annual financial statements of the Company, the draft of which had been approved by the Board of Directors on March 15, 2018, closing with a net profit for the year of € 23,923,126.16, and to allocate it (i) to the distribution of a unitary dividend of € 30.00 to each outstanding savings share, for a total of € 204,090.00 and to carry forward the residual profit of € 23,719,036.16.
- to set at 11 the number of members of the Board of Directors establishing the term of office until the approval of the financial statements at December 31, 2020 and to approve the appointment as members of the Board of Directors of Hassan Abdou, Tarek Aboualam, Arabella Caporello, Antonio Converti, Pierre de Chillaz, Vittoria Giustiniani, Cristina Finocchi Mahne, Frederick Kooij, Onsi Sawiris, Corrado Sciolla and Sophie Sursock (all drawn from the single list submitted – filed by shareholder Libero Acquisition S.à. r.l.), also appointing Tarek Aboualam as Chairperson of the Board of Directors.
- to set at € 75,000 the annual remuneration for each board member save for the additional remuneration which may be established by the Board of Directors pursuant to article 2389, paragraph 3, of the Italian Civil Code, for directors entrusted with particular offices; and to authorise the entering into, with costs to be borne by the Company, of an insurance policy, so-called D&O (Directors & Officers), to cover the civil liability of directors, possible general managers, as well as the Manager in charge of financial reporting with annual premium set at maximum € 350,000, inclusive of the annual pro rata cost of any runoff spread over the resolved term of office and to provide, as is practice, for said D&O to also cover the board of statutory auditors to be appointed.
- to approve the appointment, as standing auditors, of Giancarlo Russo Corvace, Mariateresa Salerno and Felice De Lillo, further appointing Giancarlo Russo Corvace as Chairperson of the Board of Statutory Auditors, and the appointment, as alternate auditors, of Lucia Pagliari and Angelo Conte, for the three-year period 2018-2020.
- to set the remuneration of the above mentioned Standing Auditors at € 90,000 for the chairperson of the Board of Statutory Auditors and at € 60,000 per annum for each Standing Auditor;
- to express a favorable opinion on Section I of the Remuneration Report pursuant to art. 123-ter of Legislative Decree no. 58 of February 24, 1998;
- to authorize, pursuant to artt. 2357 et seq. of the Italian Civil Code and article 132 of the Consolidated Finance Act, the purchase of the Company's treasury shares, in one or more occasions, for a period not exceeding 18 months starting from the resolution date in compliance with the terms and conditions set in the resolution.
- to approve the 2018-2021 Performance Shares Plan reserved for executive directors and managers of Italiaonline S.p.A. and/or its subsidiaries, on the terms and conditions set out in the Information Document and to further grant the board of directors with every power necessary or appropriate to execute the plan.
- to revoke the delegation granted to the board of directors at the extraordinary shareholders' meeting of March 8, 2016, pursuant to articles 2443 and 2441, paragraph 4, of the Italian Civil Code; to delegate to the board of directors, pursuant to article 2443 of the Italian Civil Code, the power to increase the share capital for consideration, in one or more issues, in one or more tranches, until April 26, 2021, with exclusion of option rights pursuant to 2441, paragraph 4, of the Italian Civil Code, on the terms and conditions laid down in the relating explanatory report of the board of directors, and accordingly, to amend article 5 of the Articles of Association as stated in the resolution.
- to grant the board of directors, pursuant to article 2443 of the Italian Civil Code, for a five year period from the resolution date and accordingly until April 26, 2023, with the power to increase without consideration the share capital even in more tranches, to service the execution of the plan called "2018 – 2021 Performance Shares Plan" by a maximum of € 400,008.19 by issuing a maximum of 2,295,224 new ordinary shares, under the terms and conditions stated in the resolution and, accordingly, to amend article 5 of the Articles of Association as stated in the resolution.

The aforementioned meeting was attended by 3 directors.

2) Meeting of shareholders holding savings shares
a) Meeting of April 27, 2018
At their special meeting on April 27, 2018, the Company's savings shareholders resolved:
- to authorize the common representative to challenge, should she deem it appropriate, possibly resorting to further legal opinions, the merger resolution of the extraordinary meeting of Seat Pagine Gialle S.p.A. of March 8, 2016;
- to grant its prior consent to the fractioning of savings shares to the extent of 1 to 100 with no amendment to the share capital, where the related resolutions are adopted by the appropriate corporate bodies;
- to grant a mandate to the common representative for her to open a bank or postal account, intended for the amounts relating to the common fund pursuant to article 146, paragraph 1, letter c), of the Consolidated Finance Act, to which the Company shall transfer, as an advance, the amounts relating to the resolved fund minus the expenses already paid during the current year.

Shareholder relations

The Board of Directors strives to make the information concerning the Company and which is of interest for shareholders promptly and easily accessible, so to allow for the latter exercise their rights in a fully informed manner. Delegated departments guarantee, in particular, relations with the national and international financial community (Investor Relations) and the shareholders (Corporate and Regulatory Affairs).
To encourage dialogue with all financial market operators, the Company published on its website, in two specific sections called "Governance" and "Investor" (i) all documents concerning the Company's governance system, information on corporate bodies as well as reports and material to be used in meetings and (ii), all economic and financial documentation (financial statements, interim and quarterly reports), supporting documents (presentations to the financial community), as well as press releases issued by the Company, both in Italian and English. The "Investor" section also includes information of interest for all shareholders, including that on the stock exchange performance of Italiaonline S.p.A. stock.

ENVIRONMENTAL SUSTAINABILITY

Italiaonline places respect and attentiveness for all its stakeholders and for the ecosystem in which it operates not only at the heart of its industrial and commercial approach, responsible from an economic and ethical point of view, generating sustainable value and growth, but also values the implementation of good environmental practices at group level, minimizing 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, safety 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 Company, 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 Company only works with suppliers and printers that observe the strictest qualitative and environmental certification standards and that use 100% recycled paper that is Ecolabel Blue Angel certified, a procedure owned and guaranteed by the German Ministry of 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 are always at the forefront of innovation.
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 publications.
Furthermore, with regard to the phone directories, for a while, the Company has been carrying out a parallel process of dematerialization, producing and offering the directories to the public in a digital format on the internet and through a 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 FIRs (waste identification forms) and the use of SISTRI (the waste tracking and control system).
Italiaonline participated in the European Week for Waste Reduction (SERR) from Saturday, November 18 to Sunday, November 25, 2018. The theme chosen by the organizers for 2018 was the reduction of the use of toxic elements contained in everyday products and their proper disposal. Consequently, Italiaonline have put initiatives in place such as: invitations in external company e-mails not to print, in order to save paper and printer toner; the implementation of separate waste collections at offices; creation of an article on waste reduction and the SERR initiative and publication on the Group's portals throughout the week; dissemination of the initiative, through creative applications, on Italiaonline social network platforms and internal media.

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

During 2018, Italiaonline's key mission was confirmed with 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 "Donando si impara" (Learn by giving) initiative make IT equipment and coding courses available 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 ample space to updates on the progress of the challenge from May 16, 2018 to Friday, August 31, 2018.

Working with the next generation

Italiaonline's close relationship with schools and millennials continues in 2018: at Christmas there are plans to donate four computer rooms to four similar institutes in Milan and Turin, which are currently being identified together with their respective departments. The donation is also the focus of Christmas and 2019 New Year greeting cards that Italiaonline employees send to customers, suppliers and partners, with a message that reads as follows: 'So that those who will be great tomorrow may already have the tools for a better future today'.
In 2018 Italiaonline was a partner of Campus Party, the most prestigious festival in the world concerning innovation and creativity, held from July 18 to 22 in Milan. It was attended by young digital enthusiasts from all over the world.
Italiaonline made its presence felt with a stand in the recruiting area, with networking opportunities, daily digital training and "reverse mentoring" activities, during which a group of young people with strong digital skills and managers of the company shared their knowledge for a fruitful mutual exchange.
Furthermore, in December 2018, Italiaonline participated in Campus Party Connect, the new format for Campus Party involving 500 high school students, organized into teams of 10 participants each, led by experienced tutors and inspired by entrepreneurs, managers and speakers, with the aim of creating their own startup in 5 days. During the event, the company conducted a training presentation that illustrated how to develop the best digital marketing strategy for a startup.

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

On March 24, 2018 Earth Hour was celebrated: the WWF's massive global movement which, from a symbolic gesture of turning off lights for one hour, unites residents, institutions and businesses in a common desire to provide the world with 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.
Also in support of the WWF, Italiaonline promoted the "Shark day" initiative on July 14, 2018 on its social media platforms, a project initiated by WWF Italy that promotes a fishermen - researcher alliance, to protect sharks in the Adriatic Sea, as they are among the most endangered fish species in our waters.

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

Also in 2018, Italiaonline renewed its commitment to the Libellula Project, the first network of companies seeking to prevent and eliminate violence against women and gender discrimination, promoting a new cultural sensitivity in the everyday life of the workplace.
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 in the workplace, where they spend most of their time: on that occasion, the Network was thus presented.
One year after the start of the project, on October 16, 2018 the Municipality of Milan and the organizers awarded Italiaonline and the other companies that were the first to sign-up for the project by joining the network.
On November 22, 2018, two Italiaonline colleagues and their daughters were able to participate in the "Hearts of Lionesses" workshop, promoted by the organizers of the project: an afternoon designed for mothers and daughters / grandchildren, dedicated to courage and its many forms, starting with stories from a number of women, highlighting courage in the past and present.
The next steps for Italiaonline with regard to the Project include the organization of internal courses/seminars on women's issues, with voluntary participation.
DiLei, the thematic portal dedicated to the female universe, has a section composed of approximately fifty videos dedicated to stories from female role models who stand out in fields usually occupied by men, or who have physical problems / disabilities, or even those who fight diseases and discrimination on a daily basis.

Italiaonline and the Diversity Media Awards 2018

In May, Italiaonline contributed as media partner to the highest number of views of the evening, in relation to the Diversity Media Award 2018, the award assigned to individuals and media committed to promoting LGBTQ issues.
The cumulative TRULive (unified live broadcasting network) result was 250,000 views via live streaming and 13 million social media contacts. In addition to the firepower 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 many institutions choosing to collaborate with 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.

Value for diversity

Also in 2018, Italiaonline took part in, with structured communication activities on the Group's internal channels and social networks, campaign support activities for the International Day Against Homophobia, Biphobia and Transphobia on May 17 and for the International Day for the Elimination of Violence against Women on November 25.
Following on from a prize-winning first edition of the Legal Community Diversity Awards, in 2018, in the second edition of the awards, Italiaonline came out on top in the "Value for diversity" category, the award given to companies and institutions committed to valuing diversity and guaranteeing rights, under the patronage of the Municipality of Milan, for their commitment to fully respecting diversity.
Throughout the year, the company dedicated a fortnight for focusing on LGBTQ issues on its thematic portals (DiLei, QuiFinanza, SiViaggia, Virgilio Sport, superEva).

"Bastards 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 guarantees the significant voice of public opinion and seeks to strongly contribute to combating the phenomenon.

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

The company has also signed several agreements, both at national and local level and online, for its employees, allowing them to buy products and services which impact a broad range of aspects of family life, under favorable conditions (e.g. dentist, gym, car repairs, tickets for shows and concerts, travel, restaurants, shopping etc.). The group intranet 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

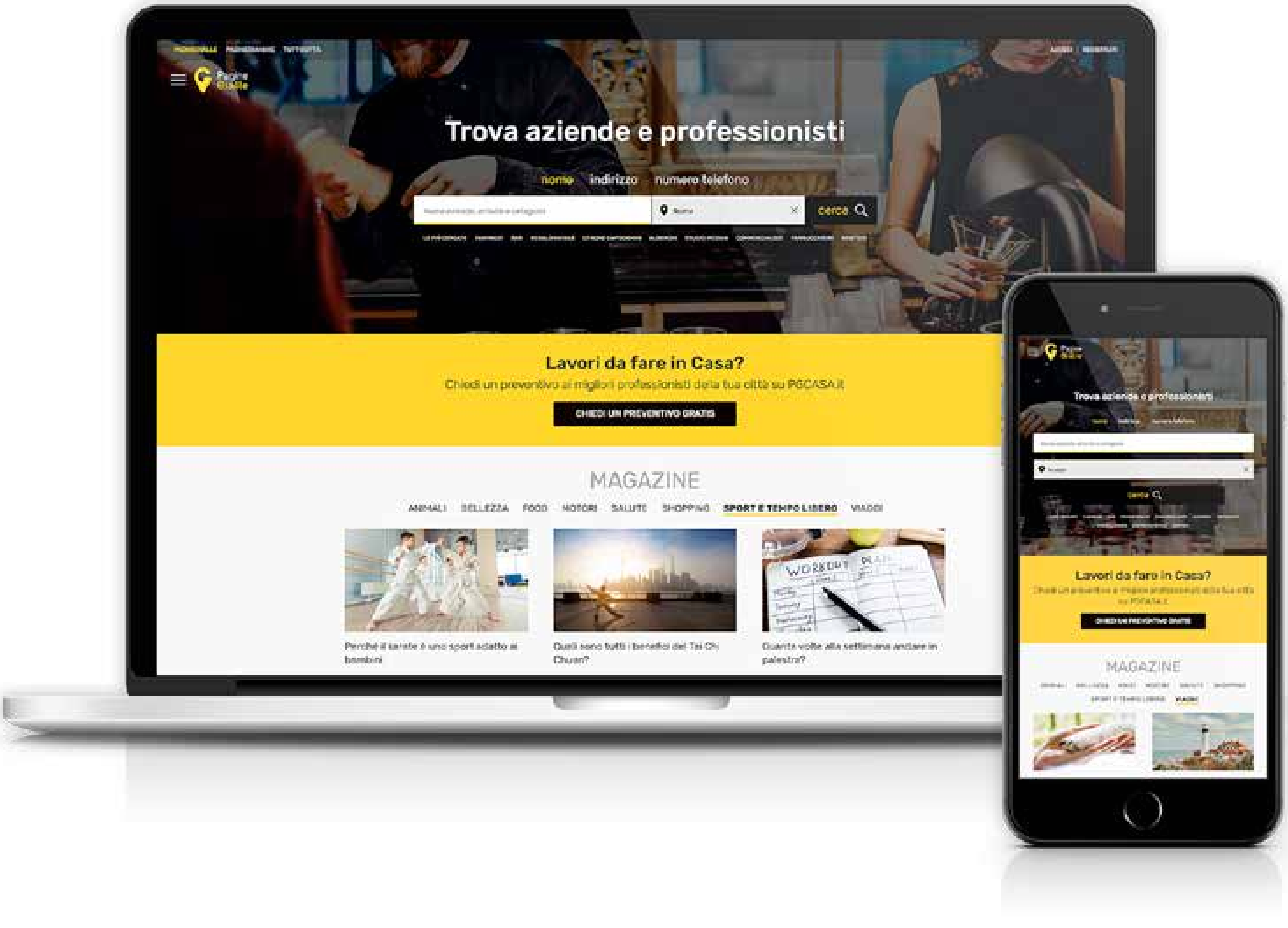
In April, Italiaonline offered all employees who are running enthusiasts, at all its Italian branches, the opportunity to take part in the Milan Marathon, providing a free running kit (number, T-shirt and shorts).

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

Continuing on from that achieved in 2017, Italiaonline ensured the reusability of movable property and office equipment to be allocated to charities.
Materials from the canteen of the Turin headquarters, owned by Italiaonline, have been donated to Giorgio Valsania Onlus, a lay association that for over ten years has been dedicated to providing assistance to people in need, with a particular focus on the growing difficulties of Italian families, and that in recent years has confronted the problem of food distribution. The association operates in Caselle (Turin) and manages another 140 non-profit organizations in the Piedmont region, linked in turn to a national network of charities.
Italiaonline has also donated furniture and furnishings from a former agency in Milan to the CAF Onlus association, with which the company has had relations for some time and which takes care of and welcomes children and young people, in a skilled and professional manner, who have been removed from their families because of trauma and deep relational wounds. The furniture donated by Italiaonline will be used to furnish the new CAF headquarters, operational from early 2019.
Finally, Italiaonline has donated more than 300 new jackets to the Foundation "progetto ARCA" onlus charity, which supports and welcomes homeless people, migrants and people with addictions. The jackets, delivered in the autumn of 2018 at the ARCA headquarters in Milan, are distributed by the project's volunteers to the migrants who are currently being cared for in the facility.

Pagine Gialle

Everything you need, always



Trova aziende e professionisti
nome
indirizzo
numero telefono
cerca
Lavori da fare in Casa?
Chiedi un preventivo ai migliori professionisti della tua città su PGCASA.it
CHIEDI UN PREVENTIVO GRATIS
MAGAZINE
ANIMALI
BELLEZZA
FOOD
MOTORI
SALUTE
SHOPPING
SPORT E TEMPO LIBERO
VIAGGI
Perché il karate è uno sport adatto ai bambini
Quali sono tutti i benefici del Tai Chi Chuan?
Quante volte alla settimana andare in palestra?
Trova aziende e professionisti
Lavori da fare in Casa?
CHIEDI UN PREVENTIVO GRATIS
MAGAZINE

CONSOLIDATED FINANCIAL STATEMENTS OF THE ITALIAONLINE GROUP

The notes to the individual items, included in the explanatory notes, are an integral part of these consolidated financial statements.
The Italiaonline Group adopted IFRS 15, IFRS 9 and IFRS 16, choosing the early adoption for the latter, as from January 1, 2018. On the basis of the transition method chosen, simplified retrospective, comparative information has not been restated.

Statement of financial position at December 31, 2018

Assets

(euro/thousand)		AT 12.31.2018	AT 12.31.2017	NOTE
Non-current assets				
Intangible assets with an indefinite useful life		250,720	250,720	(5)
Intangible assets with a finite useful life		46,130	56,193	(7)
Property, plant and equipment		7,079	9,430	(8)
Right-of-use assets		31,099	-	(9)
Other equity investments		-	2,699	(10)
Other non-current financial assets		563	2,901	(11)
Deferred tax assets, net		194	117	(28)
Other non-current assets		24,610	23,852	(14)
Total non-current assets	**(A)**	**360,395**	**345,912**	
Current assets				
Inventories		817	1,279	(12)
Trade receivables		129,645	137,794	(13)
Current tax assets		10,313	10,194	(28)
Other current assets		39,678	37,113	(14)
Current financial assets		97	666	(18)
Cash and cash equivalents		101,038	74,476	(18)
Total current assets	**(B)**	**281,588**	**261,522**	
Non-current assets held for sale and discontinued operations	**(C)**	**-**	**-**	
Total assets	**(A+B+C)**	**641,983**	**607,434**	

Liabilities

(euro/thousand)		AT 12.31.2018	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		(831)	(1,386)	(15)
Other reserves		180,860	149,345	(15)
Profit (loss) for the year		(8,734)	26,417	
Total equity attributable to the owners of the Parent	**(A)**	**312,512**	**315,593**	**(15)**
Non-controlling interests				
Share capital and reserves		-	-	
Profit (loss) for the year		-	-	
Total non-controlling interests	**(B)**	**-**	**-**	**(15)**
Total equity	**(A+B)**	**312,512**	**315,593**	**(15)**
Non-current liabilities				
Non-current financial liabilities		25,499	-	(18)
Non-current provisions for employees		12,719	18,270	(20)
Net deferred tax liabilities and non-current tax liabilities		20,729	12,661	(28)
Other non-current liabilities		18,867	19,505	(21)
Total non-current liabilities	**(C)**	**77,814**	**50,436**	
Current liabilities				
Current financial liabilities		8,647	2,195	(18)
Trade payables		91,258	101,113	(23)
Liabilities for services to be provided and other current liabilities		124,529	96,333	(23)
Current provision for risks and charges		24,169	35,966	(22)
Current tax liabilities		353	1,409	(28)
Other tax liabilities		2,701	4,389	(28)
Total current liabilities	**(D)**	**251,657**	**241,405**	
Liabilities directly associated with non-current assets held for sale and discontinued operations	**(E)**	**-**	**-**	
Total liabilities	**(C+D+E)**	**329,471**	**291,841**	
Total liabilities and equity	**(A+B+C+D+E)**	**641,983**	**607,434**	

Income statement for 2018

(euro/thousand)	YEAR 2018	YEAR 2018	NOTE
Revenue from sales	1,093	731	(24)
Revenue from services	323,664	335,194	(24)
Revenue from sales and services	**324,757**	**335,925**	**(24)**
Other income	1,881	4,565	(25)
Total revenue	**326,638**	**340,490**	
Costs of materials	(1,813)	(2,321)	(25)
Costs for external services	(172,411)	(180,222)	(25)
Personnel expense	(70,654)	(77,599)	(25)
Impairment loss on trade receivables and other assets	(4,897)	(7,570)	(13; 25)
Accruals to provisions for risks and charges, net	(1,662)	(2,434)	(21; 22; 25)
Other operating costs	(1,894)	(2,683)	(25)
Operating income before amortization, depreciation, non-recurring and restructuring costs, net	**73,307**	**67,661**	
Amortization, depreciation and impairment losses	(43,636)	(35,909)	(7, 8)
Net non-recurring charges	(6,193)	(1,930)	(25)
Net restructuring charges	(26,896)	(2,061)	(25)
Operating profit (loss)	**(3,418)**	**27,761**	
Financial expense	(1,213)	(639)	(26)
Financial income	3,106	1,320	(26)
Reversal of Impairment (losses) on financial assets and gains on the disposal of equity investments	1,243	-	(27)
Pre-tax profit (loss)	**(282)**	**28,442**	
Tax expense	(8,452)	(2,025)	(28)
Profit (loss) for the year	**(8,734)**	**26,417**	
- of which attributable to the owners of the Parent	(8,734)	26,417	
- of which attributable to non-controlling interests	-	-	

		AT 12.31.2018	AT 12.31.2017
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*
weighted average shares outstanding (*)		*114,766,183*	*114,768,028*
Profit (loss) for the year	€/thousand	(8,734)	26,417
Earnings (losses) per share	€	(0.076)	0.230

(*) For calculation purposes 22,443 treasury shares acquired during 2018 are considered

Statement of comprehensive income for 2018

(euro/thousand)	YEAR 2018	YEAR 2017	NOTE
Profit (loss) for the year	**(8,734)**	**26,417**	
Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss:			
Actuarial gains, net of tax	354	306	
Net fair value gains (losses) on Telegate AG sold during the year already included in the loss for the year	(549)	-	
Total other comprehensive income (expense) that will not be subsequently reclassified to profit or loss	(195)	306	(16)
Other comprehensive income (expense) that will be subsequently reclassified to profit or loss:			
Net fair value gains (losses) on AFS securities and investments	-	589	
Total other comprehensive income (expense) that will be subsequently reclassified to profit or (loss)	-	589	(16)
Total other comprehensive income (expense), net of tax	**(195)**	**895**	

Total comprehensive income (expense) for the year	**(8,929)**	**27,312**	
- of which attributable to the owners of the Parent	(8,929)	27,312	
- of which attributable to non-controlling interests	-	-	

Statement of cash flows for 2018

(euro/thousand)		YEAR 2018	YEAR 2017	NOTE
Cash flows from operating activities				
Operating profit (loss)		(3,418)	27,761	
Amortization, depreciation and impairment losses		43,636	35,909	(5; 7; 8; 9)
Stock option costs		-	978	
(Gains) losses on disposal of non-current assets		27	(29)	
Change in working capital		18,124	(2,574)	
Income taxes paid		(30)	(795)	
Change in non-current liabilities		(6,378)	(3,077)	
Exchange differences and other changes		(27)	(2,129)	
Cash flows from operating activities	**(A)**	**51,934**	**56,044**	
Cash flows from investing activities				
Purchase of intangible assets with a finite useful life		(19,869)	(21,758)	(7)
Purchase of property, plant and equipment		(1,195)	(4,565)	(8)
Other investments		(753)	444	
Proceeds from disposal of non-current assets		3,475	170	
Cash flows used in investing activities	**(B)**	**(18,342)**	**(25,709)**	
Cash flows from financing activities				
Repayment of non-current loans		-	-	
Paid interest and financial expense, net		291	417	
Change in other financial asset and liabilities		(7,065)	2,190	
Dividend distribution		(204)	(80,032)	
Share buy back		(52)	-	
Cash flows used in financing activities	**(C)**	**(7,030)**	**(77,425)**	
Cash flows from non-current assets held for sale and discontinued operations	**(D)**	**-**	**-**	
Cash flows of the year	**(A+B+C)**	**26,562**	**(47,090)**	
Opening cash and cash equivalents		**74,476**	**121,566**	**(18)**
Closing cash and cash equivalents		**101,038**	**74,476**	

Statement of changes in equity for 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**
IFRS 15 effects						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)
Share buy back	-	-	-	-	-	(52)	-	(52)
Comprehensive income (expense) for the year	-	-	-	-	555	(750)	(8,734)	(8,929)
Other changes	-	-	-	-	-	(2)	-	(2)
At 12.31.2018	**20,000**	**117,217**	**4,000**	**2,374**	**(831)**	**178,486**	**(8,734)**	**312,512**

Statement of changes in equity for 2017

(euro/thousand)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	STOCK OPTION RESERVE	ACTUARIAL RESERVE	OTHER RESERVES	PROFIT (LOSS) FOR THE YEAR	TOTAL
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 consolidated financial statements at December 31, 2018

1. Corporate information

Italiaonline is the leading internet company in Italy, with 4.8 million unique users, including 3.2 million from smartphones and has a 63%[1]. market reach. Italiaonline offers digital presence, web marketing and digital advertising services, including management of advertising campaigns and the generation of leads through social networks and search engines. The group's strategic objective is to consolidate its Italian leadership role in the digital advertising market for large accounts and in local marketing services - with the mission of digitalizing the country's SMEs (small and medium-sized enterprises), 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.

2. Basis of preparation

The Consolidated financial statements at December 31, 2018 have been prepared in accordance with the provisions of Legislative Decree No. 38 of February 28, 2005, applying the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union, including all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), and in compliance with the applicable CONSOB regulations.
The Italiaonline Group adopted the IFRS in compliance with Regulation (EC) No. 1606 of July 19, 2002.
The financial statement formats adopted are consistent with those of IAS 1. Specifically:

- the *statement of financial position* was prepared by classifying assets and liabilities as "current/non-current" and showing "non-current assets/liabilities directly associated with non-current assets held for sale and discontinued operations" as two separate items, as required by IFRS 5;
- the *income statement* was prepared by classifying operating costs by nature, as this is considered the best way to present the Group's activities and complies with internal reporting methods. As required by Consob resolution No. 15519 of July 27, 2006 in the context of the income statement by nature, income and charges from non-recurring transactions were specifically identified, highlighting their impact on the operating profit/(loss).
  Non-recurring income and charges include those which, by their nature, are not included in the normal course of operations, such as:
  - company restructuring costs;
  - non-recurring and highly strategic consultancy (relating mainly to identifying and implementing solutions for company and/or financial restructuring);
  - costs linked to directors' and department managers' end-of-office entitlement.
- the *statement of comprehensive income* includes in addition to the profit for the year as in the income statement, changes in equity other than those relating to transactions with shareholders;
- 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.

[1] Source: Audiweb 2.0, powered by Nielsen, TDA - Total Digital Audience, December 2018. Audiweb 2.0 data does not include Google, Facebook and Microsoft.

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 euro and all figures have been rounded off to the nearest thousand, unless otherwise indicated; it should be noted that the percentage changes indicated with "n.s." are to be considered unrepresentative.
Publication of the consolidated financial statements of the Italiaonline group at December 31, 2018 was authorized by resolution of the Board of Directors of March 19, 2019.

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

The Annual Financial Report at December 31, 2018 has been prepared on a going concern basis as there is a reasonable expectation that Italiaonline S.p.A. will continue its operations in the foreseeable future and for more than twelve months.

2.2 *Basis of consolidation*

The consolidated financial statements include the annual 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 year attributable to them;
- elimination of receivables and payables, as well as costs and revenue arising from intra-group transactions;
- elimination of intra-group dividends.

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

2.3 *Discretionary assessments and accounting estimates*

Pursuant to IFRS, when preparing annual consolidated financial statements and notes thereto, the management apply accounting policies and methods that, in some cases, are based on complex and subjective valuations and estimates that are based on historical data and assumptions that, in each individual case, are deemed to be reasonable and realistic in light of the relevant circumstances. The use of these estimates and assumptions has an impact on the amounts reported in the financial statement schedules, which include a statement of financial position, an income statement and a statement of cash flows, and in additional disclosures. The final amounts shown for those components of the financial statements for which the abovementioned estimates and assumptions were used could differ from the amounts actually realized, due to the uncertainty that characterizes all assumptions and the conditions upon which the estimates were based.

Estimates and assumptions are revised on a regular basis and the impact of any resulting change is recognized in the period when a revision of estimates occurs, if the revision affects only the current period, and is also applied to future periods, when the revision has an impact both on the current period and on future periods.
The financial statement items that require the most use of subjective judgment by Directors in developing estimates and with respect to which a change in the underlying assumptions used could have a material impact on the financial statements are summarized below:

Intangible assets with an indefinite useful life. Intangible assets with an indefinite useful life are tested for impairment by comparing the carrying amount of the cash generating units with their recoverable amount. The latter is the greater of the fair value, less costs to sell, and the value in use, determined by discounting to present value the expected cash flows generated by the use of the cash generating unit, net of costs to sell. The performance of an impairment test is characterized by a high degree of personal judgment, in addition to the uncertainties that are inherent in any forecasting activity, specifically regarding: estimating expected cash flows, calculated by primarily taking into account the performance of the economy in general and that of the Group's sector, as well as the actual cash flows for the past years and the projected growth rates and the estimating parameters used for the purpose of calculating the discount rate.
These estimates, which are complex and with high level of uncertainties, required the use of significant subjective judgment by Directors.

Recognition of revenue from sales and services. The model for recognizing revenue from contracts with customers when (or as) the Group transfers goods or services to a customer, measured at the amount to which the Group expects to be entitled, may vary depending on the type of revenue from contract with customers. Specifically, certain services that the Group provides have the following characteristics:
- The contract terms are complex, with a low standardization level;
- The recognition of the related revenue may alternatively be based on the measurement of the quantity of services provided, the timing, the amount of activities carried out or other parameters, which determines the transfer of the services to a customer.

Measurement of Trade receivables. The Group's business is characterized by a large number of customers and the complexity of the high number of transactions.
The Group estimates the loss allowance based on a collective assessment by groups of similar assets in terms of their nature and due date and an individual assessment of disputed receivables.
The loss allowance is based on the estimated credit losses that the Group expects to incur considering many factors, including:
- the ageing of the receivable;
- the customer's solvency;
- the risk level of the related geographical segment;
- historical figures.

Calculating the loss allowance required the use of significant subjective judgment by Directors.

Depreciation and amortization. Changes in market economic conditions, technology and the competitive scenario could have a material impact on the useful lives of property, plant and equipment and intangible assets and could produce a difference in the timing of the depreciation and amortization process and the amount of the respective expense.

Provisions for risks and charges. The determination of the provisions for risks and charges in connection with pending litigation, restructuring provisions or tax exposures requires the Directors to develop estimates regarding present liabilities that stem from past events and entail a probable money outlay. These estimates, which are characterized by a high level of complexity, subjectivity and uncertainty, required the formulation of significant valuations by the Directors.

Current and deferred income taxes. Income taxes are determined in accordance with a conservative interpretation of the tax laws in effect. On occasion, this entails the use of complex estimates to determine taxable income and deductible and taxable temporary differences between amounts recognized for accounting purposes and for tax purposes. Specifically, deferred tax assets are recognized to the extent that it is probable that sufficient taxable income will be available to recover them in the future. The assessment of the recoverability of deferred tax assets, recognized in connection with both tax losses usable in future years and deductible temporary differences, takes into account an estimate of future taxable income and is based on a conservative tax planning approach.
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 the IASB/IFRIC applicable from January 1, 2018

The following new International Financial Reporting Standards (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 has not had a significant effect on the measurement criteria applied by the Group to financial assets and liabilities. In accordance with the method of first application selected, the comparative information has not been restated.

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 Group applied IFRS 15 retroactively with cumulative recognition at the date of first-time adoption (i.e. January 1, 2018). Therefore, the information for 2017 has not been restated - i.e. it is presented in accordance with IAS 18, IAS 11 and related interpretations. Moreover, in general terms, the disclosure requirements of IFRS 15 have not been applied to comparative information. The adoption of the retroactive method with cumulative recognition in any case requires quantitative and qualitative disclosure for each financial statements line affected by the application of the new standard for comparative purposes.

The following paragraph 3.4 "Impact of adoption of the new IFRS 15 and IFRS 16" shows the effects of the adoption of IFRS 15 at the transition date and at December 31, 2018.
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 a 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.

Paragraph 3.4 shows the effects of the application of this standard on the opening balances of January 1, 2018 and the effects that it has had on the consolidated financial statements at December 31, 2018.

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 given period of time.

IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019. The Group has decided to apply this standard in advance as from January 1, 2018, using option 2 of the simplified retrospective method which provides for the recognition of right-of-use asset of an amount corresponding to the lease liability, adjusted to take account of any deferred income or accrued income for prepaid or accrued payments relating to that lease, which are recognized in the statement of financial position immediately before the initial date of application (January 1, 2018), therefore without restating the comparative data. The adoption of this 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.

Paragraph 3.4 "Impact of adoption of the new IFRS 15 and IFRS 16" shows the effects of the adoption of IFRS 16 at the transition date and at December 31, 2018.

IFRS 16, from the point of view of the lessee, provides, for all leases in which it is lessee (without distinguishing between operating leases and finance leases), for:

- the recognition in the statement of financial position of a liability, represented by the present value of future lease payments, against the corresponding entry in assets of the "right-of-use assets" and
- a different nature and classification of related costs (depreciation of the "right-of-use asset" and "interest expense" rather than the previous "Costs for use of third-party assets").

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.

Paragraph 3.4 shows the effects of the application of this standard on the opening balances of January 1, 2018 and the effects that it has had on the consolidated financial statements at December 31, 2018.

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 "Improvements to the IFRSs (2014-2016 Cycle)" document 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) IAS 28.18 option, which allows for certain types of entities (e.g.: venture capital, mutual funds, etc.) to measure their investments in associates and/or JVs at fair value;
b) IAS 28.36A option, which allows entities that are not investment entities to carry at equity investments in associates and Joint Ventures 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 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 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 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 exchange rate 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 provided on March 28, 2018. The adoption of this standard had no significant impact on the Group's consolidated financial statements.

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

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

Prepayment features with negative compensation (amendments to IFRS 9)

The "Prepayment features with negative compensation (amendments to IFRS 9 - Financial Instruments)" document, applying to reporting periods beginning on or after January 1, 2019, was endorsed with 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.

IFRIC interpretation 23 – Uncertainty over income tax treatments

Regulation (EU) No. 2018/1595 of October 23, 2018 adopted the "IFRIC Interpretation 23 - Uncertainty over income tax treatments" document, 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. The document applies to financial statements for periods beginning on or after January 1, 2019.

No impacts are expected from the adoption of the standard on the basis of the preliminary analyses and measurements carried out.

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

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

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 or after 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 the first quarter of 2019.

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 the first quarter of 2019.

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 the first quarter of 2019.

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.

Definition of Business (Amendments to IFRS 3)

This document was issued in October 2018 and will apply to reporting periods beginning on or after January 1, 2020. Endorsement by the EU is expected in 2019.

Definition of material (Amendments to IAS 1 and IAS 8)

This document was issued in October 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 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 for the year		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 year		-	-	-	-
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)	102,270
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		1,409	-	-	1,409
Other tax liabilities		4,389	-	-	4,389
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 December 31, 2018

Statement of financial position

Assets

(euro/thousand)		AT 12.31.2018	IFRS 15 EFFECTS	IFRS 16 EFFECTS	AT 12.31.2018 WITHOUT IFRS 15/16
Non-current assets					
Intangible assets with an indefinite useful life		250,720	-	-	250,720
Intangible assets with a finite useful life		46,130	-	-	46,130
Property, plant and equipment		7,079	-	-	7,079
Right-of-use assets		31,099	-	(31,099)	-
Other equity investments		-	-	-	-
Other non-current financial assets		563	-	-	563
Deferred tax assets, net		194	-	-	194
Other non-current assets		24,610	-	-	24,610
Total non-current assets	**(A)**	**360,395**	**-**	**(31,099)**	**329,296**
Current assets					
Inventories		817	-	-	817
Trade receivables		129,645	-	-	129,645
Current tax assets		10,313	-	-	10,313
Other current assets		39,678	(7,820)	-	31,858
Current financial assets		97	-	-	97
Cash and cash equivalents		101,038	-	-	101,038
Total current assets	**(B)**	**281,588**	**(7,820)**	**-**	**273,768**
Non-current assets held for sale and discontinued operations	**(C)**	**-**	**-**	**-**	**-**
Total assets	**(A+B+C)**	**641,983**	**(7,820)**	**(31,099)**	**603,064**

Liabilities

(euro/thousand)		AT 12.31.2018	IFRS 15 EFFECTS	IFRS 16 EFFECTS	AT 12.31.2018 WITHOUT IFRS 15/16
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		(831)	-	-	(831)
Other reserves		180,860	(6,106)	-	174,754
Loss for the year		(8,734)	264	1,166	(7,305)
Total equity attributable to the owners of the Parent	**(A)**	**312,512**	**(5,843)**	**1,166**	**307,835**
Non-controlling interests					
Share capital and reserves		-	-	-	-
Profit (loss) for the year		-	-	-	-
Total non-controlling interests	**(B)**	**-**	**-**	**-**	**-**
Total equity	**(A+B)**	**312,512**	**(5,843)**	**1,166**	**307,835**
Non-current liabilities					
Non-current financial liabilities		25,499	-	(25,499)	-
Non-current provisions for employees		12,719	-	-	12,719
Net deferred tax liabilities and non-current tax liabilities		20,729	(53)	-	20,676
Other non-current liabilities		18,867	-	-	18,867
Total non-current liabilities	**(C)**	**77,814**	**(53)**	**(25,499)**	**52,262**
Current liabilities					
Current financial liabilities		8,647	-	(8,589)	58
Trade payables		91,258	(1,938)	1,578	90,898
Liabilities for services to be provided and other current liabilities		124,529	13	-	124,542
Current provision for risks and charges		24,169	-	245	24,414
Current tax liabilities		353	-	-	353
Other tax liabilities		2,701	-	-	2,701
Total current liabilities	**(D)**	**251,657**	**(1,924)**	**(6,766)**	**242,966**
Liabilities directly associated with non-current assets held for sale and discontinued operations	**(E)**	**-**	**-**	**-**	**-**
Total liabilities	**(C+D+E)**	**329,471**	**(1,977)**	**(32,265)**	**295,229**
Total liabilities and equity	**(A+B+C+D+E)**	**641,983**	**(7,820)**	**(31,099)**	**603,064**

Income statement

(euro/thousand)	YEAR 2018	IFRS 15 EFFECTS	IFRS 16 EFFECTS	YEAR 2018 WITHOUT IFRS 15/16
Revenue from sales	1,093	-	-	1,093
Revenue from services	323,664	425	-	324,089
Revenue from sales and services	**324,757**	**425**	**-**	**325,182**
Other income	1,881	-	-	1,881
Total revenue	**326,638**	**425**	**-**	**327,063**
Costs of materials	(1,813)	-	-	(1,813)
Costs for external services	(172,411)	34	(8,553)	(180,930)
Personnel expense	(70,654)	-	-	(70,654)
Impairment loss on trade receivables and other assets	(4,897)	-	-	(4,897)
Accruals to provisions for risks and charges, net	(1,662)	-	(184)	(1,846)
Other operating costs	(1,894)	-	-	(1,894)
Operating income before amortization, depreciation, non-recurring and restructuring costs, net	**73,307**	**459**	**(8,737)**	**65,029**
Amortization, depreciation and impairment losses	(43,636)	-	9,527	(34,109)
Net non-recurring charges	(6,193)	-	-	(6,193)
Net restructuring charges	(26,896)	-	-	(26,896)
Operating loss	**(3,418)**	**459**	**790**	**(2,170)**
Financial expense	(1,213)	-	376	(837)
Financial income	3,106	-	-	3,106
Reversal of impairment losses on financial assets and gains on the disposal of equity investments	1,243	-	-	1,243
Pre-tax profit (loss)	**(282)**	**459**	**1,166**	**1,342**
Tax expense	(8,452)	(195)	-	(8,647)
Loss for the year	**(8,734)**	**264**	**1,166**	**(7,305)**
- of which attributable to the owners of the Parent	(8,734)	-	-	(7,305)
- of which attributable to non-controlling interests	-	-	-	-

Statement of comprehensive income

(euro/thousand)	YEAR 2018	IFRS 15 EFFECTS	IFRS 16 EFFECTS	YEAR 2018 WITHOUT IFRS 15/16
Profit (loss) for the year	**(8,734)**	**264**	**1,166**	**(7,305)**
Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss:				
Actuarial gains, net of tax	354	-	-	354
Net fair value losses on Telegate AG sold in the year already included in the loss for the year	(549)	-	-	(549)
Total other comprehensive expense that will not be subsequently reclassified to profit or loss	(195)	-	-	(195)
Other comprehensive income (expense) that will be subsequently reclassified to profit or loss:				
Total other comprehensive expense, net of tax	**(195)**	**-**	**-**	**(195)**
Total comprehensive expense for the year	**(8,929)**	**264**	**1,166**	**(7,500)**
- of which attributable to the owners of the Parent	(8,929)	264	1,166	(7,500)
- of which attributable to non-controlling interests	-	-	-	-

Statement of cash flows

(euro/thousand)		YEAR 2018	IFRS 15 - 16 EFFECTS	YEAR 2018 WITHOUT IFRS 15/16
Cash flows from operating activities				
Operating loss		(3,418)	1,248	(2,170)
Amortization, depreciation and impairment losses		43,636	(9,527)	34,109
Stock option costs		-	-	-
Loss on disposal of non-current assets		27	-	27
Change in working capital		18,124	688	18,812
Income taxes paid		(30)	-	(30)
Change in non-current liabilities		(6,378)	-	(6,378)
Exchange differences and other changes		(27)	-	(27)
Cash flows from operating activities	**(A)**	**51,934**	**(7,590)**	**44,344**
Cash flows from investing activities				
Purchase of intangible assets with a finite useful life		(19,869)	-	(19,869)
Purchase of property, plant and equipment		(1,195)	-	(1,195)
Other investments		(753)	-	(753)
Proceeds from disposal of non-current assets		3,475	-	3,475
Cash flows from investing activities	**(B)**	**(18,342)**	**-**	**(18,342)**
Cash flows from financing activities				
Repayment of non-current loans		-	-	-
Paid interest and financial expense, net		291	-	291
Change in other financial asset and liabilities		(7,065)	7,590	525
Dividend distribution		(204)	-	(204)
Share buy back		(52)	-	(52)
Cash flows from (used in) financing activities	**(C)**	**(7,030)**	**7,590**	**560**
Cash flows from non-current assets held for sale and discontinued operations	**(D)**	**-**	**-**	**-**
Cash flows of the year	**(A+B+C)**	**26,562**	**-**	**26,562**
Opening cash and cash equivalents		**74,476**	**-**	**74,476**
Closing cash and cash equivalents		**101,038**	**-**	**101,038**

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 portion relating to the availability period of the assets, except for assets purchased during that period.

Right-of-use 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 canceled, 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 canceled.
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

Equity instruments (other equity investments) classified at December 31, 2017 as available-for-sale financial assets, substantially in line with the accounting treatment adopted in accordance with IAS 39, were designated as financial assets with changes in fair value recognized to OCI.

Financial assets

A financial asset is classified on the basis of its measurement at the time of initial recognition: amortized cost; Fair Value Other Comprehensive Income (FVOCI) – debt securities; Fair Value Other Comprehensive 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 gains and losses, including dividends or interest received, are recognized in profit/(loss) for the period. See note (iii) for information on derivatives designated as hedging instruments.

<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 (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.
At December 31, 2018 the Group does not hold debt securities measured at FVOCI.

<u>Equity securities 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.

Financial instruments
At December 31, 2018, the Group does not hold financial instruments measured at fair value. For instruments not measured at fair value, the carrying amount represents a reasonable approximation of fair value.

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

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

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, 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: "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 one 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 are presented separately in two specific items ("Non-current assets held for sale and discontinued operations" and "Liabilities directly associated with non-current assets held for sale and discontinued operations"); there was no need to restate the relevant comparative amounts.

Business combinations

Pursuant to IFRS 3, goodwill is recognized in the consolidated financial statements at the 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 date control is acquired 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 acquired.

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.

Segment reporting

Given the non-materiality of the operating segments, separate reporting is not given.

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 a 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*: revenue is recognized 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 total of advertising services that have already been invoiced and will be implemented after the reporting date is 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*: this is recorded as financial income following ascertainment of interest income, using the effective interest method;
- *dividends*: these 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.
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 recognized 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 recognized to the extent that it becomes likely that they will be used in the future.
Deferred tax assets and liabilities are calculated using the tax rates expected to be applicable, in the reporting periods in which the temporary differences will be realized or eliminated.
Current and deferred tax assets and liabilities are offset if the entity has a legally enforceable right to offset current tax assets with current tax liabilities and the deferred taxes relate to the same tax entity and the same tax authority.

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

5. Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life amounted to € 250,720 thousand at December 31, 2018 (unchanged from 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*) € 169,406 thousand relating to the Virgilio (€ 53,000 thousand), Libero (€ 70,262 thousand), PagineBianche® (€ 15,285 thousand) and PagineGialle® (€ 30,859 thousand) trademarks.

6. Impairment testing

This paragraph describes the criteria used in and the results of impairment testing conducted on intangible assets pursuant to IAS 36.
At December 31, 2018, the Group tested the recoverability of the carrying amounts of the intangible assets with an indefinite useful life represented by trademarks and goodwill (overall € 250,720 thousand), in accordance with the provisions of the Impairment Procedure adopted by the Parent, with the assistance of an independent expert in order to perform the impairment test.
At Group level, there were some indications of possible impairment losses on assets, since:

1. The market price (market capitalization) is less than the carrying amount of consolidated equity. This indicator, although significant, must always be evaluated taking into account the market situation as a whole and the limited number of IOL floating shares treated on the market; to this end, a number of additional analyses have been carried out on the basis of which it can be concluded that the stock market price is not representative of the actual value of the Parent and the Group. Therefore, any differences between market capitalization and equity must be assessed in light of these considerations.
2. The revenue and overall profitability generated by the Group for the 2018 year is lower than forecast in the 2018-2020 Plan. The causes that contributed to the deviation from that estimated in the budget have been analyzed, in particular with reference to EBITDA, attributable in part to the failure to complete external growth operations and in part to the reduced acquisition of orders in the SME segment and the reduced commercial partnerships in the Large Account segment; on the other hand, the Group generated a higher cash flow in 2018 than forecast in the budget.

For the purposes of verifying the recoverability of goodwill and trademarks, a Cash Generating Unit ("CGU") has been identified, consisting of all the operating activities of the Italiaonline Group as a whole, since the individual trademarks are managed jointly by the Parent and it is not possible to separate the cash flows generated by them individually, making it impossible to determine the current and prospective fair value of the individual trademarks at the impairment test reference date. The test was conducted on consolidated amounts.
Impairment tests are governed by IAS 36, which provides for two different forms of recoverable amount: value in use and fair value less costs to sell. Under IAS 36, paragraph 18, the "Recoverable amount" of an asset or a CGU is the higher of its fair value, less costs to sell and its value in use". In this case, the recoverable amount as at December 31, 2018, as it was not possible to identify the fair value of assets subject to impairment testing, was estimated using amounts based on value in use, considering the cash flows from operating activities calculated using the best information available at the time of the estimate and based on the 2019-2021 Business Plan, discounted.
On March 19, 2019, the Board of Directors approved a technical update of the Business Plan (resolved on 15 March 2018 under the former CEO's direction), extending the term to 2021 and updating the financial objectives for the period 2019-2021 (the updated Plan).
The updated Plan represents a vision of organic development of the current lines of business and does not envisage significant new initiatives. The management, together with the new CEO, is engaged in the development of a new Strategic Business Plan that also includes new business initiatives and product lines, capable of positively influencing the development of the revenue and operating margins.
The value in use was compared with net operating invested capital (carrying amount), including goodwill and other assets with an indefinite useful life, with a surplus of about 24% with respect to the carrying amount.

It should be noted that cost savings and other benefits deriving from the personnel reorganization plan have been considered in the recoverable amount, since the Parent was involved in this process in accordance with IAS 37 at the reference date; the company restructuring provision has been consistently considered in the calculation of the carrying amount at December 31, 2018.
The discounting rate (WACC) was calculated as follows:

Cost of equity:
This has been estimated with reference to the following parameters:
- the risk free rate was equal to the average rate of return on 10-year government bonds, 2.6%;
- the equity risk premium, equal to 5.5%;
- beta, this coefficient was based on the panel of comparable listed companies active in the market in which the Group operates, equal to 0.86;
- additional risk premium equal to 3.9%.

Cost of debt:
this has been estimated at a rate equal to the 10-year EurIRS (1.0%), increased by a specific spread (equal to 3.5%) that emerges from the credit spread analysis of a panel of comparable companies.
A debt/equity ratio of 39% was also adopted, based on the average debt ratio of a panel of comparable companies.
The WACC thus obtained amounts to 10.1% (pre-tax WACC 13.7%).
The terminal value was calculated on a perpetual basis, assuming a growth rate of zero (g=0) and a cash flow from operating activities based on the last year of the business Plan (2021).
The Group also performed a sensitivity analysis of the model, changing the above parameters to test its robustness and validity.
In particular the WACC discounting rate and the growth rate was increased/decreased by one percentage point with an estimated reduction of the cash flows based on the business plan (-10%); even after the results of the sensitivity analyses, it was not considered that there were elements that would lead to the conclusion that they were impaired.
The analysis of the base scenario and of the sensitivity analysis estimated on the basis of changes in the main parameters of the impairment test showed that the carrying amount of the Group's trademarks with an indefinite useful life and goodwill is recoverable.
The WACC, growth rate and percentage of cash flows from operating activities that would individually make the CGU's recoverable amount equal to the carrying amount at December 31, 2018 are set out below:

	BASE VERSION	WACC	GROWTH RATE	CASH FLOWS FROM OPERATING ACTIVITIES
WACC	10.1%	**12.1%**	10.1%	10.10%
Growth rate "g"	0.00%	0.00%	**(2.5%)**	0.00%
Operating cash flows	100%	100%	100%	**89.5%**

With reference to intangible assets with a finite life IAS 36 requires that impairment testing be carried out only where necessary, that is, when there is a trigger event. To this end, the external and internal sources of information referred to in paragraphs 12-14 of IAS 36 are examined in order to assess whether there are indications of any impairment losses.
Furthermore, with regard to Customer Relationships and Databases, totaling € 16,799 thousand, there are no specific events or circumstances that would lead one to assume an impairment loss on such intangible assets as:
- with regard to Customer Relationships, a churn rate was found to be in line with the residual value of the asset at the reference date;
- with regard to Database, due to its limited residual useful life (about eight months), it was not considered necessary to develop a formal analysis of trigger events.

With reference to other intangible assets with a finite life, it should be noted that the test was carried out on the subsidiary Consodata, due to the presence of a situation of significant loss as per 2446 of the Italian Civil Code, identifiable as trigger event.
The estimates made resulted in an impairment loss of € 3,415 thousand.

7. Intangible assets with a finite useful life

Intangible assets with a finite useful life totaled € 46,130 thousand at December 31, 2018 (€ 56,193 thousand at December 31, 2017) and can be broken down as follows:

	YEAR 2018					YEAR 2017
(euro/thousand)	CUSTOMER RELATIONSHIPS AND DATABASES	SOFTWARE	PATENTS, CONCESSION, BRANDS AND LICENSES	OTHER INTANGIBLE ASSETS	TOTAL	TOTAL
Opening balance	**21,756**	**31,339**	**473**	**2,625**	**56,193**	**66,605**
- Investments	657	15,638	587	3,644	20,526	21,758
- Purchases	*657*	*8,655*	*587*	*3,079*	*12,978*	*13,323*
- Capitalized costs	-	*6,983*	-	*565*	*7,548*	*8,435*
- Amortization	(5,613)	(21,618)	(197)	(405)	(27,833)	(32,022)
- Impairment losses	-	(1,540)	-	(1,218)	(2,758)	(139)
- Changes	(1)	1,751	16	(1,764)	2	(9)
Closing balance	**16,799**	**25,570**	**879**	**2,882**	**46,130**	**56,193**
of which:						
Cost	*35,785*	*246,340*	*1,517*	*19,361*	*303,003*	*287,260*
Accumulated amortization	*(18,986)*	*(220,770)*	*(638)*	*(16,479)*	*(256,873)*	*(231,067)*

Intangible assets with a finite useful life consist of:

- Customer Relationships and Databases, for € 16,799 thousand at December 31, 2018, relating to Customer Relationships for € 15,488 thousand and Databases for € 1,311 thousand. In 2018, this item increased following the acquisition of the ADPulse business unit specializing in digital advertising sales for leading Italian and international publishers. Amortization for the year amounted to € 5,613 thousand.
- Software, for € 25,570 thousand at December 31, 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 2018 investments were made for € 15,638 thousand, of which € 6,983 thousand related to personnel expense. The item decreased due to amortization of € 21,618 thousand and impairment losses of € 1,540 thousand relating mainly to the subsidiary Consodata S.p.A. following the results of the impairment test carried out on the company
- *Patents, concessions, brands and licenses* amounted to € 879 thousand at December 31, 2018 (€ 473 thousand at December 31, 2017);
- *Other intangible assets*, amounting to € 2,882 thousand at December 31, 2018 (€ 2,625 thousand at December 31, 2017), refer primarily to software projects in progress. The item decreased due to amortization and depreciation of € 405 thousand and impairment losses of € 1,218 thousand relating to the subsidiary Consodata S.p.A. mainly following the results of the impairment test carried out on the company.

Capital expenditure, referring to intangible assets and property, plant and equipment, totaling € 21,064 thousand, mainly related to the ITALIAONLINE segment: € 18,902 thousand in 2018 (of which € 6,080 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.

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

	YEAR 2018	YEAR 2017
Customer relationships and Databases	13-25%	13-25%
Software	20-100%	20-100%
Patents, concessions, brands and licenses	20-100%	20-100%
Other intangible assets	20%	20%

8. Property, plant and equipment

Property, plant and equipment amounted to € 7,079 thousand at December 31, 2018. This item was recorded net of accumulated depreciation totaling € 40,784 thousand at the reporting date, which as a proportion of the gross value was 85.21%.
These are broken down as follows:

(euro/thousand)	YEAR 2018				YEAR 2017 TOTAL
	PROPERTY	PLANT AND EQUIPMENT	OTHER ASSETS	TOTAL	
Opening balance	**1,652**	**969**	**6,809**	**9,430**	**8,654**
- Investments	125	157	913	1,195	4,565
- Depreciation	(632)	(442)	(2,324)	(3,398)	(3,774)
- Impairment losses	(49)	(14)	(58)	(121)	(7)
- Disposals and other changes	2	374	(403)	(27)	(8)
Closing balance	**1,098**	**1,044**	**4,937**	**7,079**	**9,430**
of which:					
Cost	*5,779*	*2,730*	*39,354*	*47,863*	*51,807*
Accumulated depreciation	*(4,681)*	*(1,686)*	*(34,417)*	*(40,784)*	*(42,377)*

Property, plant and equipment include:

- *property* of € 1,098 thousand at December 31, 2018 (€ 1,652 thousand at December 31, 2017). During 2018, the assets were depreciated and impaired by € 681 thousand;
- *plant and equipment* of € 1,044 thousand at December 31, 2018 (€ 969 thousand at December 31, 2017). This item decreased during the year, mainly as a result of depreciation of € 442 thousand and for impairment losses of € 14 thousand referring to the subsidiary Consodata S.p.A. following the results of the impairment test carried out on the company;

- *other assets* of € 4,937 thousand at December 31, 2018 (€ 6,809 thousand at December 31, 2017), of which € 4,083 thousand related to IT equipment and systems. This item decreased during the year mainly due to the amortization charge of € 2,324 thousand and impairment losses of € 58 thousand, of which € 29 thousand related to the subsidiary Consodata S.p.A. following the results of the impairment test carried out on the company.

The accumulated depreciation (€ 40,784 thousand at December 31, 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:

	YEAR 2018	YEAR 2017
Improvements to third party assets	14-39%	14-39%
Plant and equipment and leasehold improvements	15-57%	15-57%
Other assets	10-50%	10-50%

9. Right-of-use assets

At December 31, 2018, this item includes the present value of future lease payments for the "right-of-use assets" deriving from the application of IFRS 16, broken down as follows:

	YEAR 2018			
(euro/thousand)	LEASED PROPERTY	LEASED PLANT	OTHER LEASED ASSETS	TOTAL
At 01.01.2018	**25,739**	**10,935**	**3,943**	**40,617**
- Depreciation	(4,318)	(3,049)	(1,489)	(8,856)
- Impairment losses	(591)	-	(81)	(672)
- Disposals and other changes	(551)	(109)	670	10
Closing balance	**20,279**	**7,777**	**3,043**	**31,099**
of which:				
Cost	*24,597*	*10,826*	*4,521*	*39,944*
Accrued depreciation	*(4,318)*	*(3,049)*	*(1,478)*	*(8,845)*

The leased assets include:
- *property* for € 20,279 thousand at December 31, 2018, referring to the right of use of leases on properties used as group company offices;
- *plant* for € 7,777 thousand at December 31, 2018, mainly referring to the right of use of the installation and right of use on equipment used in the Data Center;
- *other assets* for € 3,043 thousand at December 31, 2018, relating to the the right of use of cars and of other equipment such as printers.

10. Other equity investments

At December 31, 2017, this item included € 2.7 million 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 December 31, 2018 totaled € 563 thousand (€ 2,901 thousand at December 31, 2017) and specifically include loans to employees for € 449 thousand.

12. Inventories

Inventories can be broken down as follows:

(euro/thousand)	YEAR 2018				YEAR 2017
	RAW MATERIALS, SUPPLIES AND CONSUMABLES	WORK IN PROGRESS AND SEMI-FINISHED PRODUCTS	FINISHED GOODS	TOTAL	TOTAL
Opening balance	**86**	**1,191**	**2**	**1,279**	**2,210**
Increase (decrease)	(12)	(448)	(2)	(462)	(1,191)
Held for sale [*]	-	-	-	-	263
Other changes	-	-	-	-	(3)
Closing balance	**74**	**743**	**-**	**817**	**1,279**

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

At December 31, 2018, these amounted to € 817 thousand (€ 1,279 thousand at December 31, 2017). Work in progress includes the already processed advertising items for future Italiaonline S.p.A. Smartbook editions.

13. Trade receivables

(euro/thousand)	YEAR 2018			YEAR 2017
	TRADE RECEIVABLES	LOSS ALLOWANCE	CARRYING AMOUNT	CARRYING AMOUNT
Opening balance	**171,456**	**(33,662)**	**137,794**	**161,786**
Accruals	-	(3,791)	(3,791)	(7,948)
Utilization	-	12,214	12,214	-
Held for sale [*]	-	-	-	4,657
Estimation revised	-	384	384	2,256
Other changes	(16,956)	-	(16,956)	(22,957)
Closing balance	**154,500**	**(24,855)**	**129,645**	**137,794**

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

Trade receivables, net of the loss allowance, amounted to € 129,645 thousand at December 31, 2018. The *loss allowance* amounted to € 24,855 thousand at December 31, 2018 (€ 33,662 thousand at December 31, 2017), of which € 24,783 thousand relating to Italiaonline S.p.A., and is considered sufficient to cover estimated losses for customer insolvency.

During 2018, the allowance was used directly as a result of unrecoverable amounts of € 12,214 thousand (entirely relating to Italiaonline S.p.A.) without affecting profit or loss and was reinstated with an accrual of € 3,791 thousand, which allows the maintenance of an adequate rate of coverage of past due receivables, by maintaining close attention to the quality of sales and credit management for customers.
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 € 64,288 thousand at December 31, 2018 (€ 60,965 thousand at December 31, 2017), detailed as follows:

(euro/thousand)	AT 12.31.2018	AT 12.31.2017	CHANGE
Advances on sales commissions and other amounts due from agents	14,554	17,139	(2,585)
Prepayments	6,049	6,306	(257)
Contract costs	7,820	-	7,820
Advances to suppliers	1,358	838	520
Other receivables	9,897	12,830	(2,933)
Total other current assets	**39,678**	**37,113**	**2,565**
Other non-current assets	**24,610**	**23,852**	**758**
Total other current assets and non-current assets	**64,288**	**60,965**	**3,323**

Specifically:

- *advances on sales commissions and other amounts due from agents* amounted to € 14,554 thousand at December 31, 2018 (€ 17,139 thousand at December 31, 2017) and are recognized net of the related loss allowance totaling € 5,065 thousand at December 31, 2018 (€ 3,822 thousand at December 31, 2017);
- *prepayments* amounted to € 6,049 thousand at December 31, 2017 (€ 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 € 7,820 thousand, include the incremental costs relating to the acquisition of new customers that will be carried forward to the income statement on the basis of the expected duration of the relationship with new customers, in accordance with the provisions of IFRS 15;
- *advances to suppliers*, totaling € 1,358 thousand at December 31, 2018 (€ 838 thousand at December 31, 2017);
- *other receivables*, amounting to € 9,897 thousand at December 31, 2018 (€ 12,830 thousand at December 31, 2017), include amounts due from INPS for € 1,849 thousand, guarantee deposits equal to € 313 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 Italian 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 granted; this amount was fully repaid plus interest on March 14, 2019.
- *other non-current assets*, equal to € 24,610 thousand at December 31, 2018 are related to: *i)* € 4,518 thousand for tax assets for the reimbursement of the excess corporation tax (IRES) paid for tax years prior to 2012 due to the failure to deduct regional production tax (IRAP) relative to personnel and civil servants recognized in 2013 in accordance with the available official interpretations; *ii)* € 19,260 thousand for the corporation tax (IRES) receivable, including interest, emerging from the national tax consolidation of the Italiaonline Group requested for reimbursement by the Parent submitted in the 2014 Global National Consolidation form.

15. Equity

Equity is broken down as follows:

(euro/thousand)	AT 12.31.2018	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	(831)	(1,386)	555
Other reserves	180,860	149,345	31,515
Profit (loss) for the year	(8,734)	26,417	(35,151)
Total equity attributable to the owners of the Parent	**312,512**	**315,593**	**(3,081)**
Total equity attributable to non-controlling interests	**-**	**-**	**-**
Total equity	**312,512**	**315,593**	**(3,081)**

Treasury shares
It should be noted that on November 28, 2018, Italiaonline announced the initiation of the repurchase of treasury shares, in execution of the authorization approved at the Shareholders' Meeting of April 27, 2018, and already communicated to the market.
Purchases were made by an intermediary on the MTA (Italian Online Stock Market), in accordance with Article 144-bis, paragraph 1, of CONSOB Issuers' Regulation no. 11971/1999.
Further information is provided in note 15 to the separate financial statements at December 31, 2018.

Share capital
Share capital amounted to € 20,000 thousand at December 31, 2018.
At December 31, 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 December 31, 2018.
This 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 Parent is not planning to distribute the share premium reserve.

Legal reserve
The reserve stood at € 4,000 thousand at December 31, 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 December 31, 2018 was a negative € 831 thousand (a negative € 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 € 180,860 thousand at December 31, 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;
- *Stock options Reserve* equal to € 2,374 thousand;
- *Other reserves and retained earnings (losses carried forward)* equal to € 161,038 thousand.

16. Other comprehensive income (expense)

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

(euro/thousand)	YEAR 2018	YEAR 2017
Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss for the year		
Net actuarial gains (losses)	466	403
Tax effect of net actuarial gains (losses)	(112)	(97)
Net fair value gains (losses) on Telegate AG sold during the year already included in the loss of the year	(549)	-
Total other comprehensive income (expense) that will not be reclassified subsequently to profit or loss for the period	(195)	306
Other comprehensive income (expense) that will be subsequently reclassified to profit or loss for the year		
Net fair value gains (losses) on AFS securities and investments	-	589
Total other comprehensive income (expense), net of tax effect	**(195)**	**895**

17. Earnings per share

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

		AT 12.31.2018	AT 12.31.2017
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*
weighted average shares outstanding (*)		*114,766,183*	*114,768,028*
Profit (loss) for the year	€/thousand	(8,734)	26,417
Earnings (losses) per share	€	(0.076)	0.230

(*) For calculation purposes 22,443 treasury shares acquired during 2018 are considered

Moreover, earnings per share are reported below also considering the shares granted under the stock option plan of the Parent, numbering 4,279,215 at December 31, 2018.

		AT 12.31.2018	AT 12.31.2017
Number of Italiaonline S.p.A. shares	*no.*	119,045,398	119,177,608
Diluted earnings (losses) per share	€	(0.073)	0.222

18. Net financial indebtedness

At December 31, 2018, the net financial indebtedness was a positive € 66,989 thousand (a positive € 72,947 thousand at December 31, 2017) and is made up as follows:

(euro/thousand)		AT 12.31.2018	AT 12.31.2017	CHANGE
A	Cash and cash equivalents	101,038	74,476	26,562
B	Other cash and cash equivalents	-	-	-
C	Trading securities	-	-	-
D=(A+B+C)	**Liquidity**	**101,038**	**74,476**	**26,562**
E.1	**Current financial receivables due from third parties**	**97**	**666**	**(569)**
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	8,647	2,195	6,452
H.2	Other current financial debt due to related parties	-	-	-
I=(F+G+H)	**Current financial debt**	**8,647**	**2,195**	**6,452**
J=(I-E-D)	**Net current financial indebtedness**	**(92,488)**	**(72,947)**	**(19,541)**
K	Non-current bank debt	-	-	-
L	Bond issues	-	-	-
M.1	Other non-current loans due to third parties	25,499	-	25,499
M.2	Other non-current loans due to related parties	-	-	-
N=(K+L+M)	**Non-current financial debt**	**25,499**	**-**	**25,499**
O=(J+N)	**Net financial indebtedness (ESMA)**	**(66,989)**	**(72,947)**	**5,958**

The positive net financial indebtedness at December 31, 2018 following the early adoption of IFRS 16 - Leases reflects the recognition of a financial liability of € 34,087 thousand, representing the present value of future lease payments, against the recognition under assets of the "right-of-use assets".
A description of the items which constitute the net financial indebtedness is provided below:

Non-current financial liabilities
This item totaled € 25,499 thousand at December 31, 2018, and refers entirely to the financial liability associated with early adoption of IFRS 16, as described above.

Current financial liabilities
This item totaled € 8,647 thousand at December 31, 2018 (€ 2,195 thousand at December 31, 2017) and refers to *Other current financial liabilities with third parties*. In particular, the amount includes € 8,588 thousand referring to the current portion of the financial liability associated with the adoption of IFRS 16.

Current financial assets
Current financial assets amounted to € 97 thousand at December 31, 2018 (€ 666 thousand at December 31, 2017) and mainly refer to loan assets amounting to € 67 thousand (€ 630 thousand at December 31, 2017) and € 30 thousand in loans to employees (€ 36 thousand at December 31, 2017).

Cash and cash equivalents

Cash and cash equivalents amounted to € 101,038 thousand at December 31, 2018 (€ 74,476 thousand at December 31, 2017) and mainly refer to the Parent Italiaonline S.p.A. (€ 100,669 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 arrangement. Therefore, there are no longer any amounts subject to restriction/guarantee.

19. Information on financial risks

Risk associated with financial indebtedness

No significant risks related to financial indebtedness are recognized with respect to to the financial position available at December 31, 2018.
The table below shows the maturity of the debt:

	DUE			
	BY NEXT YEAR	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL
Financial debts for contracts of use of leased assets	8,588	19,527	5,972	34,087
Other financial debts	59	-	-	59
Total financial debts	**8,647**	**19,527**	**5,972**	**34,146**

Credit risk

Italiaonline group's business is characterized by the presence of a large number of customers in the SME segment 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 Parent to implement a structured credit management process, which uses behavioral scoring 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 by 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.
In this context, 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), currently 80% of sales to SMEs, allows our Parent to better manage the dynamics of receipts at due dates.
The net trade receivables of the Italiaonline Group at December 31, 2018 were € 129.6 million (€ 137.8 million at December 31, 2017), almost entirely due to the Parent Italiaonline S.p.A. (€ 129.6 million), which at the end of 2018 had approximately 230,000 customers spread all over Italy consisting mainly of small and medium-sized enterprises.
The amount of overdue trade receivables of Italiaonline at December 31, 2018 amounted to approximately € 42 million (€ 55 million at December 31, 2017) with an average coverage percentage of the loss allowance amounting to about 58.6%, deemed adequate. The monitoring at an early stage and the credit collection process described above has led the Parent and 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 consolidated financial statements as the loss allowance - is measured using a statistical model, based on customer segmentation in function on territorial criteria and days outstanding, which reflects the Parent's historical behavioral experience in the collection of receivables, projecting it onto the balance of receivables at December 31.

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 fulfills all its obligations by paying these contributions. The cost for the year is accrued based on the employee's service and is recorded in the income statement (€ 3,181 thousand in 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 various types of plans in place during 2018.

	YEAR 2018			YEAR 2017 TOTAL
(euro/thousand)	POST-EMPLOYMENT BENEFITS- PORTION REMAINING WITH THE GROUP	DEFINED CONTRIBUTION PLANS	TOTAL	
Opening balance	**17,145**	**1,125**	**18,270**	**19,015**
Accruals	644	3,181	3,825	4,686
Contributions	-	897	897	953
Benefits paid/disbursements	(1,409)	(3,442)	(4,851)	(6,701)
Discount interest	339	-	339	234
Actuarial losses (gains) recognized in equity	(466)	-	(466)	(403)
Curtailment and settlement gain	(292)	-	(292)	-
Held for sale (**)	-	-	-	1,002
Reclassification to short term	(4,241)	-	(4,241)	-
Other changes	(14)	(748)	(762)	(516)
Closing balance	**11,706**	**1,013**	**12,719**	**18,270**

(**) In 2017 this includes the reversal of the classification of Consodata items as Held for Sale recorded in the previous year.

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 € 11,706 thousand at December 31, 2018 (€ 17,145 thousand at December 31, 2017), was measured as a defined benefit plan in accordance with indications contained in revised IAS 19. At December 31, 2018 was reclassified to "other current liabilities" the portion of Post-employment benefits of personnel included in the reorganization Plan reclassified amounting to € 4,241 thousand.
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 2018 changes in equity were recognized in the amount of € 466 thousand (€ 354 thousand, net of the tax effect), of which € 204 thousand is attributable to the Parent Italiaonline S.p.A. Pursuant to IAS 19, paragraph 93A, such gains are recognized, net of the related tax effects, directly in the statement of comprehensive income.

(euro/thousand)	AT 12.31.2018	AT 06.30.2017
A. Reconciliation of defined benefit obligations		
1. Opening defined benefit obligations	17,145	17,832
2. Current service cost	644	1,170
3. Financial expense	339	234
4. Benefits paid by plan/group	(1,409)	(2,455)
5. Other changes and change in consolidation scope	(14)	767
6. Changes recognised in equity (OIC effect)	(466)	(403)
a. Effects due to changes in demographic assumptions	-	-
b. Effects due to changes in financial assumptions	(308)	15
c. Effects due to changes in actuarial assumptions	-	(1)
d. Effects due to changes of assumptions from experience	(158)	(417)
7. Curtailment (*)	(292)	-
Closing defined benefit obligations (**)	15,947	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	15,947	17,145
2. Other changes		
Net liability recognised in the statement of financial position	15,947	17,145
Amounts in the statement of financial position		
1. Liabilities	15,947	17,145
2. Assets	-	-
C. Cost component		
Amounts recognized in the income statement		
1. Current service costs	644	1,170
2. Interest expense	339	234
Total cost recognised in the income statement	983	1,404
D. Main actuarial ssumptions		
Weighted average assumptions to determine defined benefit obligations		
1. Discount rate	1,57%	1,30%
2. Rate of inflation	1,50%	1,50%
3. Annual rate of the post-employment benefits increase	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 12.31.2018	AT 06.30.2017
F. Sensitivity analysis - benefit obligation evaluation based on underlying assumptions		
1. Discount rate		
a. Discount rate -0,25%	15,492	16,787
a. Discount rate +0,25%	14,783	16,012
2. Rate of inflation		
a. Rate of inflation -0,25%	14,901	16,139
b. Rate of inflation +0,25%	15,366	16,651
3. Turnover rate		
a. Turnover rate -1%	15,213	16,518
b. Turnover rate +1%	15,059	16,281
4. Weighted-average duration of benefit obligation (years)		
- ITALIAONLINE S.p.A.	10	10
- DLS	19,1	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	430	600
3. Expected payments of total services		
Year 1	5,440	1,974
Year 2	567	829
Year 3	660	876
Year 4	773	962
Year 5	577	1,035

(*) 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

(**) This amount includes € 4,241 thousand referred to post employment benefits of personnel included it the reorganization Plan reclassified in the item Other current liabilities.

21. Other non-current liabilities

Other non-current liabilities amounting to € 18,867 thousand at December 31, 2018 (€ 19,505 thousand at December 31, 2017), are detailed as follows:

	YEAR 2018			YEAR 2017
(euro/thousand)	PROVISION FOR AGENTS' TERMINATION BENEFITS	OTHER NON-CURRENT OPERATING LIABILITIES	TOTAL	TOTAL
Opening balance	**19,002**	**503**	**19,505**	**31,540**
Accruals	820	-	820	423
Utilizations	(1,620)	(112)	(1,732)	(1,648)
Discounting losses (gains)	(14)	-	(14)	184
Held for sale (**)	-	-	-	418
Other changes	279	9	288	(11,412)
Closing balance	**18,467**	**400**	**18,867**	**19,505**

(**) At December 31, 2017 this includes the reversal of the classification of Consodata items as Held for Sale in 2016.

The balances at December 31, 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 (€ 14 thousand).

Pursuant to current legislation, the *provision for agents' termination benefits* represents the liabilities accrued at the end of the year for the indemnities due to sales agents in the event of termination of the agency contract. This provision at December 31, 2018 amounted to € 18,467 thousand (€ 19,002 thousand at December 31, 2017) and decreased over the year by € 535 thousand.

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

These are broken down as follows:

(euro/thousand)	YEAR 2018				YEAR 2017
	PROVISION FOR COMMERCIAL RISKS	PROVISIONS FOR CONTRACTUAL AND OTHER OPERATING RISKS	NON-OPERATING PROVISIONS	TOTAL	TOTAL
Opening balance	**4,191**	**13,042**	**18,733**	**35,966**	**33,798**
Accruals	617	3,493	39,194	43,304	5,089
Utilizations/Releases	(784)	(5,483)	(20,180)	(26,447)	(14,280)
Other changes	(1)	(345)	(28,308)	(28,654)	11,359
Closing balance	**4,023**	**10,707**	**9,439**	**24,169**	**35,966**

Current provisions for risks and charges at December 31, 2018 amounted to € 24,169 thousand (€ 35,966 thousand at December 31, 2017) and consist of:

- the *provision for commercial risks*, of € 4,023 thousand at December 31, 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 € 10,707 thousand (€ 13,042 thousand at December 31, 2017), include € 2,856 thousand for legal disputes (€ 5,862 thousand at December 31, 2017) and € 4,595 thousand for pending litigation with agents and employees (€ 3,478 thousand at December 31, 2017); in particular, the provision for legal disputes includes the assessment for the risk of having to pay out a contribution to the Communications Regulator (AGCOM) for the period 2006-2010. In 2018, following the decision of the Council of State and the subsequent final decision of the Regional Administrative Court (as described in detail in the "Administrative, legal and arbitration proceedings" section in the Report on Operations, to which reference should be made), the Parent only kept the amount of the contribution it would have had to pay for the years 2006-2010 as an entity operating in the market under AGCOM's responsibility, without therefore taking into account the "White Pages Prints" revenue, the latter in no way associated with the *ex ante* regulatory activities (and related costs) carried out by AGCOM;
- the *non-operating provisions* - current portion - amount to € 9,439 thousand as at December 31, 2018 (€ 18,733 thousand at December 31, 2017). They mainly include *(i)* € 3,578 thousand in *the provision for reorganizing - current portion,* mainly relating to the actions resulting from the implementation of the reorganization plan launched by the Parent with the signing of the agreement on July 2. As at December 31, 2018, the actions provided for in the agreement had all been substantially formalized and were concluded in the first few months of 2019; therefore, the amounts relating to termination agreements with employees already entered into but not yet disbursed have been reclassified under the item "Other non-operating liabilities" in Other current liabilities. For further details, reference should be made to the Industrial Relations paragraph in the "Main events of 2018" section in the Report on Operations; *(ii)* € 2,362 thousand for the *sales network restructuring provision* (€ 2,569 thousand at December 31, 2017); *(iii)* € 1,299 thousand relating to the assessment that the Parent is making in order to adhere to the settlement of pending litigation connected with the current dispute with the Italian Tax Authorities; *(iv)* € 750 thousand for the 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.

23. Trade payables and other current liabilities

Trade payables and other current liabilities are detailed as follows:

(euro/thousand)	AT 12.31.2018	AT 12.31.2017	CHANGE
Payables to suppliers	59,185	64,671	(5,486)
Payables to agents	17,235	14,996	2,239
Payables to employees	10,498	15,921	(5,423)
Social security charges payable	3,888	4,984	(1,096)
Payables to others	452	541	(89)
Total trade payables	**91,258**	**101,113**	**(9,855)**
Liabilities for services to be provided	84,498	89,404	(4,906)
Advances from customers	2,644	2,397	247
Other current liabilities	37,387	4,532	32,855
Total liabilities for services to be provided and other current liabilities	**124,529**	**96,333**	**28,196**

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

- *payables to suppliers*, of € 59,185 thousand at December 31, 2018 (€ 64,671 thousand at December 31, 2017) including € 56,686 thousand relating to Italiaonline S.p.A.;
- *payables to agents*, of € 17,235 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 € 14,622 thousand (€ 17,139 thousand at December 31, 2017);
- *liabilities for services to be provided* amounted to € 84,498 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;
- *other current liabilities* of € 37,387 thousand (€ 4,532 thousand as at December 31, 2017), an increase in 2018 as it includes amounts relating to termination agreements with employees, already entered into but not yet disbursed, relating to the implementation of the personnel reorganization agreement initiated by the Parent on July 2, 2018, described in the Industrial Relations section of the Report on Operations. These amounts include € 4,241 thousand relating to the post-employment benefits accrued.

24. Revenue from sales and services

Revenue from sales and services amounted to € 324,757 thousand in 2018, of which € 318,777 thousand was attributable to revenue of Italiaonline S.p.A; in particular revenue is broken down as follows:

- *Digital* Revenue amounted to € 244,388 thousand in 2018, an increase of 7.2% compared to the previous year. The fourth quarter saw an increase of +7.6%, an improvement compared to the positive performance of the third quarter (+7.0%), following the strong growth of the third quarter (+7.9%) and the more moderate growth of the first quarter (+6.1%). In this respect, it should be noted that the growth in *Digital* revenue was driven by the *Digital Advertising* segment (+22.4% year on year) which saw, in particular, a double-figure increase in iOL Audience revenue (the digital advertising range dedicated to SMEs and the only one of its kind in Italy), and the revenue of the distributor iOL Advertising, sustained by the increase in the audience data of iOL properties, 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 *Presence* segment recorded an improvement in the trend during the third (-1.8%) and fourth quarters (-1.9%) compared to the first two quarters (-8.0% and -5.1%, respectively), bringing the year-on-year change for the full year to -4.3%. This improvement is due to a substantial enhancement and strengthening of the product range. The total share of Digital Revenue for the year was 76.7% (an improvement on the 69.1% of the previous year).
- *Traditional* revenue amounted to € 74,389 thousand in 2018, a decrease of 27.2% compared to the previous year.
- *Other* Revenue from other products in 2018 amounted to € 5,980 thousand in 2018, up by € 286 thousand compared to the previous year.

Detailed information on revenue by geographical segment is not provided as revenue is almost exclusively generated in Italy.

25. Other income and operating costs

25.1 Other income

Other income totaled € 1,881 thousand in 2018 (€ 4,565 thousand in 2017). The item includes € 1,214 thousand relating to the recovery of costs from third parties (mainly administrative, legal and postal costs) and € 752 thousand relating to other income of a different nature.

25.2 Costs of materials

The costs of materials amounted to € 1,813 thousand in 2018 down by € 508 thousand compared to 2017 (€2,321 thousand).

25.3 Costs for external services

The costs for external services in 2018 amounted to € 172,411 thousand (€ 180,222 thousand in 2017).
Note that the costs performance in 2018 was influenced by the early adoption of IFRS 16 - Leases, which led to a different nature and classification of related costs with a consequent reduction in "Costs for use of third party assets" and at the same time an increase in amortization and depreciation due to the recognition in assets of the "right-of-use assets"). Further details can be found in paragraphs 3.1 and 3.4 of the Notes to this Financial Report.
The main changes were as follows:

- Commissions paid to *web publishers*, up € 10,667 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 € 2,025 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 € 12,124 thousand, around € 8,553 thousand of which due to the adoption of IFRS 16 as mentioned previously.

25.4 Personnel expense

Personnel expense in 2018 amounted to € 70,654 thousand (€ 77,599 thousand in 2017).
This decrease was mainly due to the reorganization implemented within the Group.
The Group workforce - including directors, project workers and interns - totaled 1,675 at December 31, 2018 (1,830 at December 31, 2017). The average active workforce of the Group for the year was 1,382, down by 110 compared to 2017 (1,492).

25.5 Impairment loss on trade receivables and other assets

Loss allowances are broken down as follows:

(euro/thousand)	YEAR 2018	YEAR 2017	CHANGE	
			ABSOLUTE	%
Loss allowance - trade receivables	3,791	5,780	(1,989)	(34.4)
Reversal of loss allowance - trade receivables	(384)	(88)	(296)	n.s.
Impairment (gains) losses on other operating assets	1,486	1,878	(392)	(20.9)
Other impairment losses	4	-	4	n.s.
Total impairment loss on trade receivables and other assets	**4,897**	**7,570**	**(2,673)**	**(35.3)**

25.6 Accruals to provisions for risks and charges, net

(euro/thousand)	YEAR 2018	YEAR 2017	CHANGE	
			ABSOLUTE	%
Provisions for commercial risks	617	504	113	22.4
Provisions for risks and operating charges	3,493	1,993	1,500	75.3
Reversal of provision for risks and operating charges	(2,448)	(63)	(2,385)	n.s.
Total accruals to provisions for risks and charges, net	**1,662**	**2,434**	**(772)**	**(31.7)**

For further details, see Note 22 herein.

25.7 Other operating costs

Other operating costs amounted to € 1,894 thousand (€ 2,683 thousand in 2017). They mainly included € 734 thousand for indirect and operating taxes and € 175 thousand for membership fees referring to Italiaonline S.p.A..

25.8 Net non-recurring charges

Net non-recurring charges amounted to € 6,193 thousand (€1,930 thousand in 2017) and include € 2,921 thousand in strategic consultancy costs and € 3,905 thousand due to the former Chief Executive Officer upon termination of their term of office as communicated by the Parent. In 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 Turin branch, in place with Mediocredito Italiano S.p.A., to Engineering Ingegneria Informatica S.p.A..

25.9 Net restructuring charges

Net restructuring charges totaled € 26,896 thousand and referred mainly to actions following implementation of the reorganization plan by the Parent, fully described in the "Industrial Relations" paragraph under "Main events of 2018".

26. Financial income and expense

26.1 Financial expense

Financial expense of € 1,213 thousand in 2018 (€ 639 thousand in 2017) is detailed below:

(euro/thousand)	YEAR 2018	YEAR 2017	CHANGE	
			ABSOLUTE	%
IFRS 16 interests	376	-	376	n.s.
Exchange rate losses	62	16	46	n.s.
Other financial expense	775	623	152	24.4
Total financial expense	**1,213**	**639**	**574**	**89.8**

Other financial expense included € 410 thousand (€ 500 thousand in 2017) in interest expense from discounting, mainly relating to post-employment benefits.
The item includes € 376 thousand for financial expenses accrued on financial liabilities recognized following the application of IFRS 16.

26.2 Financial income

Financial income in 2018 amounted to € 3,106 thousand (€ 1,320 thousand in 2017).

(euro/thousand)	YEAR 2018	YEAR 2017	CHANGE	
			ABSOLUTE	%
Interest income from short-term liquidity in the bank	309	435	(126)	(29.0)
Discounting interest income	88	44	44	100.0
Exchange rate gains	13	26	(13)	(50.0)
Other financial income	2,696	815	1,881	n.s.
Total financial income	**3,106**	**1,320**	**1,786**	**n.s.**

This includes € 309 thousand (€ 435 thousand in 2017) in interest income from the use of short-term liquidity in the banking system at market rates, € 88 thousand (€ 44 thousand in 2017) as discounting interest income and € 2,165 thousand as the dividend paid by the investee Emittente Titoli.

27. Reversal of impairment losses on financial assets and gains on the disposal of equity investments

Reversal of impairment losses on financial assets and gains on the disposal of equity investments amounted to € 1,243 thousand in 2018 and refer to the capital gain deriving from disposal of the investment in 11880 Solutions AG on February 14, 2018.

28. Tax expense

Tax expense for 2018 shows a balance of € 8,452 thousand (€ 2,055 thousand in 2017) and is broken down as follows:

(euro/thousand)	YEAR 2018	YEAR 2017	CHANGE ABSOLUTE
Current income taxes	(233)	(1,357)	1,124
Provision (reversal) of deferred tax assets	(9,386)	(4,975)	(4,411)
(Provision) reversal of deferred tax liabilities	1,755	1,639	116
Income taxes referred to previous years	(588)	2,668	(3,256)
Total tax expense for the year	**(8,452)**	**(2,025)**	**(6,427)**

Current income taxes for the 2018 financial year amounted to € 233 thousand (€ 1,357 thousand in 2017) and mainly relate to current IRAP.
The reversal of deferred tax assets of € 9,386 thousand (€ 4,975 thousand in 2017) mainly refers to changes in provisions for risks, the portion of interest expense recovered by the Parent in the current year, as well as the recoverability evaluations of the tax losses carried forward indefinitely and non-deductible interest expense as per Article 96 of the Consolidated Income Tax Law in the time horizon of the business plan available.
In this regard, it is noted that, for cumulative tax losses carried forward indefinitely for approximately €247 million, deferred tax assets calculated on the portion expected to be recovered amounted to €28 million at the end of the year.
Income taxes referred to previous years of € 588 thousand refer mainly to the accrual to the provision for risks for adherence to the facilitated settlement of tax disputes pursuant to art. 6 of Legislative Decree 119/2018 with reference to the dispute between the Parent and the Italian Tax Authorities for failure to apply withholding taxes on interest paid under the loan agreement (the so-called "IBLOR"), as well as the conversion of the portion of the deduction of 2017 ACE (Allowance for corporate equity) into IRAP tax assets pursuant to Legislative Decree 201/2011.
The reconciliation of the income taxes reported in the consolidated financial statements and the theoretical income taxes resulting from the application of the tax rates in force in Italy to pre-tax profit (loss) for the years ended December 31, 2018 and December 31, 2017, respectively, is as follows:

(euro/thousand)	YEAR 2018	YEAR 2017
Pre-tax profit (loss)	**(282)**	**28,442**
Income taxes calculated with theoretical tax rate (27.90%)	**79**	**(7,935)**
Tax effect on non-deductable expense for IRAP purposes (personnel expense, interest income and expense, etc.)	(4,335)	(3,435)
Income taxes referred to previous years	(588)	2,668
(Not recognizable deferred tax assets)/gain on revaluation	-	5,342
Permanent differences and other movements	(3,607)	1,336
Total tax expense	**(8,452)**	**(2,025)**

Permanent differences, which in 2018 represented a cost of € 3,607 thousand (income of € 1,336 thousand in 2017), are mainly attributable to:

- IRES tax effect on tax losses for the year;
- IRAP deductions for tax wedges and further deduction of costs for employees with open-ended contracts introduced by Law 190/2014.

Net deferred tax assets and liabilities

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

(euro/thousand)	AS AT 12.31.2017	CHANGES DURING THE YEAR			AS AT 12.31.2018
		INCOME TAXES ACCOUNTED FOR IN THE INCOME STATEMENT	INCOME TAXES ACCOUNTED FOR IN EQUITY	OTHER MOVEMENTS	
Deferred tax assets					
Tax losses	7,385	1	-	-	7,386
Loss allowance	7,702	(1,871)	-	-	5,831
Provisions for contractual risks	12,932	(3,324)	-	-	9,608
Interest expense	10,590	(2,824)	-	-	7,766
Provision for employees	821	(581)	(115)	-	125
Goodwill [1]	1,236	(729)	-	-	507
Other	289	(58)	-	-	231
Total deferred tax assets	***40,955***	***(9,386)***	***(115)***	**-**	***31,454***
Deferred tax liabilities					
Data Base	(1,102)	549	-	-	(553)
Customer Relationship	(5,150)	1,009	-	-	(4,141)
Trademarks	(47,264)	-	-	-	(47,264)
Provision for employees	20	-	3	-	23
Other	(3)	197	(248)	-	(54)
Total deferred tax liabilities	***(53,499)***	***1,755***	***(245)***	**-**	***(51,989)***
Net deferred tax liabilities	**(12,544)**	**(7,631)**	**(360)**	**-**	**(20,535)**
Shown in the statement of financial position:					
Deferred tax assets	*117*				*194*
Deferred tax liabilities	*(12,661)*				*(20,729)*

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

Among the changes during the year, of particular note was the release of deferred tax assets referring to the portion of interest expense deducted in the current year.
It should therefore be noted that, at the end of the year, the residual interest expense that can be carried forward amounts to approximately € 565 million and that deferred tax assets of approximately € 32 million have been recorded, quantified on the gross operating income (as per Article 96 of the Consolidated Income Taxes) that is expected to be made within the plan horizon available to date, making it possible to deduct in the future a portion of the interest expense reported by the previous tax periods.

Current tax assets

Current tax assets amounted to € 10,313 thousand at December 31, 2018 (€ 10,194 thousand at December 31, 2017) and are detailed as follows:

(euro/thousand)	AT 12.31.2018	AT 12.31.2017	CHANGE
Direct tax assets	9,057	9,838	(781)
Indirect tax assets	1,256	356	900
Total current tax assets	**10,313**	**10,194**	**119**

Direct tax assets of € 9,057 thousand at December 31, 2018 refer to € 8,123 thousand to Italiaonline S.p.A. of which € 3,772 thousand are for IRES and € 4,138 thousand for IRAP.

Current tax liabilities

Current tax liabilities amounted to € 3,054 thousand at December 31, 2018 (€ 5,798 thousand at December 31, 2017) and are detailed as follows:

(euro/thousand)	AT 12.31.2018	AT 12.31.2017	CHANGE
Income tax liabilities	353	1,409	(1,056)
Other tax liabilities	2,701	4,389	(1,688)
Total current tax liabilities	**3,054**	**5,798**	**(2,744)**

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 (hereinafter "DRE"), notified Italiaonline S.p.A. (the Parent) of 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 so-called "Senior" loan in 2009 (assessment notified on December 24, 2014) and in 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 "2009 First Instance ruling") and the Regional Tax Commission of Lombardy with a ruling filed on February 6, 2018 (hereinafter, the "2009 Second instance ruling'') upheld the Parent's appeal against the assessment notice for 2009 and ordered its cancellation.

However, the Milan Provincial Tax Commission, by means of a ruling filed on May 29, 2017 (henceforth, "2010-2011-2012 First instance ruling"), 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. The Parent appealed against this decision on December 19, 2017.

On February 19, 2018, the Office filed its own counterclaims.

The hearing to discuss the merits of the dispute was held on July 16, 2018 and on September 3, 2018 the Regional Tax Commission ordered the annulment of the assessment notices for 2010-2011-2012, upholding all the grounds for appeal, both procedural and substantive (hereinafter the "2010-2011-2012 Second instance ruling").

At the date of this Report, the terms for the appeal to the Supreme Court of Cassation by DRE are still pending, as the provisions of Article 6(11) of Decree Law No. 119/2018 (converted with amendment by Law No. 136/2018) for the settlement of pending litigation in which the Italian Tax Authorities are a party, according to which the time limits for appeal expiring between the date of entry into force of the Decree Law (i.e. October 24, 2018) and July 31, 2019 are suspended for nine months. As a result of the above suspension of the time limits for appeal, the time limit for the Office to lodge an appeal with the Supreme Court of Cassation will expire on September 26, 2019.

For the sake of completeness, it should be noted that the 2010-2011-2012 Second instance ruling is immediately enforceable, with the consequence that the Parent has accrued the right to reimbursement for the amounts paid provisionally, pending the ruling, amounting to approximately € 5,971 thousand, plus interest; in particular, since the ninety-day period, starting from the date on which the ruling was notified to the Office without DRE having paid the reimbursement, had elapsed, the Parent initiated the compliance proceedings on February 5, 2019. This amount was fully repaid plus interest on March 14, 2019.

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 2009 First Instance ruling and in the 2009 Second Instance ruling, believes that, despite the unfavorable decision reported in the 2010-2011-2012 First instance ruling, 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.

Despite the above considerations, the Parent is in the process of assessing the advisability of adhering to the settlement of pending litigation in accordance with the provisions of Article 6 of Decree Law No. 119/2018.

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 "Administrative, legal and arbitration proceedings involving the Italiaonline Group" section.

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 3,169,788 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, 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 canceled.
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: 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: a 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 December 31, 2018 and the results of operations for the year then ended are summarized below.
The effects of intra-group transactions between consolidated companies have been eliminated in the consolidated financial statements.
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. It should be noted that transactions with directors, statutory auditors and key management personnel referred to remunerations for their office. 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

(euro/thousand)	YEAR 2018	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Other income	1,881	-	-	-	68	68
Costs for external services	(172,411)	-	-	-	(1,148)	(1,148)
Personnel expense	(70,654)	-	-	-	(4,483)	(4,483)
Non-recurring costs	(6,193)	-	-	-	(3,905)	(3,905)

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

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

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

Statement of financial position

(euro/thousand)	AT DECEMBER 31, 2018	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Assets						
Right-of-use assets	31,099	-	-	-	7,439	7,439
Other current assets	39,678	90	-	-	48	138
Liabilities						
Non-current financial liabilities	25,499	-	-	-	5,512	5,512
Current financial liabilities	8,647	-	-	-	2,404	2,404
Trade payables	91,258	-	-	-	1,906	1,906
Liabilities for services to be provided and other current liabilities	124,529	-	-	-	4,147	4,147

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

(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

(euro/thousand)	YEAR 2018	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Cash flows from (used in) operating activities	51,934	-	-	-	(6,313)	(6,313)
Cash flows used in investing activities	(18,342)	-	-	-	-	-
Cash flows used in financing activities	(7,030)	-	-	-	(2,008)	(2,008)
Cash flows from non-current assets held for sale and discontinued operations	-	-	-	-	-	-
Cash flows of the year	**26,562**	**-**	**-**	**-**	**(8,321)**	**(8,321)**

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

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

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

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	LOSS FOR THE YEAR	NET FINANCIAL POSITION	CASH FLOWS [*]
Carrying amount	312,512	(8,734)	(66,989)	26,562
Net non-recurring and restructuring costs	(33,089)	(33,089)	(13,527)	(13,527)
of which:				
- Personnel and agents reorganization	*(26,854)*	*(26,854)*	*(9,482)*	*(9,482)*
- Strategic consulting	*(2,921)*	*(2,921)*	*(3,605)*	*(3,605)*
- Benefits to former CEO	*(3,905)*	*(3,905)*	*-*	*-*
impact%	*(10.6%)*	*n.s*	*20.2%*	*(50.9%)*

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

32. Other information

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

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

(euro/thousand)	YEAR 2018	YEAR 2017
KPMG S.p.A.		
Italiaonline S.p.A.		
- Audit	231	239
- Agreed-upon procedures on subsidiaries	-	72
- Other audit services	35	60
- Consultanties	40	38
Total	**306**	**409**
Subsidiaries		
- Audit	42	12
- Other services and engagements by entities of the KMPG network	3	-
Total	**45**	**12**
Subsidiaries audited by PWC		
- Audit	33	49
- Other services and engagements by entities of the PricewaterhouseCoopers network	1	27
Total	**34**	**76**

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	REGISTERED OFFICE	SHARE/QUOTA CAPITAL	ORDINARY SHARES/QUOTAS HELD %	ORDINARY SHARES/QUOTAS HELD BY	% HELD BY ITALIAONLINE
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 1,200,000	100.00	Italiaonline S.p.A.	100.00
Dealcome S.r.l. in liquidation (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
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

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

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

Company	REGISTERED OFFICE	SHARE/QUOTA CAPITAL		ORDINARY SHARES/QUOTAS HELD		% HELD BY ITALIAONLINE
				%	BY	
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

Public funds

Italian Law 124/2017 requires that information on subsidies, contributions, paid assignments and economic benefits of any kind received from Italian public administrations be provided. In this regard, it should be noted that Italiaonline S.p.A. during the financial year 2018 it compensated an amount of compensation of the Extraordinary Wage Guarantee Fund (CIGS) following the authorizations received from the INPS for Euro 4,966 thousand.

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

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

1. The undersigned, Roberto Giacchi, in his capacity as Chief Executive Officer, and Gabriella Fabotti, as Chief Financial Officer of Italionline S.p.A., hereby certify, taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures for the preparation of the consolidated financial statements, deemed to be adequate in relation to the characteristics of the business, were effectively applied during 2018.

2. The administrative and accounting procedures for the preparation of the consolidated financial statements as at December 31, 2018 were subjected during the year to a critical review in order to evaluate their suitability and how effectively they had been applied. No anomalies emerged as a result of this verification.

3. The following is also certified:

   3.1 The consolidated financial statements at December 31, 2018:
   - were prepared in compliance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (International Financial Reporting Standards – IFRS), and with the implementing provisions of Article 9 of Legislative Decree No. 38 of 28 February 2005;
   - correspond to the results contained in the books and the accounting entries;
   - are able to provide a true and accurate representation of the assets and liabilities, results and cash flows of the Company and of all companies included in its consolidation scope.

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

Milan, March 19, 2019

Chief Executive Officer
Roberto Giacchi
(signed on the original)

Chief Financial Officer
Gabriella Fabotti
(signed on the original)

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

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

To the shareholders of
Italiaonline S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Italiaonline Group (the "Group"), which comprise the statement of financial position as at 31 December 2018, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Italiaonline Group as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

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

Emphasis of matter about the earlier adoption of IFRS 16 - Leases

We draw attention to note 3.1 to the consolidated financial statements, where the directors describe, *inter alia*, that the Group has decided to apply IFRS 16 – Leases in advance as of 31 December 2018. We did not qualify our opinion in this respect.

Key audit matters

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

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

Notes to the consolidated financial statements: Notes 2.3 "Discretionary assessments and accounting estimates", 5 "Intangible assets with an indefinite useful life" and 6 "Impairment testing"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2018 include intangible assets with an indefinite useful life of €250,720 thousand, comprising the Libero, Virgilio, Pagine Bianche and Pagine Gialle trademarks of €169,406 thousand and goodwill of €81,314 thousand. Assisted by a professional expert, the Group tests the carrying amounts of these assets for impairment at least annually and, however, whenever there are indicators of impairment, by comparing them to the estimated recoverable amount. The Group calculated the recoverable amount of goodwill and intangible assets with an indefinite useful life by estimating their value in use, using a method that discounts its expected operating cash flows. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about: — the expected operating cash flows, calculated by taking into account the general economic performance and that of the Group's sector, the actual cash flows for past years and the projected growth rates; — the financial parameters used to calculate the discount rate.	Our audit procedures included: — understanding the process adopted for impairment testing approved by the parent's board of directors; — understanding the process adopted to prepare the forecasts from which the expected operating cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used by the Group to prepare the forecasts; — checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; — comparing the expected operating cash flows used for impairment testing to those used for the forecasts and analysing the reasonableness of the elements underlying any adjustments made to the plan form impairment testing purposes; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; — checking the sensitivity analysis presented in the notes in relation to

For the above reasons and due to the materiality of the relevant captions, we believe that the recoverability of the carrying amount of intangible assets with an indefinite useful life is a key audit matter.	the key assumptions used for impairment testing; — assessing the appropriateness of the disclosures provided in the notes about intangible assets with an indefinite useful life and the related impairment tests.

Recognition of revenue from sales and services

Notes to the consolidated financial statements: Notes 2.3 "Discretionary assessments and accounting estimates", 4 "Accounting policies - Recognition of revenue" and 24 "Revenue from sales and services"

Key audit matter	Audit procedures addressing the key audit matter
Revenue from sales and services amounted to €324,757 thousand for 2018. The Group recognises revenue from contract with customers differently depending on when control over the goods or services is transferred to the customer and on the type of consideration to which it is entitled. Specifically, certain services it provides have the following characteristics: — the contract terms are complex, with a low standardisation level; — the recognition of the related revenue based on the transfer of control over the service to the customer may alternatively be based on the measurement of the quantity of services provided, the timing, the amount of activities carried out or other parameters. For the above reasons and due to the materiality of the relevant financial statements caption, we believe that the recognition of revenue from sales and services is a key audit matter.	Our audit procedures included: — understanding the process for the recognition of revenue and the related IT environment and assessing the design and operation of controls and performing procedures to assess the operating effectiveness of material controls; — comparing the main components of revenue from sales and services to the previous year and budgeted figures and discussing the results with the relevant internal departments; — sending requests for written confirmation of receivable balances at 31 December 2018 to a sample of customers; analysing the replies received and performing alternative procedures for any missing replies; — checking the documentation supporting a sample of sales selected on the basis of their volumes, timing and counterparties; checking whether the service has been actually provided and the related revenue recognised on an accruals basis; — assessing the disclosures provided in the notes about the recognition of revenue from sales and services.

Measurement of trade receivables

Notes to the consolidated financial statements: Notes 2.3 "Discretionary assessments and accounting estimates", 13 "Trade receivables" and 19 "Information on financial risks - Credit risk"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2018 include trade receivables of € €129,645 thousand, net of the loss allowance of €24,855 thousand. The Group's business is characterised by a large number of customers and the complexity of the high number of transactions. The Group estimates the loss allowance based on a collective assessment by groups of similar assets in terms of their nature and due date and an individual assessment of disputed receivables. The loss allowance is based on the estimated credit losses that the Group expects to incur considering many factors, including: — the age of the exposure; — the customer's solvency; — the risk level of the related geographical segment; — historical figures. Accordingly, calculating the loss allowance requires a high level of judgement. For the above reasons and considering the materiality of the financial statements caption, we believe that the measurement of trade receivables is a key audit matter.	Our audit procedures included: — understanding the process adopted to monitor and manage credit risks; — assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — sending written requests for information to the legal advisors assisting the Group with credit recovery; — analysing, on a sample basis, the reasonableness of the recoverability estimates through discussions with the relevant internal departments and analyses of the information received from the legal advisors and the supporting documentation; — analysing the reasonableness of the assumptions used to estimate the loss allowance based on the collective assessment by groups of similar assets, taking into account historical figures; — assessing the appropriateness of the disclosures provided in the notes about the measurement of trade receivables.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

The parent's directors are responsible for the preparation of the Group's directors' report and report on corporate governance and ownership structure at 31 December 2018 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the Group's consolidated financial statements at 31 December 2018 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the Group's consolidated financial statements at 31 December 2018 and have been prepared in compliance with the applicable law.

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

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

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

Milan, 8 April 2019

KPMG S.p.A.

(signed on the original)

Andrea Carlucci
Director of Audit

Pagine
Bianche

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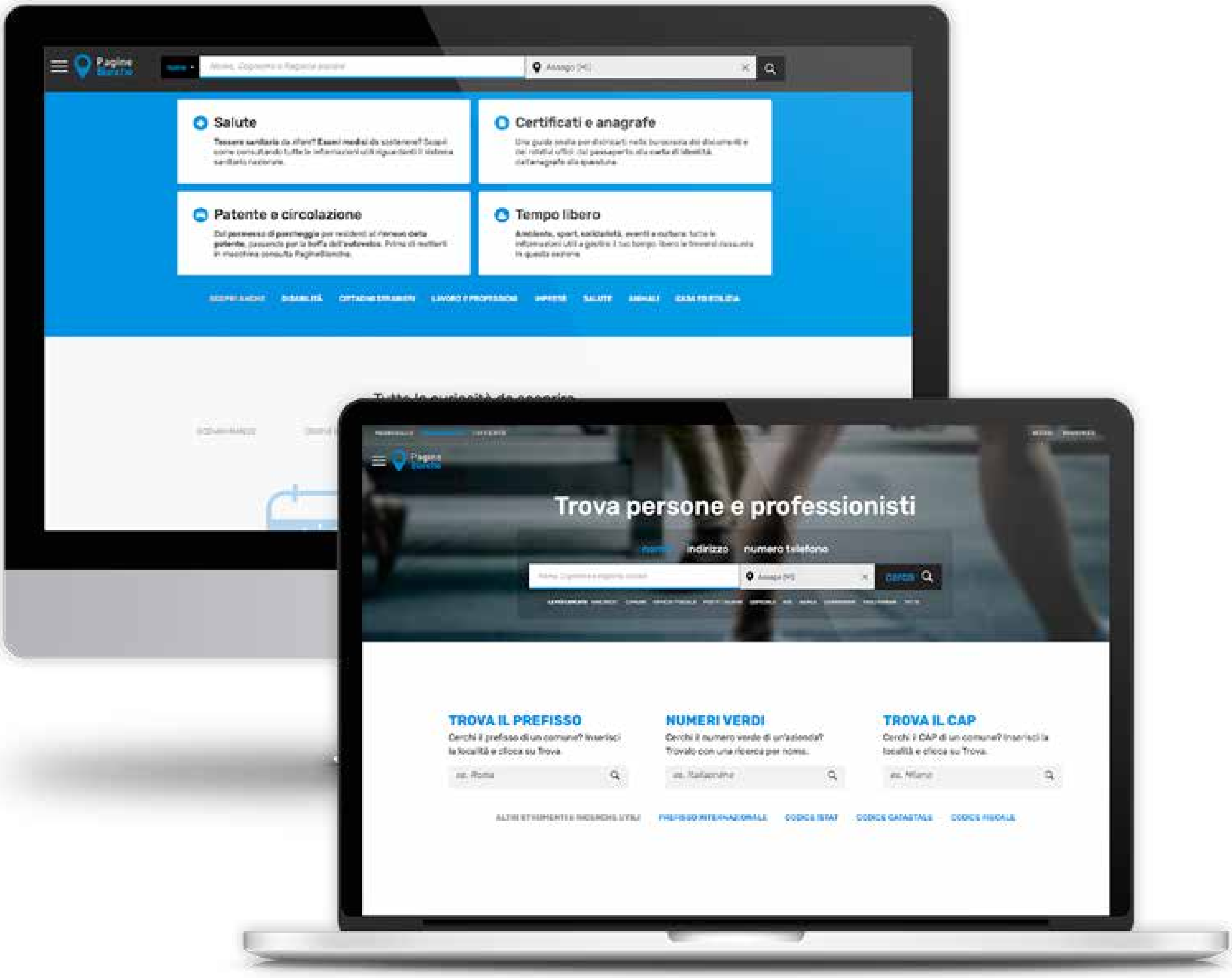

Salute
Certificati e anagrafe
Patente e circolazione
Tempo libero
Trova persone e professionisti
indirizzo
numero telefono
TROVA IL PREFISSO
Cerchi il prefisso di un comune? Inserisci la località e clicca su Trova.
NUMERI VERDI
Cerchi il numero verde di un'azienda? Trovalo con una ricerca per nome.
TROVA IL CAP
Cerchi il CAP di un comune? Inserisci la località e clicca su Trova.
PREFISSO INTERNAZIONALE
CODICE ISTAT
CODICE CATASTALE
CODICE FISCALE

SEPARATE FINANCIAL STATEMENTS OF ITALIAONLINE S.P.A.

The notes to the individual items, included in the explanatory notes, are an integral part of these separate financial statements.
Italiaonline S.p.A. adopted IFRS 15, IFRS 9 and IFRS 16, choosing the early adoption for the latter, as from January 1, 2018. On the basis of the transition method chosen, comparative information has not been restated.

Statement of financial position of Italiaonline S.p.A. at December 31, 2018

Assets

(euro/thousand)		AT 12.31.2018	AT 12.31.2017	NOTE
Non-current assets				
Intangible assets with an indefinite useful life		250,720	250,720	(5)
Intangible assets with a finite useful life		46,090	54,472	(7)
Property, plant and equipment		6,472	8,385	(8)
Right-of-use assets		23,820	-	(9)
Equity investments		3,243	5,942	(10)
Other non-current financial assets		1,015	2,901	(11)
Deferred tax assets, net		-	-	(28)
Other non-current assets		24,234	23,445	(14)
Total non-current assets	**(A)**	**355,594**	**345,865**	**-**
Current assets				
Inventories		817	1,279	(12)
Trade receivables		127,622	135,804	(13)
Current tax assets		8,516	8,250	(28)
Other current assets		42,754	40,329	(14)
Current financial assets		552	1,208	(18)
Cash and cash equivalents		100,669	74,238	(18)
Total current assets	**(B)**	**280,930**	**261,108**	**-**
Non-current assets held for sale and discontinued operations	**(C)**	**-**	**-**	**-**
Total assets	**(A+B+C)**	**636,524**	**606,973**	**-**

Liabilities

(euro/thousand)		AT 12.31.2018	AT 12.31.2017	NOTE
Equity				
Share capital		20,000	20,000	(15)
Share premium reserve		117,217	117,217	(15)
Legal reserve		4,000	4,000	(15)
Actuarial reserve		(1,051)	(1,260)	(15)
Stock option reserve		2,374	2,374	(15)
Purchase Price Allocation reserve		17,446	17,446	(15)
Other reserves		99,501	100,102	(15)
Retained earnings		57,423	27,598	(15)
Profit (Loss) for the year		(10,089)	23,923	(15)
Total equity	**(A)**	**306,821**	**311,400**	**(15)**
Non-current liabilities				
Non-current financial liabilities		19,605	-	(18)
Non-current provision for employees		9,374	14,754	(20)
Net deferred tax liabilities		20,729	12,661	(28)
Other non-current liabilities		19,473	19,878	(21)
Total non-current liabilities	**(B)**	**69,181**	**47,293**	
Current liabilities				
Current financial liabilities		20,525	13,509	(18)
Trade payables		87,672	99,468	(23)
Liabilities for services to be provided and other current liabilities		124,613	95,640	(23)
Current provision for risks and charges		25,298	36,152	(22)
Current tax liabilities		-	140	(28)
Other tax liabilities		2,414	3,371	(28)
Total current liabilities	**(C)**	**260,522**	**248,280**	
Liabilities directly associated with non-current assets held for sale and discontinued operations	**(D)**	**-**	**-**	
Total liabilities	**(B+C+D)**	**329,703**	**295,573**	
Total liabilities and equity	**(A+B+C+D)**	**636,524**	**606,973**	

Income statement of Italiaonline S.p.A. for 2018

(euro/thousand)	YEAR 2018	YEAR 2017	NOTE
Revenue from sales	1,081	634	(24)
Revenue from services	317,697	329,595	(24)
Revenue from sales and services	**318,778**	**330,229**	**(24)**
Other income	10,706	15,978	(25)
Total revenue	**329,484**	**346,207**	
Costs of materials	(1,758)	(2,070)	(25)
Costs for external services	(201,546)	(210,408)	(25)
Personnel expense	(49,984)	(53,683)	(25)
Impairment loss on trade receivables and other assets	(5,678)	(9,418)	(13; 25)
Accruals to provisions for risks and charges, net	(1,594)	(1,754)	(21; 22; 25)
Other operating costs	(1,382)	(2,445)	(25)
Operating profit before amortization, depreciation, non-recurring and restructuring costs, net	**67,542**	**66,429**	
Amortization, depreciation and impairment losses	(36,721)	(35,054)	(7; 8)
Net non-recurring charges	(6,144)	(1,077)	(25)
Net restructuring income charges	(26,206)	(11)	(25)
Operating profit (loss)	**(1,529)**	**30,287**	
Financial expense	(3,079)	(3,934)	(26)
Financial income	3,061	1,285	(26)
Impairment losses on financial assets and losses on the disposal of equity investments	(821)	(2,287)	(27)
Pre-tax profit (loss)	**(2,368)**	**25,351**	
Tax expense	(7,721)	(1,428)	(28)
Profit (loss) on continuing operations	**(10,089)**	**23,923**	
Profit (loss) from non-current assets held for sale and discontinued operations	-	-	
Profit (loss) for the year	**(10,089)**	**23,923**	

		AT 12.31. 2018	AT 12.31.2017
Number of Italiaonline S.p.A. shares		114,768,028	114,768,028
- ordinary shares	*n.*	*114,761,225*	*114,761,225*
- saving shares	*n.*	*6,803*	*6,803*
weighted average shares outstanding (*)		114,766,183	114,768,028
Profit (loss) for the year	€/thousand	(10,089)	23,923
Earnings (losses) per share	€	**(0.08791)**	**0.20845**
Diluted earnings (losses) per share	€	(0.0848)	0.2007

(*) For calculation purposes 22,443 treasury shares acquired during the year 2018 are considered.

Statement of comprehensive income of Italiaonline S.p.A. for 2018

(euro/thousand)	YEAR 2018	YEAR 2017	NOTE
Profit (Loss) for the year	**(10,089)**	**23,923**	
Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss			
Net actuarial gains	*209*	*183*	
Share buyback	-	-	
Net fair value gains (losses) on Telegate AG sold during the year already included in the loss for the year	*(549)*	-	
Total other comprehensive income (expense) that will not be subsequently reclassified to profit or loss	(340)	183	(16)
Other comprehensive income (expense) that will be subsequently reclassified to profit or loss			
Net fair value gains (losses) on AFS securities and investments	-	*589*	
Total other comprehensive income (expense) that will be subsequently reclassified to profit or loss	-	589	(16)
Total other comprehensive income (expense), net of tax	**(340)**	**772**	
Total comprehensive income (expense) for the year	**(10,429)**	**24,695**	

Statement of cash flows of Italiaonline S.p.A. for 2018

(euro/thousand)		YEAR 2018	YEAR 2017	NOTE
Cash flows from operating activities				
Operating profit (loss)		(1,529)	30,287	
Amortization, depreciation and impairment losses		36,721	35,054	(5;7;8;9)
Stock options		-	978	
(Gain) loss on disposal of non-current assets		26	-	
Change in working capital		17,190	(2,231)	
Income taxes		743	(587)	
Change in non-current liabilities and other changes		(5,521)	(4,675)	
Cash flows from operating activities	**(A)**	**47,630**	**58,826**	
Cash flows from investing activities				
Purchase of intangible assets with a finite useful life		(17,755)	(19,562)	(7)
Purchase of property, plant and equipment		(1,104)	(4,508)	(8)
Other investments		(1,253)	(38)	
Proceeds from disposal of non-current assets		5	64	
Disposal of equity investments		3,410	-	
Cash flows used in investing activities	**(B)**	**(16,697)**	**(24,044)**	
Cash flows from financing activities				
Repayment of non-current loans		-	-	
Paid interest and financial expense, net		368	481	
Change in other financial asset and liabilities		(4,614)	(1,731)	
Dividends paid		(204)	(80,032)	
Share buy back		(52)	-	
Cash flows used in financing activities	**(C)**	**(4,502)**	**(81,282)**	
Cash flows from non-current assets held for sale and discontinued operations	**(D)**	**-**	**-**	
Cash flows for the year	**(A+B+C+D)**	**26,431**	**(46,500)**	
Opening Cash and cash equivalents		**74,238**	**120,738**	**(18)**
Closing Cash and cash equivalents		**100,669**	**74,238**	

Statement of changes in equity of Italiaonline S.p.A. for 2018

(euro/thousand)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	ACTUARIAL RESERVE	OTHER RESERVES	IFRS 15 RESERVE	DIVIDENDS	OTHER RESERVES	RETAINED EARNINGS (LOSSES) CARRIED FORWARD	RESERVE FOR PPA	RESERVE FOR STOCK OPTIONS	PROFIT (LOSS) FOR THE YEAR	TOTAL
At 12.31.2017	**20,000**	**117,217**	**4,000**	**(1,260)**	**127,151**	**-**	**-**	**549**	**-**	**17,446**	**2,374**	**23,923**	**311,400**
IFRS 15 Effects	-	-	-	-	-	6,106	-	-	-	-	-	-	6,106
Al 01.01.2018	**20,000**	**117,217**	**4,000**	**(1,260)**	**127,151**	**6,106**	**-**	**549**	**-**	**17,446**	**2,374**	**23,923**	**317,506**
Allocation of previous year profit	-	-	-	-	-	-	(204)	-	23,923	-	-	(23,923)	(204)
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	(52)	-	-	-	-	-	-	-	(52)
Other comprehensive expense for the year	-	-	-	209	-	-	-	(549)	-	-	-	(10,089)	(10,429)
At 12.31.2018	**20,000**	**117,217**	**4,000**	**(1,051)**	**127,099**	**6,106**	**(204)**	**-**	**23,923**	**17,446**	**2,374**	**(10,089)**	**306,821**

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

(euro/thousand)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	ACTUARIAL RESERVE	OTHER RESERVES	IFRS 15 RESERVE	DIVIDENDS	OTHER RESERVES	RETAINED EARNINGS (LOSSES) CARRIED FORWARD	RESERVE FOR PPA	RESERVE FOR STOCK OPTIONS	PROFIT (LOSS) FOR THE YEAR	TOTAL
At 12.31.2016	**20,000**	**117,217**	**4,000**	**(1,443)**	**178,972**	**-**	**-**	**(40)**	**-**	**17,446**	**1,396**	**28,211**	**365,759**
Allocation of previous year profit	-	-	-	-	-	-	-	-	28,211	-	-	(28,211)	-
Warrant	-	-	-	-	(79,419)	-		-	(613)	-	-	-	(80,032)
Merger	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase Price Allocation	-	-	-	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-	978	-	978
Other comprehensive income for the year	-	-	-	183	-	-	-	589	-	-	-	23,923	24,695
At 12.31.2017	**20,000**	**117,217**	**4,000**	**(1,260)**	**99,553**	**-**	**-**	**549**	**27,598**	**17,446**	**2,374**	**23,923**	**311,400**

Notes to the separate financial statements at December 31, 2018

1. Corporate information

Italionline S.p.A. is a public company listed on the Stock Exchange of Milan, whose duration is fixed until December 31, 2100 as provided for in the Articles of Association.
The Company is based in Assago Via del Bosco Rinnovato 8, and has a share capital of € 20,000 thousand.
The Company's financial year ends on December 31 every year. These separate financial statements refer to the year of January 1 - December 31, 2018.
Italiaonline is the leading internet company in Italy, with 4.8 million unique users, including 3.2 million from smartphones and has a 63%[1] market reach. Italiaonline offers digital presence, web marketing and digital advertising services, including management of advertising campaigns and the generation of leads through social networks and search engines. The company's strategic objective is to consolidate its Italian leadership role in the digital advertising market 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.

2. Basis of preparation

The separate financial statements of Italiaonline S.p.A. have been prepared in accordance with the provisions of Decree Law No. 38 of February 28, 2005, applying the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union, including all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), and in compliance with the applicable CONSOB regulations.
Italiaonline S.p.A. adopted the IFRS in compliance with European Regulation (EC) No. 1606 of July 19, 2002.
The separate financial statements were prepared on the basis of the historical cost principle.

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

- the *statement of financial position* was prepared by classifying assets and liabilities as "current/non-current" and showing "non-current assets/liabilities directly associated with non-current assets held for sale and discontinued operations" as two separate items, as required by IFRS 5;
- the *income statement* was prepared by classifying operating costs by nature, as this is considered the best way to present the Company's activities and complies with internal reporting methods. In addition, the economic results of continuing operations are separated from "profit/(loss) from non-current assets held for sale and discontinued operations", as required by IFRS 5. As required by CONSOB resolution No. 15519 of July 27, 2006 in the context of the income statement by nature, income and charges from non-recurring transactions were specifically identified, highlighting their impact on the operating profit/(loss).
  Non-recurring income and charges include those which, by their nature, do not occur continuously in the normal course of operations, such as:
  - company restructuring costs;
  - non-recurring and highly strategic consultancy;
  - costs linked to directors' and department managers' end-of-office entitlement.

[1] Source: Audiweb 2.0, powered by Nielsen, TDA - Total Digital Audience, December 2018. Audiweb 2.0 data does not include Google, Facebook and Microsoft.

- the *statement of comprehensive* income shows the result of income statements and the changes in equity other than those relating to transactions with shareholders.
- 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 in relation to:
  - allocation of the Company's profit for the year;
  - the breakdown of comprehensive income/(expense);
  - the effect of errors or possible changes in accounting policies.

The data is shown in euro and all figures have been rounded off to the nearest thousand, unless otherwise indicated; it should be noted that the percentage changes indicated with "n.s." are to be considered unrepresentative.
Publication of the separate financial statements of Italiaonline S.p.A. at December 31, 2018 was authorized by resolution of the Board of Directors of March 19, 2019.
However, final approval of the separate financial statements of Italiaonline S.p.A. is the responsibility of the Shareholders.
On the basis of the provisions of Article 3, paragraph 2 of the Presidential Decree dated December 10, 2008, Italiaonline S.p.A. is not required to submit its separate financial statements in XBRL format, as it is listed on a regulated market.

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

The 2018 annual financial report was prepared on the assumption of the Company's ability to continue as a going concern, insofar as there is a reasonable expectation that Italiaonline S.p.A. will continue to operate in the foreseeable future (and in any case for a timespan of more than twelve months).

2.2 *Discretionary assessments and accounting estimates*

When preparing the separate financial statements, Directors apply accounting policies and methods that, in some cases, are based on complex and subjective valuations and estimates that are based on historical data and assumptions that, in each individual case, are deemed to be reasonable and realistic in light of the relevant circumstances. The use of these estimates and assumptions has an impact on the amounts reported in the financial statement schedules, which include a statement of financial position, an income statement and a statement of cash flows, and in additional disclosures. The final amounts shown for those components of the financial statements for which the abovementioned estimates and assumptions were used could differ from the amounts actually realized, due to the uncertainty that characterizes all assumptions and the conditions upon which the estimates were based. Estimates and assumptions are revised on a regular basis and the impact of any resulting change is recognized in the period when a revision of estimates occurs, if the revision affects only the current period, and is also applied to future periods, when the revision has an impact both on the current period and on future periods.

The financial statement items that require the most use of subjective judgment by Directors in developing estimates and with respect to which a change in the underlying assumptions used could have a material impact on the financial statements are summarized below:

Intangible assets with an indefinite useful life. Intangible assets with an indefinite useful life are tested for impairment by comparing the carrying amount of the cash generating units with their recoverable amount. The latter is the greater of the fair value, less costs to sell, and the value in use, determined by discounting to present value the expected cash flows generated by the use of the cash generating unit, net of costs to sell. The performance of an impairment test is characterized by a high degree of personal judgment, in addition to the uncertainties that are inherent in any forecasting activity, specifically regarding: estimating of expected cash flows, calculated by primarily taking into account the performance of the economy in general and that of the Company's sector, as well as the actual cash flows for the past years and the projected growth rates and estimating the parameters used for the purpose of calculating the discount rate.
These estimates, which are complex and with high level of uncertainties, required the use of significant subjective judgment by Directors.

Equity Investments. Equity investments are tested for impairment by comparing their carrying amount with their recoverable value. The latter was tested against its value in use, which is the present value of the expected cash flows from operating activities before financial components, estimated based on the plans developed by the subsidiaries for the 2019-2021 period and approved by the Boards of Directors of the individual companies. The performance of an impairment test is characterized by a high degree of personal judgment, in addition to the uncertainties that are inherent in any forecasting activity, specifically regarding: estimating of expected cash flows, calculated by primarily taking into account the performance of the economy in general and that of the subsidiary's sector, as well as the actual cash flows for the past years and the projected growth rates and estimating the parameters used for the purpose of calculating the discount rate.

Recognition of revenue from sales and services. The model for recognizing revenues from contracts with customers when (or as) the Company transfers goods or services to a customer, measured at the amount to which the Company expects to be entitled, may vary depending on the type of revenue from contracts with customers. Specifically, certain services that the Company provides have the following characteristics:
- The contract terms are complex, with a low standardization level;
- The recognition of the related revenue may alternatively be based on the measurement of the quantity of services provided, the timing, the amount of activities carried out or other parameters, which determines the transfer of the services to a customer.

Measurement of Trade receivables. The Company's business is characterized by a large number of customers and the complexity of the high number of transactions.
The Company estimates the loss allowance based on a collective assessment by groups of similar assets in terms of their nature and due date and an individual assessment of disputed receivables.
The loss allowance is based on the estimated credit losses that the Company expects to incur considering many factors, including:
- the aging of the receivable;
- the customer's solvency;
- the risk level of the related geographical segment;
- historical figures.

Calculating the loss allowance required the use of significant subjective judgment by Directors.

Depreciation and amortization. Changes in market economic conditions, technology and the competitive scenario could have a material impact on the useful lives of property, plant and equipment and intangible assets and could produce a difference in the timing of the depreciation and amortization process and the amount of the respective expense.

Provisions for risks and charges. The determination of the provisions for risks and charges in connection with pending litigation, restructuring provisions or tax exposures requires the Directors to develop estimates regarding present liabilities that stem from past events and entail a probable money outlay. These estimates, which are characterized by a high level of complexity, subjectivity and uncertainty, required the formulation of significant valuations by the Directors.

Current and deferred income taxes. Income taxes are determined in accordance with a conservative interpretation of the tax laws in effect. On occasion, this entails the use of complex estimates to determine taxable income and deductible and taxable temporary differences between amounts recognized for accounting purposes and for tax purposes. Specifically, deferred tax assets are recognized to the extent that it is probable that sufficient taxable income will be available to recover them in the future. The assessment of the recoverability of deferred tax assets, recognized in connection with both tax losses usable in future years and deductible temporary differences, takes into account an estimate of future taxable income and is based on a conservative tax planning approach.

These valuations and estimates must be considered together with the accounting policies described in more detail in Note 4 herein.

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

3.1 Accounting standards, amendments and interpretations issued by the IASB/IFRIC applicable from January 1, 2018

The following new International Financial Reporting Standards (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 has not had a significant effect on the measurement criteria applied by the Company to financial assets and liabilities. In accordance with the method of first application selected, the comparative information has not been restated.

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 Company applied IFRS 15 retroactively with cumulative recognition at the date of first-time adoption (i.e. January 1, 2018). Therefore, the information for 2017 has not been restated - i.e. it is presented in accordance with IAS 18, IAS 11 and related interpretations. Moreover, in general, the disclosure requirements of IFRS 15 have not been applied to comparative information. The adoption of the retroactive method with cumulative recognition in any case requires 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 section of these explanatory notes entitled "Impact 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 a 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.

Paragraph 3.4 shows the effects of the application of this standard on the opening balances at January 1, 2018 and the effects that it has had on the separate financial statements at December 31, 2018.

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 given period of time.

IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019. The Company has decided to apply this standard in advance as from January 1, 2018, using option 2 of the simplified retrospective method which provides for the recognition of a right-of -use asset an amount corresponding to the lease liability, adjusted to take account of any deferred income or accrued income for prepaid or accrued payments relating to that lease, which are recognized in the statement of financial position immediately before the initial date of application (January 1, 2018), therefore without restating the comparative data. The adoption of this 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 "Impacts of adoption of the new IFRS 15 and IFRS 16" section 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 assets" and
- a different nature and classification of related costs (depreciation of the "right-of-use asset" and "interest expense" rather than the previous "Costs for use of third-party assets").

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.

Paragraph 3.4 shows the effects of application of this standard on the opening balances at January 1, 2018 and the effects that it has had on the separate financial statements at December 31, 2018.

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 "Improvements to the IFRSs (2014-2016 Cycle)" document was endorsed. In particular, the Company 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) IAS 28.18 option, which allows for certain types of entities (e.g.: venture capital, mutual funds, etc.) to measure their investments in associates and/or JVs at fair value;
b) IAS 28.36A option, which allows entities that are not investment entities to carry at equity investments in associates and Joint Ventures 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 Company's separate 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 Company's separate 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 Company's separate 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 exchange rate 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 provided on March 28, 2018. The adoption of this standard had no significant impact on the Company's separate financial statements.

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

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

Prepayment features with negative compensation (amendments to IFRS 9)

The "Prepayment features with negative compensation (amendments to IFRS 9 - Financial Instruments)" document, applying to reporting periods beginning on or after January 1, 2019, was endorsed with 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.

IFRIC interpretation 23 – Uncertainty over income tax treatments

Regulation (EU) No.2018/1595 of October 23, 2018 adopted the "IFRIC Interpretation 23 - Uncertainty over income tax treatments" document, 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. The document applies to financial statements for periods beginning on or after January 1, 2019.

No impacts are expected from the adoption of the standard on the basis of the preliminary analyses and measurements carried out.

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

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

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 or after 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 the first quarter of 2019.

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 the first quarter of 2019.

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 the first quarter of 2019.

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.

Definition of Business (Amendments to IFRS 3)
This document was issued in October 2018 and will apply to reporting periods beginning on or after January 1, 2020. Endorsement by the EU is expected in 2019.

Definition of material (Amendments to IAS 1 and IAS 8)
This document was issued in October 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	IFRS 16	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		54,472	-	-	54,472
Property, plant and equipment		8,385	-	-	8,385
Right-of-use assets		-	-	30,510	30,510
Equity investments		5,942	-	-	5,942
Other non-current financial assets		2,901	-	-	2,901
Deferred tax assets, net		-	-	-	-
Other non-current assets		23,445	-	-	23,445
Total non-current assets	**(A)**	**345,865**	**-**	**30,510**	**376,375**
Current assets					
Inventories		1,279	-	-	1,279
Trade receivables		135,804	-	-	135,804
Current tax assets		8,250	-	-	8,250
Other current assets		40,329	7,705	-	48,034
Current financial assets		1,208	-	-	1,208
Cash and cash equivalents		74,238	-	-	74,238
Total current assets	**(B)**	**261,108**	**7,705**	**-**	**268,813**
Non-current assets held for sale and discontinued operations	**(C)**	**-**	**-**	**-**	**-**
Total assets	**(A+B+C)**	**606,973**	**7,705**	**30,510**	**645,188**

Liabilities

(euro/thousand)		AT 12.31.2017	IFRS 15	IFRS 16	AT 01.01.2018
Equity					
Share capital		20,000	-	-	20,000
Share premium reserve		117,217	-	-	117,217
Legal reserve		4,000	-	-	4,000
Actuarial reserve		(1,260)	-	-	(1,260)
Stock option reserve		2,374	-	-	2,374
Purchase Price Allocation reserve		17,446	-	-	17,446
Other reserves		100,102	-	-	100,102
Retained earnings		27,598	6,106	-	33,704
Profit for the year		23,923	-	-	23,923
Total equity	**(A)**	**311,400**	**6,106**	**-**	**317,506**
Non-current liabilities					
Non-current financial liabilities		-	-	24,801	24,801
Non-current provision for employees		14,754	-	-	14,754
Net deferred tax liabilities		12,661	248	-	12,909
Other non-current liabilities		19,878	-	-	19,878
Total non-current liabilities	**(B)**	**47,293**	**248**	**24,801**	**72,342**
Current liabilities					
Current financial liabilities		13,509	-	5,708	19,217
Trade payables		99,468	1,773	-	101,241
Liabilities for services to be provided and other current liabilities		95,640	(422)	-	95,218
Current provision for risks and charges		36,152	-	-	36,152
Current tax liabilities		140	-	-	140
Other tax liabilities		3,371			3,371
Total current liabilities	**(C)**	**248,280**	**1,351**	**5,708**	**255,339**
Liabilities directly associated with non-current assets held for sale and discontinued operations	**(D)**	**-**	**-**	**-**	**-**
Total liabilities	**(B+C+D)**	**295,573**	**1,599**	**30,510**	**327,682**
Total liabilities and equity	**(A+B+C+D)**	**606,973**	**7,705**	**30,510**	**645,188**

Effects at December 31, 2018

Statement of financial position

Assets

(euro/thousand)		AT 12.31.2018 30-DIC-99	IFRS 15	IFRS 16	AT 12.31.2018 WITHOUT IFRS 15/16
Non-current assets					
Intangible assets with an indefinite useful life		250,720	-	-	250,720
Intangible assets with a finite useful life		46,090	-	-	46,090
Property, plant and equipment		6,472	-	-	6,472
Right-of-use assets		23,820	-	(23,820)	0
Equity investments		3,243	-	-	3,243
Other non-current financial assets		1,015	-	(452)	563
Deferred tax assets, net		-	-	-	-
Other non-current assets		24,234	-	-	24,234
Total non-current assets	**(A)**	**355,594**	**-**	**(24,272)**	**331,322**
Current assets					
Inventories		817	-	-	817
Trade receivables		127,622	-	-	127,622
Current tax assets		8,516	-	-	8,516
Other current assets		42,754	(7,820)	-	34,934
Current financial assets		552	-	(142)	410
Cash and cash equivalents		100,669	-	-	100,669
Total current assets	**(B)**	**280,930**	**(7,820)**	**(142)**	**272,968**
Non-current assets held for sale and discontinued operations	**(C)**	**-**	**-**	**-**	**-**
Total assets	**(A+B+C)**	**636,524**	**(7,820)**	**(24,414)**	**604,291**

Liabilities

(euro/thousand)		AT DECEMBER 31, 2018	IFRS 15	IFRS 16	AT DECEMBER 31, 2018 WITHOUT IFRS 15/16
Equity					
Share capital		20,000	-	-	20,000
Share premium reserve		117,217	-	-	117,217
Legal reserve		4,000	-	-	4,000
Actuarial reserve		(1,051)	-	-	(1,051)
Stock option reserve		2,374	-	-	2,374
Purchase Price Allocation reserve		17,446	-	-	17,446
Other reserves		99,501	-	-	99,501
Retained earnings		57,423	(6,106)	-	51,317
Loss for the year		(10,089)	264	383	(9,443)
Total equity	**(A)**	**306,821**	**(5,843)**	**383**	**301,361**
Non-current liabilities					
Non-current financial liabilities		19,605	-	(19,605)	0
Non-current provision for employees		9,374	-	-	9,374
Net deferred tax liabilities		20,729	(53)	-	20,676
Other non-current liabilities		19,473	-	-	19,473
Total non-current liabilities	**(B)**	**69,181**	**(53)**	**(19,605)**	**49,524**
Current liabilities					
Current financial liabilities		20,525	-	(6,762)	13,763
Trade payables		87,672	(1,938)	1,570	87,304
Liabilities for services to be provided and other current liabilities		124,613	13	-	124,626
Current provision for risks and charges		25,298	-	-	25,298
Current tax liabilities		-	-	-	-
Other tax liabilities		2,414	-	-	2,414
Total current liabilities	**(C)**	**260,522**	**(1,924)**	**(5,192)**	**253,405**
Liabilities directly associated with non-current assets held for sale and discontinued operations	**(D)**	**-**	**-**	**-**	**-**
Total liabilities	**(B+C+D)**	**329,703**	**(1,977)**	**(24,797)**	**302,929**
Total liabilities and equity	**(A+B+C+D)**	**636,524**	**(7,820)**	**(24,414)**	**604,291**

Income statement

(euro thousand)	YEAR 2018	IFRS 15	IFRS 16	YEAR 2018 WITHOUT IFRS 15/16
Revenue from sales	1,081	-	-	1,081
Revenue from services	317,697	425	143	318,265
Revenue from sales and services	**318,778**	**425**	**143**	**319,346**
Other income	10,706	-	-	10,706
Total revenue	**329,484**	**425**	**143**	**330,052**
Costs of materials	(1,758)	-	-	(1,758)
Costs for external services	(201,546)	34	(6,974)	(208,487)
Personnel expense	(49,984)	-	-	(49,984)
Impairment loss on trade receivables and other assets	(5,678)	-	-	(5,678)
Accruals to provisions for risks and charges, net	(1,594)	-	-	(1,594)
Other operating costs	(1,382)	-	-	(1,382)
Operating profit before amortization, depreciation, non-recurring and restructuring costs, net	**67,542**	**459**	**(6,832)**	**61,169**
Amortization, depreciation and impairment losses	(36,721)	-	6,932	(29,789)
Net non-recurring charges	(6,144)	-	-	(6,144)
Net restructuring charges	(26,206)	-	-	(26,206)
Operating loss	**(1,529)**	**459**	**100**	**(970)**
Financial expense	(3,079)	-	289	(2,790)
Financial income	3,061	-	(6)	3,055
Impairment losses on financial assets and losses on the disposal of equity investments	(821)	-	-	(821)
Pre-tax loss	**(2,368)**	**459**	**383**	**(1,526)**
Tax expense	(7,721)	(195)	-	(7,916)
Loss on continuing operations	**(10,089)**	**264**	**383**	**(9,443)**
Profit (loss) from non-current assets held for sale and discontinued operations	-	-	-	-
Loss for the year	**(10,089)**	**264**	**383**	**(9,443)**

Statement of comprehensive income

(euro/thousand)	YEAR 2018	IFRS 15	IFRS 16	12 MONTHS 2018 WITHOUT IFRS 15/16
Loss for the year	**(10,089)**	**264**	**383**	**(9,443)**
Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss				
Net actuarial gains	*209*	-	-	*209*
Net fair value losses on Telegate AG sold during the year already included in the loss for the year	*(549)*	-	-	*(549)*
Total other comprehensive expense that will not be subsequently reclassified to profit or loss	(340)	-	-	(340)
Total other comprehensive expense, net of tax	**(340)**	**-**	**-**	**(340)**
Total comprehensive expense for the year	**(10,429)**	**264**	**383**	**(9,783)**

Statement of cash flows

(euro/thousand)		YEAR 2018	IFRS 15 IFRS 16	YEAR 2018 WITHOUT IFRS 15 AND 16
Cash flows from operating activities				
Operating loss		(1,529)	559	(970)
Amortization, depreciation and impairment losses		36,721	(6,932)	29,789
Stock options		-	-	-
Loss on disposal of non-current assets		26	-	26
Change in working capital		17,190	494	17,684
Income taxes		743	-	743
Change in non-current liabilities and other changes		(5,521)	-	(5,521)
Cash flows from operating activities	**(A)**	**47,630**	**(5,879)**	**41,751**
Cash flows from investing activities				
Purchase of intangible assets with a finite useful life		(17,755)	-	(17,755)
Purchase of property, plant and equipment		(1,104)	-	(1,104)
Other investments		(1,253)	-	(1,253)
Proceeds from disposal of non-current assets		5	-	5
Proceeds from disposal of investments		3,410	-	3,410
Cash flows used in investing activities	**(B)**	**(16,697)**	**-**	**(16,697)**
Cash flows from financing activities				
Repayment of non-current loans		-	-	-
Paid interest and financial expense, net		368	-	368
Change in other financial asset and liabilities		(4,614)	5,879	1,265
Dividends paid		(204)	-	(204)
Share buy back		(52)	-	(52)
Cash flows from (used in) in financing activities	**(C)**	**(4,502)**	**5,879**	**1,377**
Cash flows from non-current assets held for sale and discontinued operations	**(D)**	**-**	**-**	**-**
Cash flows for the year	**(A+B+C+D)**	**26,431**	**-**	**26,431**
Opening Cash and cash equivalents		**74,238**	**-**	**74,238**
Closing Cash and cash equivalents		**100,669**	**-**	**100,669**

4. Accounting policies

Intangible assets

Intangible assets consist of identifiable and controllable non-monetary assets without physical substance, which are able to generate future economic benefits for the Company. Intangible assets acquired separately as well as internally generated development costs are 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 Company trademarks:

(a) Goodwill

Goodwill resulting from an acquisition or merger is initially measured as described in the "Business Combinations" section.
After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. It is tested for impairment annually or more frequently if events or changes in circumstances indicate that an impairment loss may have 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 Company:

(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 Company buildings, is not depreciated.
Depreciation is calculated systematically based on rates considered to represent an appropriate distribution of the carrying amount of property, plant and equipment, according to their residual useful life.
The indicative useful life estimated by the Company 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 portion relating to the availability period of the assets, except for assets purchased during that period.

Right-of-use 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 Company assesses whether there are any asset impairment indicators. If impairment indicators exist, or if an annual impairment test is required, the Company 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 Company 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 Company discounts the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the specific risks of the asset.

Equity investments

Equity investments in subsidiaries, associates and joint ventures are measured at acquisition cost, in accordance with IAS 27. The positive differences between the carrying amount and the corresponding amount of equity at current value, which arises from the purchase of equity investments in said companies, are included in the value of the equity investments themselves.

The recoverability of such equity investments is verified at least once a year by comparing the investment's carrying amount with its recoverable amount, which is the larger of the investment's fair value, less costs to sell and its value in use. This is to identify any impairment losses which would then be recognized in the income statement under "impairment losses on equity investments", at the time of calculation.

If the portion of these impairment losses pertaining to the Company exceeds the carrying amount of the equity investment, the value of the equity investment is reduced to zero and the relevant portion of any further impairment losses is recorded in "provision for risks and charges related to equity investments", if the Company has the obligation to cover such impairment losses.

The cost of equity investments in foreign companies is translated into euro at the exchange rates in force on the acquisition and subscription date.

Other Equity Investments

Other equity investments (other than those in subsidiaries, associates and joint ventures) classified at December 31, 2017 as available-for-sale financial assets, substantially in line with the accounting treatment adopted in accordance with IAS 39, were designated as financial assets with changes in fair value recognized to OCI.

Financial assets

A financial asset is classified on the basis of its measurement at the time of initial recognition: amortized cost; Fair Value Other Comprehensive Income (FVOCI) – debt securities; Fair Value Other Comprehensive 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 Company 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 Company 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.

Financial assets designated at FVTPL
These assets are subsequently measured at fair value. The net gains and losses, including dividends or interest received, are recognized in profit/(loss) for the period.

Financial assets measured at amortized cost
These assets are subsequently measured at amortized cost in compliance with the effective interest method. The amortized cost is reduced by any impairment loss. 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.

Debt securities measured at FVOCI
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.
At December 31, 2018, the Company does not hold debt securities measured at FVOCI.

Equity securities measured at FVOCI
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.
At December 31, 2018, the Company does not hold equity securities measured at FVOCI.

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.

Financial instruments

At December 31, 2018, the Company does not hold financial instruments measured at fair value. For instruments not measured at fair value, the carrying amount represents a reasonable approximation of fair value.

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 Company, 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 Company 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 Company 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 Company recognizes post-employment benefits, 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 Company, 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 Company (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: "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 one 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 are presented separately in two specific items ("Non-current assets held for sale and discontinued operations" and "Liabilities directly associated with non-current assets held for sale and discontinued operations"); there was no need to restate the relevant comparative amounts.

Business combinations

Pursuant to IFRS 3, goodwill is recognized in the consolidated financial statements at the 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 date control is acquired 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 acquired.

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.

Segment reporting

Given the non-materiality of the operating segments, separate reporting is not given.

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 a 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: revenue is recognized 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 total of advertising services that have already been invoiced and will be implemented after the reporting date is 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*: this is recorded as financial income following ascertainment of interest income, using the effective interest method;
- *dividends*: these 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.
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 recognized 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 recognized to the extent that it becomes likely that they will be used in the future.

Deferred tax assets and liabilities are calculated using the tax rates expected to be applicable, in the reporting periods in which the temporary differences will be realized or eliminated.
Current and deferred tax assets and liabilities are offset if the entity has a legally enforceable right to offset current tax assets with current tax liabilities and the deferred taxes relate to the same tax entity and the same tax authority.

Earnings per share

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

5. Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life amounted to € 250,720 thousand at December 31, 2018 and comprise: *i)* € 81,314 thousand relating to goodwill (including € 71,997 thousand relating to goodwill generated in the acquisition of the Seat Group by Italiaonline and € 9,317 thousand relating to the acquisition of Matrix by Italiaonline) and *ii)* € 169,406 thousand relating to the Libero (€ 70,262 thousand), Virgilio (€ 53,000 thousand), PagineGialle® (€ 30,859 thousand) and PagineBianche® (€ 15,285 thousand) trademarks.

6. Impairment testing

Impairment testing the separate financial statements is performed on the carrying amount of recognized equity investments. With regard to the equity investments in the separate financial statements of Italiaonline S.p.A. (Digital Local Services and Moqu Adv. S.r.l.), considering that the equity of the subsidiaries is higher than the relevant carrying amount, no trigger events or circumstances have emerged that suggest an impairment in these investments and therefore there was no need to develop a formal estimate of their recoverable value.
With reference to goodwill and intangible assets with an indefinite and finite useful life, the criteria used to carry out the impairment tests at Group level are described below.
At December 31, 2018, the Company tested the recoverability of the carrying amounts of the intangible assets with an indefinite useful life represented by trademarks and goodwill (overall € 250,720 thousand), in accordance with the provisions of the Impairment Procedure adopted by the Company, with the assistance of an independent expert in order to perform the impairment test.
At Group level, there were some indications of possible impairment losses on assets, since:

1. The market price (market capitalization) is less than the carrying amount of consolidated equity. This indicator, although significant, must always be evaluated taking into account the market situation as a whole and the limited number of IOL floating shares treated on the market; to this end, a number of additional analyses have been carried out on the basis of which it can be concluded that the stock market price is not representative of the actual value of the Company and the Group. Therefore, any differences between market capitalization and equity must be assessed in light of these considerations.
2. The revenue and overall profitability generated by the Group for the 2018 year is lower than forecast in the 2018-2020 Plan. The causes that contributed to the deviation from that estimated in the budget have been analyzed, in particular with reference to EBITDA, attributable in part to the failure to complete external growth operations and in part to the reduced acquisition of orders in the SME segment and the reduced commercial partnerships in the Large Account segment; on the other hand, the Group generated a higher cash flow in 2018 than forecast in the budget.

For the purposes of verifying the recoverability of goodwill and trademarks, a Cash Generating Unit ("CGU") has been identified, consisting of all the operating activities of the Italiaonline Group as a whole, since the individual trademarks are managed jointly by the Company and it is not possible to separate the cash flows generated by them individually, making it impossible to determine the current and prospective fair value of the individual trademarks at the impairment test reference date. The test was conducted on consolidated amounts.
Impairment tests are governed by IAS 36, which provides for two different forms of recoverable amount: value in use and fair value less costs to sell. Under IAS 36, paragraph 18, the "Recoverable amount" of an asset or a CGU is the higher of its fair value, less costs to sell and its value in use". In this case, the recoverable amount as at December 31, 2018, as it was not possible to identify the fair value of assets subject to impairment testing, was estimated using amounts based on value in use, considering the cash flows from operating activities calculated using the best information available at the time of the estimate and based on the 2019-2021 Business Plan, discounted.
On March 19, 2019, the Board of Directors approved a technical update of the Business Plan (resolved on 15 March 2018 under the former CEO's direction), for the approval of 2018 Financial Statements, extending the term to 2021 and updating the financial objectives for the period 2019-2021 (the updated Plan).
The updated Plan represents a vision of organic development of the current lines of business and does not envisage significant new initiatives. The management, together with the new CEO, is engaged in the development of a new Strategic Business Plan that also includes new business initiatives and product lines, capable of positively influencing the development of revenue and operating margins.
The value in use was compared with net operating invested capital (carrying amount), including goodwill and other assets with an indefinite useful life, with a surplus of about 24% with respect to the carrying amount.
It should be noted that cost savings and other benefits deriving from the personnel reorganization plan have been considered in the recoverable amount, since the Company was involved in this process in accordance with IAS 37 at the reference date; the company restructuring provision has been consistently considered in the calculation of the carrying amount at December 31, 2018.
The discounting rate (WACC) was calculated as follows:

Cost of equity:
This has been estimated with reference to the following parameters:
- the risk free rate was equal to the average rate of return on 10-year government bonds, 2.6%;
- the equity risk premium, equal to 5.5%;
- beta, this coefficient was based on the panel of comparable listed companies active in the market in which the Group operates, equal to 0.86;
- additional risk premium equal to 3.9%.

Cost of debt:
this has been estimated at a rate equal to the 10-year EurIRS (1.0%), increased by a specific spread (equal to 3.5%) that emerges from the credit spread analysis of a panel of comparable companies.
A debt/equity ratio of 39% was also adopted, based on the average debt ratio of a panel of comparable companies.

The WACC thus obtained amounts to 10.1% (pre-tax WACC 13.7%).
The terminal value was calculated on a perpetual basis, assuming a growth rate of zero (g=0) and a cash flow from operating activities based on the last year of the business Plan (2021).
The Company also performed a sensitivity analysis of the model, changing the above parameters to test its robustness and validity.
In particular the WACC discounting rate and the growth rate was increased/decreased by one percentage point with an estimated reduction of the cash flows based on the business plan (-10%); even after the results of the sensitivity analyses, it was not considered that there were elements that would lead to the conclusion that the assets were impaired.

The analysis of the base scenario and of the sensitivity analysis estimated on the basis of changes in the main parameters of the impairment test showed that the carrying amount of the Company's trademarks, with an indefinite useful life and of goodwill is recoverable.
The WACC, growth rate and percentage of cash flows from operating activities that would individually make the CGU's recoverable amount equal to the carrying amount at December 31, 2018 are set out below:

	BASE VERSION	WACC	GROWTH RATE	CASH FLOWS FROM OPERATING ACTIVITIES
WACC	10.1%	**12.1%**	10.1%	10.10%
Growth rate "g"	0.00%	0.00%	**(2.5%)**	0.00%
Operating cash flows	100%	100%	100%	**89.5%**

With reference to intangible assets with a finite life, IAS 36 requires that impairment testing be carried out only where necessary, that is, when there is a trigger event. To this end, the external and internal sources of information referred to in paragraphs 12-14 of IAS 36 are examined in order to assess whether there are indications of any impairment losses.
Furthermore, with regard to Customer Relationships and Databases, totaling € 16,799 thousand, there are no specific events or circumstances that would lead one to assume an impairment loss on such intangible assets as:

- with regard to Customer Relationships, the churn rate was found to be in line with the residual value of the asset at the reference date;
- with regard to Databases, due to its limited residual useful life (about eight months), it was not considered necessary to develop a formal analysis of trigger events.

7. Intangible assets with a finite useful life

	YEAR 2018				YEAR 2017
(euro/thousand)	MARKETING RELATED ASSETS	SOFTWARE	OTHER INTANGIBLE ASSETS	TOTAL	TOTAL
Opening Balance	**21,756**	**30,473**	**2,243**	**54,472**	**66,603**
- Investments	657	14,322	3,433	18,412	19,562
- Purchases	*657*	*8,807*	*2,868*	*12,332*	*12,165*
- Capitalization of personnel expense	-	*5,515*	*565*	*6,080*	*7,397*
- Disposals	-	-	-	-	-
- Amortization and impairment losses	(5,613)	(20,987)	(197)	(26,797)	(31,683)
- Other changes	(1)	1,754	(1,750)	3	(10)
Closing balance	**16,799**	**25,562**	**3,729**	**46,090**	**54,472**
of which:					
Cost	*34,611*	*225,897*	*4,380*	*264,888*	*242,252*
Accumulated amortization	*(17,812)*	*(200,335)*	*(651)*	*(218,798)*	*(187,780)*

Intangible assets with a finite useful life consist of:

- *Marketing related assets*, of € 16,799 thousand at December 31, 2018 (€ 21,756 thousand at December 31, 2017), relating to assets known as Customer Relationships for € 15,488 thousand and Databases for € 1,311 thousand.
- *Software*, for € 25,562 thousand at December 31, 2018 (€ 30,473 thousand at December 31, 2017) which includes the costs for purchases from third parties and the internal implementation of programs owned and used under license mainly to improve the algorithms used by search engines and to support new commercial offers regarding *Internet & Mobile* services.
  During 2018, the item decreased due to amortization equal to € 20,987 thousand, but investments were made for € 14,322 thousand (of which € 5,515 thousand related to capitalization of personnel expense) to support, in particular *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.
- *Other intangible assets*, amounting to € 3,729 thousand at December 31, 2018 (€ 2,243 thousand at December 31, 2017), refer primarily to software projects in progress.

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

	YEAR 2018
Marketing related assets	*13-25%*
Software	*20-100%*
Patents, concessions, trademarks and licenses	*20-100%*
Other intangible assets	*20%*

8. Property, plant and equipment

These are broken down as follows:

(euro/thousand)	YEAR 2018 PROPERTY	YEAR 2018 PLANT AND EQUIPMENT	YEAR 2018 OTHER ASSETS	YEAR 2018 TOTAL	YEAR 2017 TOTAL
Opening Balance	**1,079**	**883**	**6,423**	**8,385**	**7,255**
- Investments	123	133	848	1,104	4,508
- Disposals	-	(1)	(30)	(31)	(17)
- Depreciation and impairment losses	(344)	(411)	(2,235)	(2,990)	(3,370)
- Other changes	1	374	(371)	4	9
Closing balance	**859**	**978**	**4,635**	**6,472**	**8,385**
of which:					
Cost	4,017	2,322	36,764	43,103	46,163
Accumulated depreciation	(3,158)	(1,344)	(32,129)	(36,631)	(37,778)

Property, plant and equipment include:

- *property*, equal to € 859 thousand at December 31, 2018 (€ 1,079 thousand at December 31, 2017), mainly related to improvements on third-party assets made at the headquarters of Assago, Florence and Pisa;
- *plant and equipment* of € 978 thousand at December 31, 2018 (€ 883 thousand at December 31, 2017). These refer to telephone exchanges and leasehold improvements;
- *other assets* of € 4,635 thousand at December 31, 2018 (€ 6,423 thousand at December 31, 2017), mainly including € 4,063 thousand related to IT equipment and systems, € 434 thousand related to furniture and fixtures and € 131 thousand to assets under construction. Investments for the year amounted to € 848 thousand, mainly related to the technological upgrading of the Data Center.

The accumulated depreciation (€ 36,631 thousand at December 31, 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:

	YEAR 2018
Leasehold Improvements	14-39%
Plant and equipment and leasehold improvements	15-57%
Other assets	10-50%

9. Right-of-use assets

At December 31, 2018, this item includes the "right of use of leased assets" deriving from the application of IFRS 16, broken down as follows:

(euro/thousand)	YEAR 2018 LEASED LAND	LEASED PROPERTY	LEASED PLANT	OTHER LEASED ASSETS	TOTAL	YEAR 2017 TOTAL
Opening Balance	**-**	**15,793**	**10,936**	**3,781**	**30,510**	**-**
- Disposals	-	-	-	(51)	(51)	-
- Depreciation and impairment losses	-	(2,475)	(3,049)	(1,409)	(6,933)	-
- Reclassification to Discontinued Operations	-	-	-	-	-	
- Other movements	-	(318)	(110)	722	294	-
Closing balance	**-**	**13,000**	**7,777**	**3,043**	**23,820**	**-**
of which:						
Cost	-	*15,475*	*10,826*	*4,441*	*30,742*	-
Accumulated depreciation	-	*(2,475)*	*(3,049)*	*(1,398)*	*(6,922)*	-

The leased assets include:
- *property* for € 13,000 thousand at December 31, 2018, referring to value of contracts of leases on properties used as group company offices;
- *plant* for € *7,777* thousand at December 31, 2018, mainly referring to the right of use of the installation and right of use on equipment used in the Data Centre;
- *other assets* for € 3,043 thousand at December 31, 2018, relating to the right of use of cars and of other equipment such as printers.

10. Equity investments

Equity investments in subsidiaries, associates and joint ventures amounted to € 3,243 thousand at December 31, 2018.
The following table shows details of the equity investments and the changes over the reporting year:

(euro/thousand)	% OWNERSHIP	AT 12.31.2017			CHANGE			AT 12.31.2018		
		COSTS	LOSS ALLOWANCE	TOTAL	SALES	IMPAIRMENT LOSSES FOR FAIR VALUE MEASUREMENT	TOTAL	COSTS	LOSS ALLOWANCE	TOTAL
Subsidiaries		**3,243**	**-**	**3,243**	**-**	**-**	**-**	**3,243**	**-**	**3,243**
Consodata S.p.A.	100.00%	-	-	-	-	-	-	-	-	-
Digital Local Services S.r.l.	100.00%	2,133	-	2,133	-	-	-	2,133	-	2,133
Prontoseat S.r.l.	100.00%	-	-	-	-	-	-	-	-	-
Moqu Adv S.p.A.	100.00%	1,110	-	1,110	-	-	-	1,110	-	1,110
Telegate Holding GmbH in liquidation	100.00%	-	-	-	-	-	-	-	-	-
Other equity investments		**2,699**	**-**	**2,699**	**(3,410)**	**711**	**(2,699)**	**-**	**-**	**-**
11 88 0 Solutions GmbH	16.24%	2,699	-	2,699	(3,410)	711	(2,699)	-	-	-
Total equity investments		**5,942**	**-**	**5,942**	**(3,410)**	**711**	**(2,699)**	**3,243**	**-**	**3,243**

On February 14, 2018, the equity investment held by Italiaonline in 11880 Solutions AG (16.24%) was sold, for a total of € 3,410 thousand, achieving a capital gain of € 1,260 thousand.

11. Other non-current financial assets

Other non-current financial assets amounted to € 1,015 thousand as at December 31, 2018 (€ 2,901 thousand as at December 31, 2017) and included in particular *i)* loans to employees for € 452 thousand, issued at market rates for transactions of this nature and *ii)* financial receivables due from Consodata S.p.A. for € 449 thousand relating to the sublease agreement for the Assago offices accounted for in accordance with IFRS 16.

12. Inventories

These are broken down as follows:

(euro/thousand)	YEAR 2018 RAW MATERIALS, SUPPLIERS AND CONSUMABLES	YEAR 2018 WORK IN PROGRESS AND SEMI-FINISHED PRODUCTS	YEAR 2018 FINISHED GOODS	YEAR 2018 TOTAL	YEAR 2017 TOTAL
Opening balance	**86**	**1,191**	**2**	**1,279**	**2,210**
Increase (decrease)	(12)	(448)	(2)	(462)	(931)
Closing balance	**74**	**743**	**-**	**817**	**1,279**

The measurement of the average weighted cost of raw materials is broadly in line with their current values. Work in progress includes the already processed advertising items for future Smartbook editions.

13. Trade receivables

These are broken down as follows:

(euro/thousand)	YEAR 2018 TRADE RECEIVABLES	YEAR 2018 LOSS ALLOWANCE	YEAR 2018 TRADE RECEIVABLES FROM SUBSIDIARIES	YEAR 2018 TRADE RECEIVABLES FROM ASSOCIATES	YEAR 2018 TRADE RECEIVABLES FROM PARENTS	YEAR 2018 CARRYING AMOUNT	YEAR 2017 CARRYING AMOUNT
Opening balance	**167,982**	**(32,634)**	**366**	**-**	**90**	**135,804**	**161,635**
Accruals	-	(4,747)	-	-	-	(4,747)	(7,628)
Utilization	(12,214)	12,214	-	-	-	-	-
Revision of estimates	-	384	-	-	-	384	88
Other changes	(3,462)	-	(357)	-	-	(3,819)	(18,291)
Closing balance	**152,306**	**(24,783)**	**9**	**-**	**90**	**127,622**	**135,804**

Trade receivables amounted to € 127,622 thousand at December 31, 2018.
The *loss allowance* is deemed sufficient to cover estimated losses.
During 2018, the loss allowance was used directly as a result of unrecoverable amounts, for € 12,214 thousand and was reinstated with an accrual of € 4,747 thousand, which allowed maintenance of an adequate rate of coverage of past due receivables, by maintaining close attention to the quality of sales and management of amounts due from customers.
For a more detailed analysis of the credit risk, see Note 19 to the Separate Financial Statements.

14. Other assets (current and non-current)

These are broken down as follows:

(euro/thousand)	AT 12.31.2018	AT 12.31.2017	CHANGE
Current assets			
Advances on sales commissions and other amounts due from agents	14,554	17,069	(2,515)
Other amounts due from subsidiaries	3,702	4,541	(839)
Prepayments	5,861	6,102	(241)
Contract costs	7,820	-	7,820
Current assets	1,273	725	548
Other receivables	9,544	11,892	(2,348)
Total other current assets	**42,754**	**40,329**	**2,425**
Other non-current assets	**24,234**	**23,445**	**789**
Total other current assets and non-current assets	**66,988**	**63,774**	**3,214**

Specifically:

- *advances on sales commissions and other amounts due from agents* amounted to € 14,554 thousand at December 31, 2018 (€ 17,069 thousand at December 31, 2017) and are recognized net of the related loss allowance for an amount totalling € 4,894 thousand at December 31, 2018 (€ 3,822 thousand at December 31, 2017);
- *other amounts due from subsidiaries* amounted to € 3,702 thousand at December 31, 2018 (€ 4,541 thousand at December 31, 2017); they refer to € 2,896 thousand from the Digital Local Services relating mainly to the recovery of costs for seconded personnel;
- *prepayments* amounted to € 5,861 thousand at December 31, 2018 (€ 6,102 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;
- *assets deriving from contracts* (contract costs) amounting to € 7,820 thousand include the incremental costs relating to the acquisition of new customers which will be carried forward to the income statement on the basis of the expected duration of the relationship with the new customers, in accordance with the provisions of IFRS 15;
- *other receivables*, amounting to € 9,544 thousand at December 31, 2018 (€ 11,892 thousand at December 31, 2017), mainly include amounts due from INPS for € 1,850 thousand, guarantee deposits equal to € 313 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 Italian Tax Authorities which claims a 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 granted; this amount was fully repaid plus interest on March 14, 2019.
- *other non-current assets*, equal to € 24,234 thousand at December 31, 2018 are mainly related to: *i)* € 4,518 thousand for tax assets for the reimbursement of the excess corporation tax (IRES) paid for tax years prior to 2012 due to the failure to deduct regional production tax (IRAP) relative to personnel and similar expense recognized in 2013 in accordance with the available official interpretations; *ii)* € 19,260 thousand for the corporation tax (IRES) receivable, including interest, emerging from the national tax consolidation of the Italiaonline Group reported in previous tax periods requested for reimbursement by the Company submitted in the 2014 Global National Consolidation form (*Consolidato Nazionale Mondiale*).

15. Equity

Equity is broken down as follows:

(euro/thousand)		AT 12.31.2018	AT 12.31.2017	CHANGE
Share capital		20,000	20,000	-
Share premium reserve	A,B,C	117,217	117,217	-
Legal reserve	B	4,000	4,000	-
Purchase Price Allocation reserve	B	17,446	17,446	-
Retained earnings	A,B,C	57,423	27,598	29,825
Actuarial reserve	B	(1,051)	(1,260)	209
Stock option reserve	B	2,374	2,374	-
Other reserves (*)	A,B,C	99,501	100,102	(601)
Profit (loss) for the year		(10,089)	23,923	(34,012)
Total equity		**306,821**	**311,400**	**(4,579)**

A: Reserve available for capital increase
B: Reserve available for covering losses
C: Reserve available for distribution to shareholders
(*) Not available for an amount of € 71,997 thousand related to the goodwill

Treasury shares

It should be noted that on November 28, 2018, Italiaonline announced the initiation of the repurchase of treasury shares, in execution of the authorization approved at the Shareholders' Meeting of April 27, 2018, and already communicated to the market.
Purchases were made by an intermediary on the MTA (Italian Online Stock Market), in accordance with Article 144-bis, paragraph 1, of CONSOB Issuers' Regulation no. 11971/1999.
The purchases of shares carried out in 2018 was as follows:

DATE	NO. OF SHARES	AVERAGE PRICE (EURO)	AMOUNT (EURO)
12/03/2018	1,164	2.398	2,791.50
12/04/2018	650	2.360	1,534.00
12/05/2018	1,935	2.320	4,488.62
12/06/2018	2,088	2.288	4,778.18
12/12/2018	3,663	2.240	8,205.85
12/14/2018	6,394	2.206	14,103.89
12/18/2018	514	2.235	1,148.79
12/19/2018	2,515	2.247	5,650.20
12/20/2018	1,820	2.204	4,010.37
12/21/2018	1,700	2.198	3,736.09

Share capital

Share capital amounted to € 20,000,409 thousand at December 31, 2018 and is divided into 114,761,225 ordinary shares and 6,803 savings shares, without par value.
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

This amounted to € 117,217 thousand as at December 31, 2018 unchanged with respect to December 31, 2017. 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 since the Company is not planning to distribute the share premium reserve.

Legal reserve

This amounted to € 4,000 thousand as at December 31, 2018 unchanged with respect to December 31, 2017. 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 showed a negative balance of € 1,051 thousand at December 31, 2018 (a negative € 1,260 thousand at December 31, 2017) and includes the net effect of recognizing the portion of actuarial gains (losses) on post-employment benefits which remained with the company, following their recognition in the separate financial statements in accordance with IAS 19, paragraph 93A.
For more details on how these amounts were determined, see Note 20 "Non-current provisions for employees".

Stock option reserve

This amounted to € 2,374 thousand, unchanged compared to December 31, 2017. This includes the stock option plan approved by the Company, which is structured in two tranches, Tranche A and Tranche B, for a total of 3,169,788 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.

For more details, please refer to Note 29 of the Consolidated Financial Statements.

Purchase Price Allocation reserve

This amounted to € 17,446 thousand, recorded following the allocation to the assets and liabilities of Seat Pagine Gialle S.p.A. of the respective fair value known as "Purchase Cost", net of tax effects.

Other reserves

At December 31, 2018 these amounted to € 99,501 thousand (€ 100,102 thousand at December 31, 2017); the change, equal to € 601 thousand was attributable, for € 549 thousand, to the recognition in the income statement of the fair value of the equity investment in 11880 Solutions AG sold on February 14, 2018, and for € 52 thousand to the purchase of treasury shares including commissions to intermediaries. It is noted that part of this reserve, amounting to € 21,401 thousand, is subject to taxation upon distribution.

16. Other comprehensive income (expense)

Other comprehensive income/(expense) is broken down as follows:

(euro/thousand)	YEAR 2018	YEAR 2017
Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss		
Net actuarial gains	275	241
Tax effect of actuarial losses	(66)	(58)
Net fair value gains (losses) on Telegate AG sold during the year already included in the loss for the year	(549)	-
Total other comprehensive income (expense) that will not be subsequently reclassified to profit or loss	(340)	183
Other comprehensive income (expense) that will be subsequently reclassified to profit or loss		
Net fair value gains (losses) on AFS securities and investments	-	589
Total other comprehensive income (expense) that will be subsequently reclassified to profit or loss	-	589
Total other comprehensive income (expense), net of tax effect	**(340)**	**772**

17. Earnings per share

Earnings per share are calculated by dividing profit/(loss) by the average number of outstanding shares throughout the year.
Moreover, earnings per share are reported below, considering the shares granted under the stock option plan amounting to 4,279,215.

		AT 12.31. 2018	AT 12.31.2017
Number of Italiaonline S.p.A. shares		114,768,028	114,768,028
- ordinary shares	*n.*	*114,761,225*	*114,761,225*
- saving shares	*n.*	*6,803*	*6,803*
weighted average shares outstanding [(*)]		114,766,183	114,768,028
Profit (loss) for the year	€/thousand	(10,089)	23,923
Earnings (losses) per share	**€**	**(0.08791)**	**0.20845**
Diluted earnings (losses) per share	€	(0.0848)	0.2007

[(*)] For calculation purposes 22,443 treasury shares acquired during 2018 are considered.

18. Net financial indebtedness

The net financial indebtedness at December 31, 2018 was positive at € 61,543 thousand (positive at € 61,937 thousand at December 31, 2017) and is made up as follows:

(euro/thousand)		AT 12.31.2018	AT 12.31.2017	CHANGE
A	Cash and cash equivalents	100,669	74,238	26,431
B	Other cash and cash equivalents	-	-	-
C	Trading securities	-	-	-
D=(A+B+C)	**Liquidity**	**100,669**	**74,238**	**26,431**
E.1	**Current financial receivables due from third parties**	**97**	**657**	**(560)**
E.2	**Current financial receivables due from related parties**	**455**	**551**	**(96)**
F	Current bank debt	-	-	-
G	Current portion of non-current debt	-	-	-
H.1	Other current financial debt to third parties	6,768	2,142	4,626
H.2	Other current financial debt due to related parties	13,757	11,367	2,390
I=(F+G+H)	**Current financial debt**	**20,525**	**13,509**	**7,016**
J=(I-E-D)	**Net current financial indebtedness**	**(80,696)**	**(61,937)**	**(18,759)**
K	Non-current bank debt	-	-	-
L	Bond issues	-	-	-
M.1	Other non-current loans due to third parties	19,153	-	19,153
M.2	Other non-current loans due to related parties	-	-	-
N=(K+L+M)	**Non-current financial debt**	**19,153**	**-**	**19,153**
O= (J+N)	**Net financial indebtedness (ESMA)**	**(61,543)**	**(61,937)**	**394**

(*) This amount was adjusted of the effect of the non current receivables from subleases.

The positive net financial indebtedness at December 31, 2018 following the early adoption of IFRS 16 – Leases reflects the recognition of a financial liability of € 26,367 thousand, representing the present value of future lease payments, against the recognition under assets of the "right-of-use assets". This financial liability is net of non-current and current receivables on subleases for € 594 thousand.
A description of the items which constitute the net financial indebtedness is provided below:

Non-current financial liabilities

This item totalled € 19,153 thousand at December 31, 2018, and refers entirely to the financial liability associated with early adoption of IFRS 16, as described above, net of non-current receivables on subleases of € 452 thousand.

Current financial liabilities

(euro/thousand)	AT 12.31.2018	AT 12.31.2017	CHANGE
Other financial debts to third parties	6,768	2,142	4,626
Other current financial debts due to related	13,757	11,367	2,390
Current financial liabilities	**20,525**	**13,509**	**7,016**

Other financial debts to third parties, amounting to € 6,768 thousand as at December 31, 2018, include € 6,762 thousand in debts related to the early adoption of IFRS 16.
As at December 31, 2017, they include € 2,136 thousand related to the amount disbursed to all shareholders for an advance payment on the sale of Emittente Titoli.
Other current financial debts due to related parties and amounting to € 13,757 thousand at December 31, 2018 (€ 11,367 thousand at December 31, 2017) refer to amounts due to Digital Local Services for € 11,026 thousand and to Moqu AdV S.r.l. for € 2,731 thousand.

Current financial assets

(euro/thousand)	AT 12.31.2018	AT 12.31.2017	CHANGE
Current financial receivables from third parties	97	657	(560)
Current financial receivables from related parties	455	551	(96)
Current financial receivables	**552**	**1,208**	**(656)**

Current financial assets were € 552 thousand at December 31, 2018 (€ 1,208 thousand at December 31, 2017) and refer mainly to receivables from subsidiaries for € 455 thousand (of which € 193 thousand from Digital Local Services). It should also be noted that at December 31, 2018, the current account financial receivable from the subsidiary Consodata S.p.A., amounting to € 2,200 thousand, was fully impaired, since it was considered non-recoverable, while the financial receivable from Consodata S.p.A. related to the receivables on subleases accounted for in accordance with IFRS 16 amounted to € 142 thousand.

Cash and cash equivalents

Cash and cash equivalents amounted to € 100,669 thousand at December 31, 2018 (€ 74,238 thousand at December 31, 2017) and are as follows:

(euro/thousand)	AT 12.31.2018	AT 12.31.2017	CHANGE
Current accounts	97,604	73,399	24,205
Postal accounts	3,056	372	2,684
Cash in hand	9	467	(458)
Cash and cash equivalents	**100,669**	**74,238**	**26,431**

19. Information on financial risks

Risk associated with financial indebtedness

No significant risks related to financial indebtedness are recognized with respect to financial position at December 31, 2018.
The table below shows the maturity of the debt:

	DUE			
(euro/thousand)	BY NEXT YEAR	BETWEEN 2 AND 5 YEARS	OVER 5 YEAR	TOTAL
Financial debts for contracts of use of leased assets	6,762	15,138	4,466	26,367
Other financial debts	6	-	-	6
Total financial debts	**6,768**	**15,138**	**4,466**	**26,373**

Credit risk

Italiaonline's business is characterized by the presence of a large number of customers in the SME segment who have suffered from the crisis period and for which the recovery was not started or consolidated in all business segments of our target market. This market environment which includes the complexities generated by the large number of transactions, led the Company to implement a structured credit management process, which uses behavioral scoring 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 by 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.
In this context, 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), currently 80% of sales to SMEs, allows our Company to better manage the dynamics of receipts at due dates.
The net trade receivables of Italiaonline at December 31, 2018 were € 127.6 million (€ 135.8 million at December 31, 2017), with approximately 230,000 customers spread all over Italy consisting mainly of small and medium-sized enterprises.
The amount of overdue trade receivables of Italiaonline at December 31, 2018 amounted to approximately € 42 million (€ 55 million at December 31, 2017) with an average coverage percentage of the loss allowance amounting to about 58.6%, deemed adequate. The monitoring at an early stage and the credit collection process described above has led the Company to gradually decrease overdue trade receivables compared to total receivables, 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, based on customer segmentation in function on territorial criteria and days outstanding, which reflects the Company's historical behavioral experience in the collection of receivables, projecting it onto the balance of receivables at December 31.

20. Non-current provisions for employees

These are broken down as follows:

(euro/thousand)	YEAR 2018 POST-EMPLOYMENT BENEFITS	YEAR 2018 DEFINED CONTRIBUTION PLANS	YEAR 2018 TOTAL	YEAR 2017 TOTAL
Opening balance	**13,746**	**1,008**	**14,754**	**16,314**
Accruals	-	2,769	2,769	3,060
Contributions	-	897	897	953
Benefits paid	(723)	(3,089)	(3,812)	(5,073)
Discount interest	278	-	278	190
Actuarial (gains) recognised in equity	(275)	-	(275)	(241)
Curtailment	(292)	-	(292)	-
Reclassification to short term	(4,241)	-	(4,241)	-
Other changes	51	(755)	(704)	(449)
Closing balance	**8,544**	**830**	**9,374**	**14,754**

The *post-employment benefits - portion remaining with the company* of € 8,544 thousand (€ 13,746 thousand at December 31, 2017) were assessed by an independent actuary by using the projected unit credit method in accordance with the revised IAS 19. At December 31, 2018 the portion of Post-employment benefits of personnel included in the reorganization Plan of € 4,241 thousand was reclassified to "Other current liabilities".

Following the reform of the supplementary pensions system introduced by Legislative Decree No. 252 of December 5, 2005, this continues to constitute an obligation for the company, as this is considered to be a defined benefit plan.

As in previous years, the portion of post-employment benefits subsequently paid into supplementary pension funds was considered a *defined contribution plan*, since the Company's obligation towards the employee terminates upon payment of the portions accrued into the pension funds. Payments of portions of the post-employment benefits accrued to the treasury fund managed by the national social security institution (INPS) were also accounted for as payments to a defined contribution plan, since the Company is not obligated to make any further payments other than those provided for by the Ministerial Decree of January 30, 2007, if the fund does not hold sufficient assets to grant the benefit to the employee.

(euro/thousand)	AS AT 12.31.2018	AS AT 12.31.2017
A. Reconciliation of defined benefit obligations		
1. Opening defined benefit obligations	13,743	15,171
Opening defined benefit obligations - merger with former IOL	-	-
2. Current service cost	-	-
3. Financial expense	278	190
4. Benefit paid by plan/company	(723)	(1,377)
5. Other changes and change in consolidation scope	53	-
6. Curtailment (*)	(292)	-
7. Changes recognised in equity (OIC effect)	(274)	(241)
a. Effects due to changes of demographic assumptions	*-*	*-*
b. Effects due to changes of financial assumptions	*(218)*	*12*
c. Effects due to changes from experience	*(56)*	*(253)*
Closing defined benefit obligations (**)	12,785	13,743
B. Reconciliaion of assets and liabilities recognized in the statement of financial position		
Plans that are fully unfunded and plans that are wholly or partly funded		
1. Present value of unfunded definedbenefit obligations at the end of the year	12,785	13,743
Net liablity recognized in the statement of financial position		
Amounts in the statement of financial position		
1. Liabilities	12,785	13,743
2. Assets		
C. Cost component		
Amounts recognized in the income statement		
1. Current service costs		
2. Interest expense	278	190
Total cost recognized in the income statement	278	190
D. Main actuarial assumptions		
Weighted-average assumptions to determine defined benefit obligations	0,00%	0,00%
1. Discount rate	1,57%	1,30%
2. Rate of inflation	1,50%	1,50%
3. Annual rate of increase of post-employment benefits	2,63%	2,63%
F. Sensitivity analysis - benefit obligation evaluation based on underlying assumptions		
1. Turnover rate		
a. Turnover rate +1%	12,732	13,717
b. Turnover rate -1%	12,826	13,857
2. Rate of inflation		
a. Rate of inflation + 0,25 basis points	12,954	13,969
b. Rate of inflation - 0,25 basis points	12,602	13,601
3. Discount rate	-	-
a. Discount rate + 0,25 basis points	12,498	13,491
b. Discount rate - 0,25 basis points	13,064	14,086
4. Plan duration		10.0
G. Expected cash flow for next year		
1 Expected payments of total services		
Year 1	4,994	1,687
Year 2	447	689
Year 3	527	717
Year 4	584	779
Year 5	406	812

(*) This is the amount of actuarial gains/ (losses) from applying the previous year's actuarial assumptions to the current workforce.
(**) This amount included € 4,241 thousand referred to Post-employment benefits of personnel included in the reorganization Plan reclassified in the item "Other current liabilities"

21. Other non-current liabilities

Other non-current liabilities of € 19,473 thousand (€ 19,878 thousand at December 31, 2017) are broken down as follows:

(euro/thousand)	YEAR 2018 PROVISION FOR AGENTS' TERMINATION BENEFITS	YEAR 2018 OTHER NON-OPERATING LIABILITIES	YEAR 2018 OTHER OPERATING LIABILITIES	YEAR 2018 TOTAL	YEAR 2017 TOTAL
Opening balance	**18,630**	**745**	**503**	**19,878**	**32,285**
Accruals	814	-	-	814	426
Utilizations	(1,308)	-	(112)	(1,420)	(1,646)
Discounting losses (gains)	(87)	-	-	(87)	17
Other changes	279	-	9	288	(11,204)
Closing balance	**18,328**	**745**	**400**	**19,473**	**19,878**

The provision for agents´ termination benefits, which totalled € 18,328 thousand (€ 18,630 thousand at December 31, 2017), represents the amount due at the end of the year to active sales agents for benefits due to them in the event of termination of the agency contract, as provided for by current regulations.
Other non-operating liabilities amounted to € 745 thousand. These refer to amounts due to Bizpal S.r.l. and Consodata S.p.A.. They were generated as part of the tax consolidation scheme following the request for a reimbursement of the excess corporation tax (IRES) paid for tax periods prior to 2012; this had resulted from the failure to deduct regional production tax (IRAP) relating to personnel and similar expenses. These are comparable with the tax receivables mentioned under Note 14 to the separate financial statements.

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

These are broken down as follows:

(euro/thousand)	YEAR 2018				DEEMBER 2017 TOTAL
	PROVISION FOR COMMERCIAL RISKS	PROVISIONS FOR CONTRACTUAL AND OTHER OPERATING RISKS	NON-OPERATING PROVISIONS	TOTAL	
Opening balance	**4,191**	**12,348**	**19,613**	**36,152**	**33,570**
Provisions	617	3,425	40,496	44,538	3,683
Utilizations	(785)	(2,975)	(10,022)	(13,782)	(12,403)
Revision of estimates	-	(2,448)	(10,572)	(13,020)	(57)
Other changes	-	(284)	(28,306)	(28,590)	11,359
Closing balance	**4,023**	**10,066**	**11,209**	**25,298**	**36,152**

Specifically:

- the *provision for commercial risks*, of € 4,023 thousand (€ 4,191 thousand at December 31, 2017), is proportioned to estimated charges for incomplete compliance of contractual obligations;
- the *provision for contractual and other operating risks*, of € 10,066 thousand (€ 12,348 thousand at December 31, 2017) includes € 6,990 thousand for disputes with third parties, agents and employees. Specifically, the reserve for legal disputes includes the assessment for the risk of having to pay out a contribution to the Communications Regulator (AGCOM) for the period 2006-2010. In 2018, following the decision of the Council of State and the subsequent Regional Administrative Court judgment becoming final (as described in detail in the "Administrative, judicial and arbitration proceedings" section in the Report on Operations, to which reference should be made), the Company maintained a provision for risks only for the amount of the contribution it would have had to pay for the 2006-2010 years as an entity operating in the market under AGCOM's responsibility, without therefore taking into account the "White Pages Print" revenue, the latter in no way associated with the *ex ante* regulatory activities (and related costs) carried out by AGCOM;
- the *non-operating provisions* - current portion - amounted to € 11,209 thousand as at December 31, 2018 (€ 19,613 thousand at December 31, 2017). They mainly include:
  - € 3,284 thousand in *the provision for restructuring - current portion*, relating to the actions resulting from the implementation of the reorganization plan launched by the Company with the signing of the agreement on July 2, 2018. As at December 31, 2018, the actions provided for in the agreement had all been substantially formalized and were concluded in the first few months of 2019; therefore, the amounts relating to termination agreements with employees already entered into but not yet disbursed have been reclassified under the item "Other non-operating liabilities" in Other current liabilities. For further details, please refer to the Industrial Relations paragraph in the "Main events of 2018" section in the Report on Operations;
  - € 2,362 thousand for the sales network restructuring provision;
  - € 1,299 thousand for the provision for risks relating to the assessments that the Company is making in order to adhere to the settlement of pending litigation connected with the current dispute with the Italian Tax Authorities;
  - € 750 thousand for the 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 favour of the TDL Fund.
  - € 2,064 thousand relating to the provision for risks on equity investments for losses relating to the subsidiary Consodata S.p.A..

23. Trade payables and other current liabilities

Trade payables and other current liabilities are detailed as follows:

(euro/thousand)	AT 12.31.2018	AT 12.31.2017	CHANGE
Payables to suppliers	56,682	61,828	(5,146)
Payables to agents	17,235	14,943	2,292
Payables to others	3,822	6,216	(2,394)
Payables to employees	7,086	12,456	(5,370)
Payables to social security institutions	2,847	4,025	(1,178)
Payables to parents	-	-	-
Total trade payables	**87,672**	**99,468**	**(11,796)**
Liabilities for services to be provided	84,498	89,474	(4,976)
Advances from customers	2,637	2,394	243
Other current liabilities	37,478	3,772	33,706
Total liabilities for services to be provided and other current liabilities	**124,613**	**95,640**	**28,973**

All *trade payables* have a due date of less than 12 months.
Payables to suppliers, equal to € 56,682 thousand (€ 61,828 thousand at December 31, 2017) decreased by € 5,146 thousand.
Payables to agents, equal to € 17,235 thousand (€ 14,943 thousand at December 31, 2017), are considered in conjunction with the item "advances on sales commissions" under item "Other current assets" amounting to € 14,554 thousand at December 31, 2018 (€ 17,069 thousand at December 31, 2017).
Liabilities for services to be provided and other current liabilities of € 120,372 thousand (€ 95,640 thousand at December 31, 2017) include:

- for € 84,498 thousand, the advance invoicing of advertising services for printed directories as well as the deferral of revenue arising from the provision of web and voice services on a straight-line basis over the contractually agreed period for the online and on-voice services.
- *other current liabilities* of € 37,478 thousand (€ 3,772 thousand as at December 31, 2017), an increase in 2018 mainly as it include amounts relating to termination agreements with employees, already entered into but not yet disbursed, relating to the implementation of the personnel reorganization agreement initiated by the Company on July 2, 2018, described in the "Industrial relations" paragraph of the Report on operations. These amounts included € 4,241 thousand relating to the post-employment benfits previously accrued.

24. Revenue from sales and services

Revenue from sales and services totalled € 318,778 thousand (€ 330,229 thousand in 2017).
In particular:
Digital Revenue amounted to € 244,388 thousand in 2018, an increase of 7.2% compared to the previous year. The fourth quarter saw an increase of +7.6%, an improvement compared to the positive performance of the third quarter (+7.0%), following the strong growth of the third quarter (+7.9%) and the more moderate growth of the first quarter (+6.1%). In this respect, it should be noted that the growth in *Digital* revenue was driven by the *Digital Advertising* segment (+22.4% year on year) which saw, in particular, a double-figure increase in iOL Audience revenue (the digital advertising range dedicated to SMEs and the only one of its kind in Italy), and the revenue of the distributor iOL Advertising, sustained by the increase in the audience data of iOL properties, 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 *Presence* segment recorded an improvement in the trend during the third (-1.8%) and fourth quarters (-1.9%) compared to the first two quarters (-8.0% and -5.1%, respectively), bringing the year-on-year change for the full year to -4.3%. This improvement is due to a substantial enhancement and strengthening of the product range. The total share of Digital Revenue for the year was 76.7% (an improvement on the 69.1% of the previous year).
Traditional revenue amounted to € 73,344 thousand in 2018, a decrease of 27.4% compared to the previous year. The total share of *Traditional* Revenue in the year amounted to 23.0%.
Other Revenue from other products in 2018 amounted to € 1,045 thousand, down by € 150 thousand compared to the previous year.
Information on revenue by geographical segment is not provided as revenue is almost exclusively generated in Italy.

25. Other income and operating costs

25.1 Other income

Other income of € 10,706 thousand (€ 15,978 thousand during 2017) includes: *i*) € 4,536 thousand for the recovery of costs incurred by Italiaonline S.p.A. for seconded staff (subsequently recharged to Group companies); *ii*) € 4,756 thousand of other income of which € 3,953 thousand for administrative and EDP services was from subsidiaries, and *iii*) € 1,369 thousand mainly for the recovery of administrative, legal and postal costs, of which € 167 thousand was from companies of the Group.

25.2 Costs of materials

Costs of materials amounted to € 1,758 thousand in 2018 (€2,070 thousand in 2017). They refer to goods and products for resale, amounting to € 660 thousand, related to both the purchase of customized items used for merchandising activities and € 574 for the purchase of fuel for the company's motor vehicles.

25.3 Costs for external services

The costs for external services in 2018 amounted to € 201,546 thousand (€ 210,408 thousand in 2017); they relate in particular to:

- costs for *commissions and other agent costs* totalled € 70,444 thousand (€ 73,790 thousand in 2017);
- *web publisher fees* amounting to € 47,095 thousand related to the management of new web offers aimed at increasing web traffic (€ 36,417 thousand in 2017);
- consulting and professional services costs of € 11,071 thousand (€ 12,357 thousand in 2017);
- *inbound call center services*, equal to € 1,688 thousand, refer to the 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE® services (€ 2,114 thousand for 2017);
- rental costs and use of third party assets amounted to € 9,450 thousand in 2018 and are related to contracts to which IFRS 16 is not applicable; the decrease is due to the effects of the adoption of IFRS 16, which made it possible to account for the right-of-use assets as assets recorded in the statement of financial position, with a consequent reduction in costs for the use of third-party assets and an increase in amortization and depreciation.

25.4 Personnel expense

Personnel expense amounted to € 49,984 thousand in 2018 (€ 53,683 thousand in 2017) corresponding to an average workforce of 836 people (863 in 2017) and a workforce including directors, project workers and interns of 1,059 people at December 31, 2018 (1,139 people at December 31, 2017).

25.5 Impairment loss on trade receivables and other assets

These are broken down as follows:

(euro/thousand)	YEAR 2018	YEAR 2017	CHANGE	
			ABSOLUTE	%
Loss allowance - trade receivables	4,747	7,628	(2,881)	(37.8)
Reversal of loss allowance - trade receivables	(384)	(88)	(296)	n.s.
Impairment losses on other operating assets	1,315	1,878	(563)	(30.0)
Total Impairment loss on trade receivables and other assets	**5,678**	**9,418**	**(3,740)**	**(39.7)**

25.6 Accruals to provisions for risks and charges, net

These are broken down as follows:

(euro/thousand)	YEAR 2018	YEAR 2017	CHANGE	
			ABSOLUTE	%
Provisions for commercial risks	617	504	113	22.4
Provisions for contractual risks, other risks and operating charges	3,425	1,307	2,118	n.s.
Reversal of provisions for risks and operating charges	(2,448)	(57)	(2,391)	n.s.
Total accruals to provisions for risks and charges, net	**1,594**	**1,754**	**(160)**	(9.1)

For more information, please see Note 22.

25.7 Other operating costs

Other operating costs amounted to € 1,382 thousand (€ 2,445 thousand in 2017). They mainly included € 734 thousand for indirect and operating taxes and € 175 thousand for membership fees.

25.8 Net non-recurring charges

Non-recurring charges amounted to € 6,144 thousand (€1,077 thousand in 2017) and include € 2,921 thousand in strategic consultancy costs and € 3,905 thousand due to the former Chief Executive Officer upon termination of their term of office as communicated by the Company.

25.9 Net restructuring charges

Net restructuring charges amounted to € 26,206 thousand (€ 11 thousand in 2017) and include the effects of the reorganization actions carried out during the year, as described in detail in the "Industrial relations" paragraph in the "Main events of 2018" section.

26. Financial income and expense

26.1 Financial expense

Financial expense amounted to € 3,079 thousand (€ 3,934 thousand in 2017). This includes:

- € 2,200 thousand for the impairment loss on the financial receivable from Consodata S.p.A. since it was considered unrecoverable and thus fully impaired;
- € 326 thousand of interest expense related mainly to the discounting of post-employment benefits.

26.2 Financial income

Financial income in 2018 amounted to € 3,061 thousand (€ 1,285 thousand in 2017) and included € 2,165 thousand for the dividend paid by the investee Emittente Titoli, € 309 thousand as interest income resulting from short-term liquidity in the banking system at market rates and € 88 thousand for discounting interest income.

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

Impairment losses on financial assets amounted to € 821 thousand (€ 2,287 thousand in 2017), they include € 1,260 thousand related to the capital gain deriving from disposal of the investment in 11880 Solutions AG on February 14, 2018 and € 2,064 thousand for the provision for future losses following the impairment test carried out on the subsidiary Consodata S.p.A..

28. Tax expense

Tax expense for 2018 is broken down as follows:

(euro/thousand)	YEAR 2018	YEAR 2017	CHANGE ABSOLUTE
Current income taxes	621	(760)	1,381
Provision (reversal) of deferred tax assets	(9,507)	(4,975)	(4,532)
(Provision) reversal of deferred tax liabilities	1,753	1,639	114
Income taxes referred to previous years	(588)	2,668	(3,256)
Total taxes espense for the year	**(7,721)**	**(1,428)**	**(6,293)**

28.1 Income taxes

Current income taxes for 2018 were positive for € 621 thousand (negative for € 760 thousand in 2017) following the benefit that the Company recognizes by using its own tax losses against the taxable income of subsidiaries, partially offset by the remuneration of the tax attributes transferred by the subsidiaries under the national tax consolidation scheme.
The release of deferred tax assets of € 9,507 thousand (€ 4,975 thousand in 2017), mainly refers to the change in the provisions for risks and the portion of interest expense recovered in the current year.
Income taxes referred to previous years equal to € 588 thousand mainly refer to the accrual to the provision for risks for adherence to the facilitated settlement of tax disputes pursuant to art. 6 of Legislative Decree 119/2018 with reference to the dispute in progress with the Italian Tax Authorities for failure to apply withholding taxes on interest paid under the loan agreement (so-called "IBLOR"), as well as the conversion for € 714 thousand of the portion of the deduction of 2017 ACE (Allowance for corporate equity) into IRAP tax assets pursuant to Legislative Decree 201/2011.
The reconciliation of the income taxes reported in the separate financial statements and the theoretical income taxes resulting from the application of the tax rates in force in Italy to pre-tax profit (loss) for the years ended December 31, 2018 and December 31, 2017 respectively is as follows:

(euro/thousand)	YEAR 2018	YEAR 2017
Pre-tax profit (loss)	**(2,368)**	**25,351**
Income taxes calculated with the theoretical tax rate (27.90%)	**661**	**(7,073)**
Tax effect on non-deductible expenses for IRAP purposes	(3,529)	(2,819)
Income taxes referred to previous years	(588)	2,668
(Not recognizable deferred tax assets)/gain on revaluation		5,342
Permanent differences and other movements	(4,265)	454
Total tax benefit (expense)	**(7,721)**	**(1,428)**

The permanent differences, which in 2018 represented a cost of € 4,265 thousand (income of € 454 thousand in 2017), are mainly attributable to the following phenomena:

- € 6,017 thousand to the IRES tax effect on tax losses for the year;
- € 3,256 thousand to IRAP deductions for tax wedges and further deduction of costs for employees with open-ended contracts introduced by Law 190/2014;
- € 343 thousand to the IRAP tax effect on the negative taxable base for the year.

28.2 Net deferred tax assets and liabilities

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

(euro/thousand)	AS AT 12.31.2017	CHANGE OF THE YEAR: INCOME TAXES ACCOUNTED FOR IN THE INCOME STATEMENT	CHANGE OF THE YEAR: INCOME TAXES ACCOUNTED FOR IN EQUITY	AS AT 12.31.2018: TOTAL	AS AT 12.31.2018: OF WHICH IRES	AS AT 12.31.2018: OF WHICH IRAP
Deferred tax assets						
Loss allowance	7,738	(1,871)	-	5,867	5,867	-
Provisions for contractual risks	12,933	(3,434)	-	9,499	8,288	1,211
Post-employment benefits	658	(591)	(67)	-	-	-
Tax losses	7,317	-	-	7,317	7,317	-
Interest expense	10,590	(2,824)	-	7,766	7,766	-
Goodwill [1]	999	(729)	-	270	230	40
Other	465	(58)	-	407	407	-
(Non recognisable deferred tax assets) / revaluation of deferred tax assets	-	-	-	-	-	-
Total deferred tax assets	***40,700***	***(9,507)***	***(67)***	***31,126***	***29,875***	***1,251***
Deferred tax liabilities						
Customer Relationships	(5,155)	1,009	-	(4,146)	(3,566)	(580)
Database	(914)	549	-	(365)	(312)	(53)
Trademarks	(47,264)	-	-	(47,264)	(40,657)	(6,607)
Effects related to costs deriving from IFRS 15	-	195	(248)	(53)	-	(53)
Other	(28)	-	-	(28)	(28)	-
Net deferred tax liabilities	***(53,361)***	***1,753***	***(248)***	***(51,856)***	***(44,563)***	***(7,293)***
Total net deferred tax	**(12,661)**	**(7,754)**	**(315)**	**(20,730)**	**(14,688)**	**(6,042)**

[1] It does not refer to Goodwill accounted in the Separate Financial Statements

Among the changes during the year, of particular note was the release of deferred tax assets referring to the portion of interest expense deducted in the current year.

In this regard, it is noted that, for cumulative tax losses carried forward indefinitely for approximately € 247 million, deferred tax assets calculated on the portion expected to be recovered amounted to € 28 million at the end of the year, equal to a tax of approximately € 7.3 million,

It should therefore be noted that, at the end of the year, the residual interest expense that can be carried forward amounted to approximately € 565 million and that deferred tax assets of approximately € 32 million (equal to a tax of approximately € 7.8 million) were recognized, quantified on gross operating profit (as per Article 96 of the Consolidated Income Tax Law) that is expected to be made within the plan horizon available to date, making it possible to deduct in the future a portion of the interest expense reported by the previous tax periods.

It should be noted that recoverability evaluations have been carried out, within the time horizon of the plan available, of the tax losses carried forward indefinitely and non-deductible interest expense pursuant to Article 96 of the Consolidated Income Tax Law.

28.3 Current tax assets

Current tax assets amounted to € 8,516 thousand at December 31, 2018 (€ 8,250 thousand at December 31, 2017). These are broken down as follows:

(euro/thousand)	AT 12.31.2018	AT 12.31.2017	CHANGE
Direct tax assets	8,123	8,175	(52)
Indirect tax assets	393	75	318
Total current tax assets	**8,516**	**8,250**	**266**

Direct tax assets include IRES assets of € 3,772 thousand and IRAP assets of € 4,138 thousand.

28.4 Current tax liabilities

These are broken down as follows:

(euro/thousand)	AT 12.31.2018	AT 12.31.2017	CHANGE
Income tax liabilities	-	140	(140)
Other tax liabilities	2,414	3,371	(957)
Total current tax liabilities	**2,414**	**3,511**	**(1,097)**

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

In 2014 and 2015 the Italian Tax Authorities - Lombardy Regional Office (Agenzia delle Entrate - Direzione Regionale della Lombardia, hereinafter "DRE"), notified a total of 6 tax assessment notices to Italiaonline S.p.A. (the Company), claiming the Company had failed to apply withholding taxes on interest paid to the Royal Bank of Scotland (Milan branch) on the so-called "Senior" loan in 2009 (assessment notified on December 24, 2014) and in 2010, 2011 and 2012 (5 assessments notified on October 5, 2015).
The Company, supported by its own tax advisors, has challenged the aforementioned assessment notices.
Both the Provincial Tax Commission of Milan with a ruling filed on December 1, 2015 (hereafter, the "2009 First instance ruling") and the Regional Tax Commission of Lombardy with a ruling filed on February 6, 2018 (hereinafter, the "Second instance ruling 2009'') upheld the Company's appeal against the assessment notice for 2009 and ordered its cancellation.
However, the Milan Provincial Tax Commission, by means of a ruling filed on May 29, 2017 (henceforth, "2010-2011-2012 First instance ruling"), 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. The Company appealed against this decision on December 19, 2017.
On February 19, 2018, the Office filed its own counterclaims.
The hearing to discuss the merits of the dispute was held on July 16, 2018 and on September 3, 2018 the Regional Tax Commission ordered the annulment of the assessment notices for 2010-2011-2012, upholding all the grounds for appeal, both procedural and substantive (hereinafter the "2010-2011-2012 Second instance ruling").
At the date of this Report, the terms for the appeal to the Supreme Court of Cassation by DRE are still pending, as the provisions of Article 6(11) of Decree Law No. 119/2018 (converted with amendment by Law No. 136/2018) for the settlement of pending litigation in which the Italian Tax Authorities are a party, according to which the time limits for appeal expiring between the date of entry into force of the Decree Law (i.e. October 24, 2018) and July 31, 2019 are suspended for nine months. As a result of the above suspension of the time limits for appeal, the time limit for the Office to lodge an appeal with the Supreme Court of Cassation will expire on September 26, 2019.

For the sake of completeness, it should be noted that the 2010-2011-2012 Second instance ruling is immediately enforceable, with the consequence that the Company has accrued the right to reimbursement for the amounts paid provisionally, pending the judgment, amounting to approximately € 5,971 thousand, plus interest; in particular, since the ninety-day period, starting from the date on which the ruling was notified to the Office without DRE having paid the reimbursement, had elapsed, the Parent initiated the compliance proceedings on February 5, 2019; this amount was fully repaid plus interest on March 14, 2019.
The Company, supported by its consultants, taking into account the arguments put forward to support the correctness of its actions and the favorable decisions set forth in the 2009 First instance ruling and in the 2009 Second instance ruling, believes that, despite the unfavorable decision reported in the 2010-2011-2012 First instance ruling, 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.
Despite the above considerations, the Company is in the process of assessing the advisability of adhering to the settlement of pending litigation in accordance with the provisions of Article 6 of Decree Law No 119/2018.
More information on the dispute with the Italian Tax Authorities for alleged failure to apply withholding taxes and other more significant disputes is reported in the Report on Operations in the "Administrative, legal and arbitration proceedings involving the Italiaonline Group" section.

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

The Stock Option Plan issued by the Company is structured into two tranches, Tranche A and Tranche B, for a total of 3,169,788 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.
For more details on the methods of determining the amounts, please refer to Note 29 "Long-term incentive schemes with share-based payments" to the consolidated financial statements at December 31, 2018.

30. Related party transactions

With reference to the provisions contained in IAS 24 and in accordance with CONSOB regulation No. 17221 of March 12, 2010, the impact of related party transactions of Italiaonline S.p.A. on the financial position at December 31, 2018 and the results of operations for the year then ended are summarized below.
The transactions carried out by Group companies, including intra-group transactions, and by Italiaonline S.p.A. with related parties, all took place in the context of the normal course of operations and are regulated by market conditions or through specific provisions and regulations. It should be noted that transactions with directors, statutory auditors and key management personnel referred to remunerations for their office. There were no atypical and/or unusual transactions that may represent a potential conflict of interest.

Income statement

(euro/thousand)	YEAR 2018	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES [*]	TOTAL RELATED PARTIES
Revenue from sales and services	318,778	-	116	-	-	116
Other income	10,706	-	8,854	-	68	8,922
Cost of external services	(201,546)	-	(33,875)	-	(1,148)	(35,023)
Personnel expense	(49,984)	-	-	-	(4,483)	(4,483)
Non-recurring costs	-	-	-	-	(3,905)	(3,905)
Financial income	3,061	-	10	-	-	10
Interest expense	(3,079)	-	(8)	-	-	(8)
Income taxes	(7,721)	-	620	-	-	620

[*] "Other related parties" included Directors, statutory auditors, key management personnel

(euro/thousand)	YEAR 2017	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES [*]	TOTAL RELATED PARTIES
Revenue from sales and services	330,229	-	163	2	-	165
Other income	15,977	-	11,430	-	338	11,768
Cost of external services	(210,408)	-	(37,838)	-	(4,303)	(42,141)
Personnel expense	(53,683)	-	(272)	-	(3,018)	(3,290)
Financial income	1,285	-	10	-	-	10
Interest expense	(3,934)	-	(8)	-	-	(8)
Income taxes	(1,428)	-	(77)	-	-	(77)

[*] "Other related parties" included Directors, statutory auditors, key management personnel

Statement of financial position

(euro/thousand)	AT DECEMBER 31, 2018	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES [*]	TOTAL RELATED PARTIES
Assets						
Intangible assets with a finite useful life	46,090	-	578	-	-	578
Property, plant and equipment	6,472	-	8	-	-	8
Right-of-use assets	23,820	-	-	-	7,439	7,439
Other non-current financial assets	1,015	-	452	-	-	452
Trade receivables	127,622	-	9	-	-	9
Other current assets	42,754	90	3,703	-	48	3,841
Current financial assets	552	-	2,655	-	-	2,655
Liabilities						
Non-current financial liabilities	19,605	-	-	-	5,512	5,512
Other non-current liabilities	19,473	-	744	-	-	744
Current financial liabilities	20,525	-	13,757	-	2,404	16,161
Trade payables	87,672	-	3,370	-	1,906	5,276
Liabilities for services to be provided and other current liabilities	124,613	-	602	-	4,147	4,749

[*] "Other related parties" included Directors, statutory auditors, key management personnel

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

[*] "Other related parties" included Directors, statutory auditors, key management personnel

Statement of cash flows

(euro/thousand)	YEAR 2018	PARENT	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES (*)	TOTAL RELATED PARTIES
Cash flows from (used in) operating activities	47,630	-	(25,227)	-	(6,313)	(31,540)
Cash flows used in investing activities	(16,697)	-	(586)	-	-	(586)
Cash flows from (used in) financing activities	(4,502)	-	8,888	-	(2,008)	6,880
Cash flows from non-current assets held for sale and discontinued operations	-	-	-	-	-	-
Cash flows of the year	**26,431**	**-**	**(16,925)**	**-**	**(8,321)**	**(25,246)**

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

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

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

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

(euro/thousand)	AS AT 12.31.2018	AS AT 12.31.2017
Position		
Key management personnel (*)	3,426	2,308
Directors' fees	1,060	985
Statutory Auditors fees	213	210
Previous CEO fees at the time of his expected termination of office	3,905	-

(*) It should be noted that in 2018 there were 8 key management personnel and in 2017 there were 3.

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

Income statement

(euro/thousand)	YEAR 2018	YEAR 2017	TYPE OF TRANSACTION
REVENUE			
Consodata S.p.A.	116	163	revenue share
Total revenue from sales and services	**116**	**163**	
OTHER INCOME			
Consodata S.p.A.	560	734	recovery of costs for seconded personnel and refunds for services
Digital Local Services S.r.l.	7,758	10,399	recovery of costs for seconded personnel and refunds for services
Europages S.A.	285	179	recovery of costs for seconded personnel and refunds for services
Others	251	118	
Total other income	**8,854**	**11,430**	
COSTS			
Digital Local Services S.r.l.	23,603	29,234	commercial service and rent
Bizpal S.r.l.	6,267	5,201	mainly referred to call center services
Moqu S.r.l.	3,297	2,313	mainly referred to web services
Consodata S.p.A.	707	1,090	mainly referred to the sale of direct marketing services
Total costs of materials and for external services	**33,875**	**37,838**	
Total personnel expense	**-**	**272**	costs of seconded personnel
Total other operating costs	**-**	**-**	
FINANCIAL INCOME			
Consodata S.p.A.	9	9	interest income on the intercompany current account
Others	1	1	
Total financial income	**10**	**10**	
FINANCIAL EXPENSE			
Digital Local Services S.r.l.	8	8	interest expense on current accounts due to subsidiaries
Total financial expense	**8**	**8**	
TAX BENEFIT (EXPENSE) of which			
Consodata S.p.A.	(66)	(166)	effects of the adhesion to the tax consolidation by the Italian subsidiaries
Moqu S.r.l.	287	107	effects of the adhesion to the tax consolidation by the Italian subsidiaries
Digital Local Services S.r.l.	401	-	
Bizpal S.r.l.	(1)	(18)	effects of the adhesion to the tax consolidation by the Italian subsidiaries
Total tax benefit (expense)	**620**	**(77)**	

Statement of financial position

(euro/thousand)	AS AT 12.31.2018	AS AT 12.31.2017	TYPE OF TRANSACTION
NON CURRENT FINANCIAL ASSETS			
Bizpal S.r.l.	4	25	software capitalization and other
Moqu S.r.l.	574	682	software capitalization
Total non current financial assets	**578**	**707**	
NON CURRENT FINANCIAL ASSETS			
Consodata S.p.A.	452	-	non current financial receivables - IFRS16 effects
Total non current financial assets	**452**	**-**	
TRADE RECEIVABLES			
Consodata S.p.A.	9	366	
Total trade receivables	**9**	**366**	
OTHER CURRENT ASSETS			
Consodata S.p.A.	171	424	services provided
Digital Local Services S.r.l.	2,896	3,840	receivables for costs recovery for seconded personnel and for services provided and receivables related to tax consolidation by the Italian subsidiaries
Bizpal S.r.l.	224	37	receivables for costs recovery for seconded personnel and for services provided
Moqu S.r.l.	410	239	receivables for costs recovery for seconded personnel and for services provided and receivables related to tax consolidation by the Italian subsidiaries
Others	1	1	
Total other current assets	**3,703**	**4,541**	
CURRENT FINANCIAL ASSETS AND CASH AND CASH EQUIVALENTS of which			
Consodata S.p.A.	2,342	8,315	current account assets and short term Ifrs16 effect
Bizpal S.r.l.	120	524	current account assets
Others	193	27	
Total current financial assets and cash and cash equivalents	**2,655**	**8,866**	
OTHER NON-CURRENT LIABILITIES			
Consodata S.p.A.	353	352	non-current liabilities for national tax consolidation scheme
Bizpal S.r.l.	392	392	non-current liabilities for national tax consolidation scheme
Total non-operating non-current liabilities	**744**	**744**	
CURRENT FINANCIAL LIABILTIES of which			
Digital Local Services S.r.l.	11,026	9,961	current account liabilities
Moqu S.r.l.	2,731	1,406	current account liabilities
Total current financial liabilities	**13,757**	**11,367**	
TRADE PAYABLES			
Digital Local Services S.r.l.	539	2,770	services provided
Moqu	1,243	1,038	services provided
Consodata S.p.A.	203	457	services provided
Bizpal S.r.l.	1,385	1,410	services provided
Total Trade payables	**3,370**	**5,675**	
LIABILITIES FOR SERVICES TO BE PROVIDED AND OTHER CURRENT LIABILITIES			
Digital Local Services S.r.l.	322	-	payables related to tax consolidation by the Italian subsidiaries
Moqu	193	-	payables related to tax consolidation by the Italian subsidiaries
Consodata S.p.A.	85	383	services provided and payables related to tax consolidation by the Italian subsidiaries
Bizpal S.r.l.	1	18	services provided and payables related to tax consolidation by the Italian subsidiaries
Others	2	34	
Total Liabilities for services to be provided and other current liabilities	**602**	**434**	

31. Information related to CONSOB Communication No. DEM/6064293 of July 28, 2006

In accordance with the CONSOB Communication No.DEM/6064293 of July 28, 2006, information about the impact of significant non-recurring events and transactions on the financial position and results of operations of Italiaonline S.p.A. is provided below. The impact of non-recurring events and transactions in 2018 is as follows:

(euro/thousand)	EQUITY	LOSS FOR THE YEAR	NET FINANCIAL DEBT	CASH FLOWS (*)
Carrying amount	306,821	(10,089)	(61,543)	26,431
Net non-recurring and restructuring costs	(32,350)	(32,350)	(13,839)	(13,839)
of which:				
- Personnel and agents reorganization	*(26,206)*	*(26,206)*	*(8,252)*	*(8,252)*
- Strategic consultancies	*(2,921)*	*(2,921)*	*(3,605)*	*(3,605)*
- Benefits to former CEO	*(3,905)*	*(3,905)*	-	-
Impact%	(10.5%)	320.6%	22.5%	n.s.

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

32. Other information

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

Pursuant to Article 149-*duodecies* of CONSOB Issuer Regulation (Resolution No. 11971/1999 and subsequent amendments), the fees for audits and other services carried out for Italiaonline S.p.A. in 2018 by KPMG S.p.A. and entities belonging to the KPMG network are shown below.
The 2018 separate Financial Statements of Italiaonline S.p.A. were audited by KPMG S.p.A. as assigned by the Shareholders in their Meeting of May 12, 2016 for the years 2016-2024 to comply with the requirements of the Consolidated Law on Financial intermediation (Legislative Decree No. 58 of February 24, 1998). The amount of fees paid to the company in 2018 is the following:

(euro/thousand)	YEAR 2018	YEAR 2017
KPMG S.p.A.		
Audit	231	239
Agreed-upon procedures on subsidiaries	-	72
Other audit services	35	60
Consultanties	40	38
Total	**306**	**409**

List of significant equity investments

Name	REGISTERED OFFICE	SHARE/QUOTA CAPITAL	OWNED BY	% HELD
CONSODATA S.p.A.	Roma (Italy)	Euro 1.200.000	Italiaonline S.p.A.	100,00
Digital Local Services ADRIATICO 1 srl	Turin (Italy)	Euro 10.000	Italiaonline S.p.A.	100,00
Digital Local Services ADRIATICO 2 srl	Turin (Italy)	Euro 10.000	Italiaonline S.p.A.	100,00
Digital Local Services ADRIATICO 3 srl	Turin (Italy)	Euro 10.000	Italiaonline S.p.A.	100,00
Digital Local Services BERGAMO 1 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services BERGAMO 2 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services BOLOGNA 1 srl	Turin (Italy)	Euro 10.000	Italiaonline S.p.A.	100,00
Digital Local Services BOLOGNA 2 srl in liquidation	Turin (Italy)	Euro 10.000	Italiaonline S.p.A.	100,00
Digital Local Services BOLZANO 1 srl	Turin (Italy)	Euro 10.000	Italiaonline S.p.A.	100,00
Digital Local Services BRESCIA 1 srl in liquidation	Turin (Italy)	Euro 10.000	Italiaonline S.p.A.	100,00
Digital Local Services BRESCIA 2 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services CALABRIA 1 srl	Turin (Italy)	Euro 10.000	Italiaonline S.p.A.	100,00
Digital Local Services CALABRIA 2 srl in liquidation	Turin (Italy)	Euro 10.000	Italiaonline S.p.A.	100,00
Digital Local Services CAMPANIA 1 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services CAMPANIA 2 srl in liquidation	Turin (Italy)	Euro 10.000	Italiaonline S.p.A.	100,00
Digital Local Services CAMPANIA 3 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services COMO 1 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services CUNEO 1 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services EMILIA 1 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services EMILIA 2 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services EMILIA 3 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services FIRENZE 1 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services FIRENZE 2 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services FIRENZE 3 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services FRIULI 1 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services GENOVA 1 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services LAZIO 1 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services LAZIO 2 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services LAZIO 3 srl in liquidation	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services LIGURIA 1 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services LIGURIA 2 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services LOMBARDIA 1 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services LOMBARDIA 2 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services LOMBARDIA 3 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services MILANO 1 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services MILANO 2 srl in liquidation	Turin (Italy)	Euro 10.000	Italiaonline S.p.A.	100,00
Digital Local Services MILANO 3 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services NAPOLI 1 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services NAPOLI 2 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services PIEMONTE 1 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services PIEMONTE 2 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services PUGLIA 1 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services PUGLIA 2 srl in liquidation	Turin (Italy)	Euro 10.000	Italiaonline S.p.A.	100,00
Digital Local Services PUGLIA 3 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services PUGLIA 4 srl	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00
Digital Local Services ROMA 1 srl in liquidation	Turin (Italy)	Euro 10,000	Italiaonline S.p.A.	100,00

Name	REGISTERED OFFICE	SHARE/QUOTA CAPITAL		OWNED BY	% HELD
Digital Local Services ROMA 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services ROMA 3 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services ROMAGNA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services ROMAGNA 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services SARDEGNA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services SARDEGNA 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services SICILIA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services SICILIA 2 srl in liquidation	Turin (Italy)	Euro	10.000	Italiaonline S.p.A.	100,00
Digital Local Services SICILIA 3 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services SICILIA 4 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services SICILIA 5 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services SICILIA 6 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services SONDRIO LECCO 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services TORINO 1 srl in liquidation	Turin (Italy)	Euro	10.000	Italiaonline S.p.A.	100,00
Digital Local Services TORINO 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services TORINO 3 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services TORINO 4 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services TOSCANA 1 srl in liquidation	Turin (Italy)	Euro	10.000	Italiaonline S.p.A.	100,00
Digital Local Services TOSCANA 2 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services TRENTO 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services VARESE 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services VENETO 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services VENETO 2 srl in liquidation	Turin (Italy)	Euro	10.000	Italiaonline S.p.A.	100,00
Digital Local Services VENETO 3 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services VENETO 4 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services VENETO 5 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services VENEZIA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services VERONA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Digital Local Services UMBRIA 1 srl	Turin (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Gold Five S.r.l. in liquidation	Milan (Italy)	Euro	250,000	Italiaonline S.p.A.	20,00
Moqu Adv S.r.l.	Assago (Italy)	Euro	10,000	Italiaonline S.p.A.	100,00
Bizpal S.r.l.	Turin (Italy)	Euro	10,500	Italiaonline S.p.A.	100,00
TELEGATE HOLDING GmbH	Munich (Germany)	Euro	26,100	Italiaonline S.p.A.	100,00

Public funds

Italian Law 124/2017 requires that information on subsidies, contributions, paid assignments and economic benefits of any kind received from Italian public administrations be provided. In this regard, it should be noted that Italiaonline S.p.A. during the financial year 2018 it compensated an amount of compensation of the Extraordinary Wage Guarantee Fund (CIGS) following the authorizations received from the INPS for Euro 4,835 thousand.

33. Information on management and coordination

Pursuant to Article 2497 of the Italian Civil Code, Italiaonline S.p.A. is subject to management and coordination of the ultimate Parent, Libero Acquisition S.à.r.l., which controls it at 58.82%, representing 67,499,999 shares in Italiaonline S.p.A..
Below are the financial statements expressed in euro, extracted from the latest approved financial statements of Libero Acquisition S.à.r.l.

Statement of financial position of Libero Acquisition S.à.r.l. at December 31, 2017

Assets

ASSETS *(euro)*	CURRENT YEAR	PREVIOUS YEAR
A. Subscriber capital unpaid		
I. Subscribed capital not called		
II. Subscribed capital called but unpaid		
B. Formation exenses		
C. Fixed assets	**215,042,030.00**	**252,724,704.00**
I. Intangigble assets		
1. Costs development		
2. Concession, patents, licences, trade marks ad similar rights and assets, if they were		
a) acquired for valuable consideration and need not be shown under C.I.3		
b) created by the undertaking ifsef		
3. Goodwill, to the extend thatit was acquired for valuable consideration		
4. Payments on account and intangible assets under development		
II. Tangigble assets		
1. Land and buildings		
2. Plant and machinery		
3. Other fixtures and fitting, tools and equipment		
4. Payments on account and tangible assets in the course of construction		
III. Financial assets	215,042,030.00	252,724,704.00
1. Shares in affiliated undertakings	160,561,918.00	210,054,592.00
2. Loans to affiated undertakings	54,480,112.00	42,670,112.00
3. Partecipating interests		
4. Loans to undertakings with whic the undertaking is linked by virtue of participanting interests		
5. Investments held as fixed		
6. Other loans		
D. Current assets	**88,578,042.00**	**23,550,338.00**
I. Stocks		
1. Raw materials and consumables		
2. Work in progress		
3. Finished goods anda good for resale		
4. Payments on account		
II. Debtors	66,689,209.00	3,518,269.00
1. Trade debtors	893,002.00	383,333.00
a) becoming due and payable within one year	893,002.00	383,333.00
b) becoming due and payable after more than one year		
2. Amount owed by affiliated undertakings	65,796,206.00	3,130,894.00
a) becoming due and payable within one year	65,796,206.00	3,130,894.00
b) becoming due and payable after more than one year		
3. Amount owed by undertakings with which the undertaking is linked by virtue of participating interests		
a) becoming due and payable within one year		
b) becoming due and payable after more than one year		
4. Other debtors	1.00	4,042.00
a) becoming due and payable within one year	1.00	4,042.00
b) becoming due and payable after more than one year		
III. Investments		
1. Shares in affiliated undertakings		
2. Own shares		
3. Other investments		
IV. Cash at bank and in hand	21,888,833.00	20,032,069.00
E. Prepayments		
TOTAL (ASSETS)	**303,620,072.00**	**276,275,042.00**

Liabilities

CAPITAL, RESERVES AND LIABILITIES (euro)	CURRENT YEAR	PREVIOUS YEAR
A. Capital and reserves	**86,961,580.00**	**50,719,730.00**
I. Subscribed capital	2,000,000.00	12,500.00
II. Share premium Account	53,012,500.00	55,000,000.00
III. Revalutation reserve		
IV. Reserve	1,250.00	1,250.00
1. Legal reserve	1,250.00	1,250.00
2. Reserves		
3. Reserves provided for by the articles of association		
4. Other reserves, including the fair value reserve		
a) other available reserves		
b) other non available reserves		
V. Profit or loss brought forward	-4,294,020.00	-20,911,517.00
VI. Profit or loss for the financial year	36,241,850.00	16,617,497.00
VII. Interim dividends		
VIII. Capital investment subsidiaries		
B. Provisions		
1. Provision for pensions and similar obligations		
2. Provision for taxation		
3. Other provisions		
C. Creditors	**216,658,492.00**	**225,555,312.00**
1. Debenture loans	-	-
a) Convebles loans		
i) becoming due and payable within one year		
ii) becoming due and payable after more than one year		
b) Non convebles loans		
i) becoming due and payable within one year		
ii) becoming due and payable after more than one year		
2. Amounts owed to credit institutions	-	-
a) becoming due and payable within one year		
b) becoming due and payable after more than one year		
3. Payments received on account of orders in so far as they are shown separately as deductions from stocks		
a) becoming due and payable within one year		
b) becoming due and payable after more than one year		
4. Trade creditors	-	-
a) becoming due and payable within one year		
b) becoming due and payable after more than one year		
5. Bills of exchange payable	-	-
a) becoming due and payable within one year		
b) becoming due and payable after more than one year		
6. Amunts owed to affiliated undertakings	215,972,411.00	225,126,698.00
a) becoming due and payable within one year	25,371,486.00	3,604,813.00
b) becoming due and payable after more than one year	190,600,925.00	221,521,885.00
7. Amunts owed to undertakings with which the undertaking is linked by virtue of partecipant interest	-	-
a) becoming due and payable within one year		
b) becoming due and payable after more than one year		
8. Other creditors	686,081.00	428,614.00
a) Tax authorities	327,103.00	215,328.00
b) Social securities authorities	18,502.00	4,171.00
c) Other creditors	340,476.00	209,115.00
i) becoming due and payable within one year	340,476.00	209,115.00
ii) becoming due and payable after more than one year		
D. Deferred income		
TOTAL (CAPITAL, RESERVES ANDA LIABILITIES)	**303,620,072.00**	**276,275,042.00**

Income statement of Libero Acquisition S.à.r.l. for 2017

PROFIT AND LOSS ACCOUNT

(euro)	CURRENT YEAR	PREVIOUS YEAR
1. Net turnover		
2. Variation in stocks of finished goods nd in work in progress		
3. Work performed by the undertaking for its own purposes and capitalised		
4. Other operating income	**719,704**	**682,235**
5. Raw materials and consumables and other external expenses	**(4,095,722)**	**(2,467,142)**
a) Raw materials and consumables		
b) Other external expenses	(4,095,722)	(2,467,142)
6. Staff costs	**(281,230)**	**(91,016)**
a) Wages and salaries	(227,721)	(80,990)
b) Social security costs	(53,509)	(10,026)
i) relating to pension	(53,509)	(6,479)
ii) other social securty costs		(3,547)
c) Other staff costs		
7. Value adjustments		
a) in respect of formation expenses and other tangible and intangible fixed assets		
b) in respect of current assets		
8. Other operating expenses	**(350,832)**	**(624,407)**
9. Income from partecipating interests	**43,542,626**	**25,867,387**
a) derived from affiliated undertakings		
b) other income from partecipating interests	43,542,626	25,867,387
10. Income fromother investments and loans forming part of the fixed assets		
a) derived from affiliated undertakings		
b) other income not incluede under a)		
11. Other interest receivable and similar income	**876,442**	**919,068**
a) derived from affiliated undertakings	698,153	686,343
b) other income and similar income	178,289	232,725
12. Share of profit or loss of undertakings accounted for under the equity method		
13. Value adjustments in respect of financial assets and of investments held as current assets		**48,610,337**
14. Interest payables and similar expenses	**(4,164,323)**	**(56,275,758)**
a) concerning affiliated undertakings	(3,545,547)	(56,273,787)
b) other interest and similar expenses	(618,776)	(1,971)
15. Tax on profit or loss		
16. Profit or loss after taxation	**36,246,665**	**16,620,704**
17. Other taxes not shown under items 1 to 16	**(4,815)**	**(3,207)**
18. Profit or loss for the financial year	**36,241,850**	**16,617,497**

Pursuant to and for the purposes of Article 2497-*bis*, paragraph 5, of the Italian Civil Code, it should be noted that there are no existing commercial contracts between Italiaonline S.p.A. and Libero Acquisition S.a.r.l..

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

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

1. The undersigned, Roberto Giacchi, in his capacity as Chief Executive Officer, and Gabriella Fabotti, as Chief Financial Officer of Italionline S.p.A., hereby certify, taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures for the preparation of the separate financial statements, deemed to be adequate in relation to the characteristics of the business, were effectively applied during 2018.

2. The administrative and accounting procedures for the preparation of the separate financial statements as at December 31, 2018 were subjected during the year to a critical review in order to evaluate their suitability and how effectively they had been applied. No anomalies emerged as a result of this verification.

3. The following is also certified:

   3.1 The separate financial statements at December 31, 2018:
   - were prepared in compliance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (International Financial Reporting Standards – IFRS), and with the provisions applicable in Italy, specifically with regard to Article 154-*ter* of Legislative Decree No. 58 of 24 February 1998 and to the implementing provisions of Article 9 of Legislative Decree No. 38 of 28 February 2005;
   - correspond to the results contained in the books and the accounting entries;
   - are able to provide a true and accurate representation of the assets and liabilities, results and cash flows of the Company;

   3.2 The report on operations includes a reliable analysis of performance and operating results, as well as of the position of the Company, together with a description of the main uncertainties and risks to which it is exposed.

Milan, March 19, 2019

Chief Executive Officer
Roberto Giacchi
(signed on the original)

Chief Financial Officer
Gabriella Fabotti
(signed on the original)

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

Statutory Auditors' Report to the Shareholders' Meeting of Italiaonline S.p.A. pursuant to Article 153 of Legislative Decree No 58/1998

Dear Shareholders,

in the year ended December 31, 2018, we carried out the monitoring activities required by law, taking into account the principles set out in the Rules of Conduct of the Board of Statutory Auditors recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (National Institute of Chartered Accountants), the provisions of Consob regarding corporate controls and the guidelines contained in the Code of Corporate Governance. The Board of Statutory Auditors of Italiaonline S.p.A. ("Italiaonline"; the "Company"), identifying itself as the Internal Control and Audit Committee, has also carried out additional controls in relation to financial disclosure and statutory auditing, as provided for in Article 19 of Legislative Decree No 39/2010, as amended by Legislative Decree No 135/2016 ("Decree 39").

With this report, also in compliance with the guidelines provided by Consob with communication DEM/1025564 of April 6, 2001, subsequently amended and supplemented ("Consob communication"), the Board of Statutory Auditors reports on these activities as follows.

In 2018:

- we monitored adherence to the law, the By-Laws and compliance with the principles of sound administration;
- we regularly attended the Shareholders' and Board of Directors meetings, which were held in compliance with the statutory and legislative provisions governing their functioning, and for which reason we could reasonably ensure that the approved actions were compliant with the law and By-Laws, and were not manifestly imprudent, hazardous, did not involve a potential conflict of interest or such as to compromise the integrity of company assets;
- during the various meetings of the Board of Directors, we obtained information on the general operating performance, the business outlook, as well as on the most significant transactions carried out by the Company;
- we monitored the adequacy of the organizational structure within the scope of our competence and the adequacy of the internal control and risk management system;
- we monitored the financial disclosure process, the administrative-accounting system and the reliability of the latter to fairly represent management events;
- we exchanged information with the corresponding body of the subsidiaries, in accordance with Article 151(2) of the TUF;
- we monitored the adequacy of instructions given by the parent to the subsidiaries with regard to the communication obligations set forth by law;
- we held periodic meetings with representatives from the Independent Auditors, pursuant to Article 150(3) of the TUF;
- we monitored the procedures for the actual implementation methods for the rules of corporate governance set forth in the Corporate Governance Code to which the Company adheres.

During the course of the monitoring activities described above, no omissions, reprehensible actions or irregularities emerged, worthy of mention in this Report. In particular, with regard to:

The adequacy of the internal control and risk management system

We monitored the adequacy of the internal control and risk management system, primarily through periodic meetings with the director in charge of the internal control and risk management system, the manager of the Internal Audit and Compliance Department of Italiaonline as well as through joint meetings with the Audit, Risk and Sustainability Committee. In light of the checks carried out, there is reason to believe that the internal control and risk management system is adequate, in line with that stated in the Annual Internal Audit Report. We also acknowledge, with regard to the controls pursuant to Legislative Decree No 231/2001, that in 2018 joint meetings with the members of the Supervisory Body were held and no significant violations of the management and organization model or of the Code of Ethics were recorded.

Monitoring of the financial disclosure process

We monitored the financial disclosure process, the adequacy of the Company's administrative-accounting system and the reliability of the latter in fairly representing management events, as well as compliance with the principles of sound administration in the performance of company activities, and we have no observations to make in this regard.

We carried out the relevant checks by obtaining information from the head of the Company's Administration, Finance and Control Department (taking into account the role of manager in charge of preparing the company’s accounting documents ("Chief Financial Officer") held by the relevant

person), as well as by examining the company's documentation and analyzing the results of the work carried out by the Independent Auditors.
The Chief Executive Officer and the Chief Financial Officer of Italiaonline have certified, with reference to the 2018 financial statements, by means of a specific declaration: (i) the adequacy in relation to the characteristics of the company and effective application of the administrative and accounting procedures for the preparation of the financial statements (ii) the compliance of the contents of the financial statements with the applicable international accounting standards recognized by the European Union pursuant to Regulation (EC) No 1606/2002; (iii) the consistency of the financial statements in question with the results contained in the accounting books and records and their ability to provide a true and fair view of the assets and liabilities, results and cash flows of the Company; (iv) that the Report on Operations, which accompanies the financial statements, includes a reliable analysis of the Company's performance and results of operations, as well as of its financial position, together with a description of the main risks and uncertainties to which the Company is exposed. A similar certification has been prepared with regard to the consolidated financial statements for 2018.

It should be noted that the adequacy of the administrative and accounting procedures for the preparation of the Company's financial statements has also been verified by the Company’s Internal Audit and Compliance Department and that the assessment of this system did not reveal any significant issues. Furthermore, acting as the Internal Control and Audit Committee, it should be noted that the Independent Auditors did not identify any shortcomings in the internal control system for the purposes of preparing the financial statements. The Board of Statutory Auditors also acknowledges the impairment procedure approved by the Board of Directors and the results of the impairment test for intangible assets with an indefinite useful life (conducted with the assistance of an expert professional), which showed that the carrying amount of the Group's trademarks with an indefinite useful life and goodwill is recoverable. We also acknowledge the circumstance that, as trigger events occurred with reference to intangible fixed assets with a finite useful life, Italiaonline proceeded with the impairment test of said assets, which led to the need for a write-down of Consodata S.p.A. assets, for a total of € 3,415 thousand.

The Company has shown that from 2018 it has been subject to management and coordination activities.

Instructions given to subsidiaries

With specific reference to instructions given by the Company to its subsidiaries pursuant to Article 114(2) of the TUF, it should be noted that Italiaonline has prepared specific guidelines, whose content is deemed adequate, and which to date have not been adopted by the Company's Board of Directors (and therefore by investees) but whose implementation - as communicated by management - is scheduled for a forthcoming Italiaonline Board of Directors meeting.

Relations with the Independent Auditors

We monitored the independence of the Independent Auditors, having, among other things, received specific written confirmation from KPMG S.p.A. on April 8, 2019, that this requirement was met (in accordance with the provisions of Article 6(2)(a) of Regulation (EU) No 537/2014 ("Regulation 537")). In this regard, we also monitored the nature and extent of services, other than the main task relating to the statutory audit of the accounts, provided to the Company and other companies in the Italiaonline group by KPMG S.p.A. and the entities belonging to its network, the fees for which are specified in the notes to the financial statements of the Company (for a total amount of approximately € 351 thousand, including the fees relating to the statutory audit). Following the checks carried out, the Board of Statutory Auditors considers that there are no critical issues with regard to the independence of the Independent Auditors KPMG S.p.A.

As already mentioned, we held periodic meetings with representatives from the same Independent Auditors, pursuant to Article 150(3) of the TUF, during the course of which no significant findings emerged that need to be highlighted in this report. It should be explicitly noted that the key aspects of the audit are clearly recorded in the Independent Auditor reports. With specific regard to the provisions of Article 11 of Regulation 537, on April 8, 2019, the Independent Auditors submitted to the Board of Statutory Auditors, with reference to the 2018 financial year, the "additional report" on the results of the statutory audit carried out, which did not reveal any significant difficulties encountered during the audit itself, or significant shortcomings regarding the internal control system for the Company's financial disclosure and/or accounting system. In accordance with the law, the Board of Statutory Auditors will in turn submit this report to the Board of Directors.

Corporate Governance

The Board of Statutory Auditors operates within the framework of an integrated and suitable governance system with structured corporate information flows. In this context, we took note of the information provided in the Report on corporate governance and ownership structures, approved by the Board of Directors at its meeting of March 19, 2019, and we monitored the procedures for the actual methods of implementation of the Corporate Governance Code to which the Company adheres, verifying compliance of the Italiaonline corporate governance system to the recommendations expressed by that code. In this regard, we inform you that we have had the opportunity to verify the correct application of the criteria and procedures for ascertaining the requirements adopted by the Board of Directors to annually assess the independence and adequacy of the composition of its members.

In April 2018 and, most recently, March 2019, the Board of Statutory Auditors also carried out a self-assessment of the independence of its members, which had a positive result - and also self-assessed its own composition and functions, including assessing gender differentiation, experience and skills within the Board, which ensures the effective operation of the body on a continuous basis.

In addition to the recommendations of the Consob Communication, the following should be noted:

1. as shown in the financial statements, in 2018: (i) no atypical or unusual transactions were carried out with related parties, with third parties or with intra-group companies; (ii) significant non-recurring transactions were carried out, mainly relating to the corporate restructuring process and, in particular, to the reorganization of agents and personnel (for a total net expense of approximately € 33 million);
2. with reference to transactions with related parties, including those between group companies, the amounts specified in the notes to the financial statements of the Company are part of ordinary management activities and mainly concern commercial and staff activities. In particular, the operations in question affect the total revenues of the Company for approximately € 9,038 thousand. On the basis of the analysis carried out by the Board of Statutory Auditors, the conditions applied are shown to be in line with shareholder interests and market practice.
3. the Board of Directors held 10 meetings and the Board of Statutory Auditors always attended these meetings. There is no Executive Committee; in 2018, the Appointments and Remuneration Committee met 11 times and the Audit, Risk and Sustainability Committee met 10 times. In 2018, the Board of Statutory Auditors met 9 times;
4. the Board of Statutory Auditors participated, through the Chairperson or their representatives, in all Audit, Risk and Sustainability Committee meetings and those of the Appointments and Remuneration Committee. The Chairperson of the Board of Statutory Auditors also participated as a member in the activities of the Supervisory Body pursuant to Legislative Decree No 231/2001;
5. in 2018, the Board of Statutory Auditors issued, pursuant to Article 2389(3) of the Italian Civil Code, an opinion on the remuneration to be paid to directors participating in Company Committees as well as on the remuneration of the Chief Executive Officer and, on April 27, 2018, issued an opinion in favor of the appointment of Gabriella Fabotti as

Chief Financial Officer. The Board of Statutory Auditors also expressed a favorable opinion on the 2018-2021 Performance Share Plan and the 2018 Audit Plan;

6. the Board of Statutory Auditors acknowledges the preparation of: (i) the Remuneration report, pursuant to Article 123-ter of the TUF, on which no particular comments are made; (ii) the Italiaonline Report on corporate governance and ownership structures, pursuant to Article 123-bis of the TUF.

It should also be noted that in 2018 (i) no complaints were received pursuant to Article 2408 of the Italian Civil Code, nor disclosed by third parties, and (ii) the Board of Statutory Auditors did not utilize its powers to convene a Shareholders' and/or Board of Directors meeting.

In relation to the:

Non-financial statement

We monitored the application of the provisions of Legislative Decree No 254 of December 30, 2016 (the “Decree"), concerning the disclosure of non-financial information and information on diversity by certain large companies and groups ("Non-Financial Statement"; "Statement"). On the basis of the information acquired and the analyses carried out, this Board of Statutory Auditors certifies that, during its examination of the Non-Financial Statement, no particular observations were made. It should also be noted that the Independent Auditors have issued their own certification, pursuant to Article 3(10) of the Decree and Article 5 of Consob Regulation 20267 of January 8, 2018.

Conclusions

Following the monitoring activities carried out by this Board of Statutory Auditors, taking into account all of the above, as well as considering the content of the report prepared by the Independent Auditors in addition to the consolidated financial statements, which include disclosure requests regarding the early application of the new IFRS 16 standard - on which we have no particular observations - and having acknowledged the certifications issued jointly by the Chief Executive Officer and the Chief Financial Officer, there are no reasons to oppose the approval of the proposed separate financial statements at December 31, 2018, and the proposal to cover the loss for the year, formulated by the Board of Directors.

Assago, April 8, 2019

THE BOARD OF STATUTORY AUDITORS

Giancarlo Russo Corvace (signed on the original)

Mariateresa Salerno (signed on the original)

Felice De Lillo (signed on the original)

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

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

To the shareholders of
Italiaonline S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Italiaonline S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2018, the income statement and the statements of comprehensive income, cash flows changes in equity and for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Italiaonline S.p.A. as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

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

Emphasis of matter about the earlier adoption of IFRS 16 - Leases

We draw attention to note 3.1 to the separate financial statements, where the directors describe, *inter alia*, that the company has decided to apply IFRS 16 – Leases in advance as of 31 December 2018. We did not qualify our opinion in this respect.

Key audit matters

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

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

Notes to the separate financial statements: Notes 2.2 "Discretionary assessments and accounting estimates", 5 "Intangible assets with an indefinite useful life" and 6 "Impairment testing"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2018 include intangible assets with an indefinite useful life of €250,720 thousand, comprising the Libero, Virgilio, Pagine Bianche and Pagine Gialle trademarks of €169,406 thousand and goodwill of €81,314 thousand. Assisted by a professional expert, the company tests the carrying amounts of these assets for impairment at least annually and, however, whenever there are indicators of impairment, by comparing them to the estimated recoverable amount. The company calculated the recoverable amount of goodwill and intangible assets with an indefinite useful life by estimating their value in use, using a method that discounts its expected operating cash flows. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about: — the expected operating cash flows, calculated by taking into account the general economic performance and that of the company's sector, the actual cash flows for past years and the projected growth rates; — the financial parameters used to calculate the discount rate.	Our audit procedures included: — understanding the process adopted for impairment testing approved by the company's board of directors; — understanding the process adopted to prepare the forecasts from which the expected operating cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used by the company to prepare the forecasts; — checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; — comparing the expected operating cash flows used for impairment testing to those used for the forecasts and analysing the reasonableness of the elements underlying any adjustments made to the plan form impairment testing purposes; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; — checking the sensitivity analysis presented in the notes in relation to

For the above reasons and due to the materiality of the relevant captions, we believe that the recoverability of the carrying amount of intangible assets with an indefinite useful life is a key audit matter.	the key assumptions used for impairment testing; — assessing the appropriateness of the disclosures provided in the notes about intangible assets with an indefinite useful life and the related impairment tests.

Recognition of revenue from sales and services

Notes to the separate financial statements: Notes 2.2 "Discretionary assessments and accounting estimates", 4 "Accounting policies - Recognition of revenue" and 24 "Revenue from sales and services".

Key audit matter	Audit procedures addressing the key audit matter
Revenue from sales and services amounted to €318,778 thousand for 2018. The company recognises revenue from contract with customers differently depending on when control over the goods or services is transferred to the customer and on the type of consideration to which it is entitled. Specifically, certain services it provides have the following characteristics: — the contract terms are complex, with a low standardisation level; — the recognition of the related revenue based on the transfer of control over the service to the customer may alternatively be based on the measurement of the quantity of services provided, the timing, the amount of activities carried out or other parameters. For the above reasons and due to the materiality of the relevant financial statements caption, we believe that the recognition of revenue from sales and services is a key audit matter.	Our audit procedures included: — understanding the process for the recognition of revenue and the related IT environment and assessing the design and operation of controls and performing procedures to assess the operating effectiveness of material controls; — comparing the main components of revenue from sales and services to the previous year and budgeted figures and discussing the results with the relevant internal departments; — sending requests for written confirmation of receivable balances at 31 December 2018 to a sample of customers; analysing the replies received and performing alternative procedures for any missing replies; — checking the documentation supporting a sample of sales selected on the basis of their volumes, timing and counterparties; checking whether the service has been actually provided and the related revenue recognised on an accruals basis; — assessing the disclosures provided in the notes about the recognition of revenue from sales and services.

Measurement of trade receivables

Notes to the separate financial statements: Notes 2.2 "Discretionary assessments and accounting estimates", 13 "Trade receivables" and 19 "Information on financial risks - Credit risk".

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2018 include trade receivables of € €127,622 thousand, net of the loss allowance of €24,783 thousand. The company's business is characterised by a large number of customers and the complexity of the high number of transactions. The company estimates the loss allowance based on a collective assessment by groups of similar assets in terms of their nature and due date and an individual assessment of disputed receivables. The credit allowance is based on the estimated credit losses that the company expects to incur considering many factors, including: — the age of the exposure; — the customer's solvency; — the risk level of the related geographical segment; — historical figures. Accordingly, calculating the loss allowance requires a high level of judgement. For the above reasons and considering the materiality of the financial statements caption, we believe that the measurement of trade receivables is a key audit matter.	Our audit procedures included: — understanding the process adopted to monitor and manage credit risks; — assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — sending written requests for information to the legal advisors assisting the company with credit recovery; — analysing, on a sample basis, the reasonableness of the recoverability estimates through discussions with the relevant internal departments and analyses of the information received from the legal advisors and the supporting documentation; — analysing the reasonableness of the assumptions used to estimate the loss allowance based on the collective assessment by groups of similar assets, taking into account historical figures; — assessing the appropriateness of the disclosures provided in the notes about the measurement of trade receivables.

Other matters - Management and coordination

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own separate financial statements. Our opinion on the separate financial statements of Italiaonline S.p.A. does not extend to such data.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the separate financial statements

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

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

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report

to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

The company's directors are responsible for the preparation of the a directors' report and a report on corporate governance and ownership structure at 31 December 2018 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2018 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2018 and have been prepared in compliance with the applicable law.

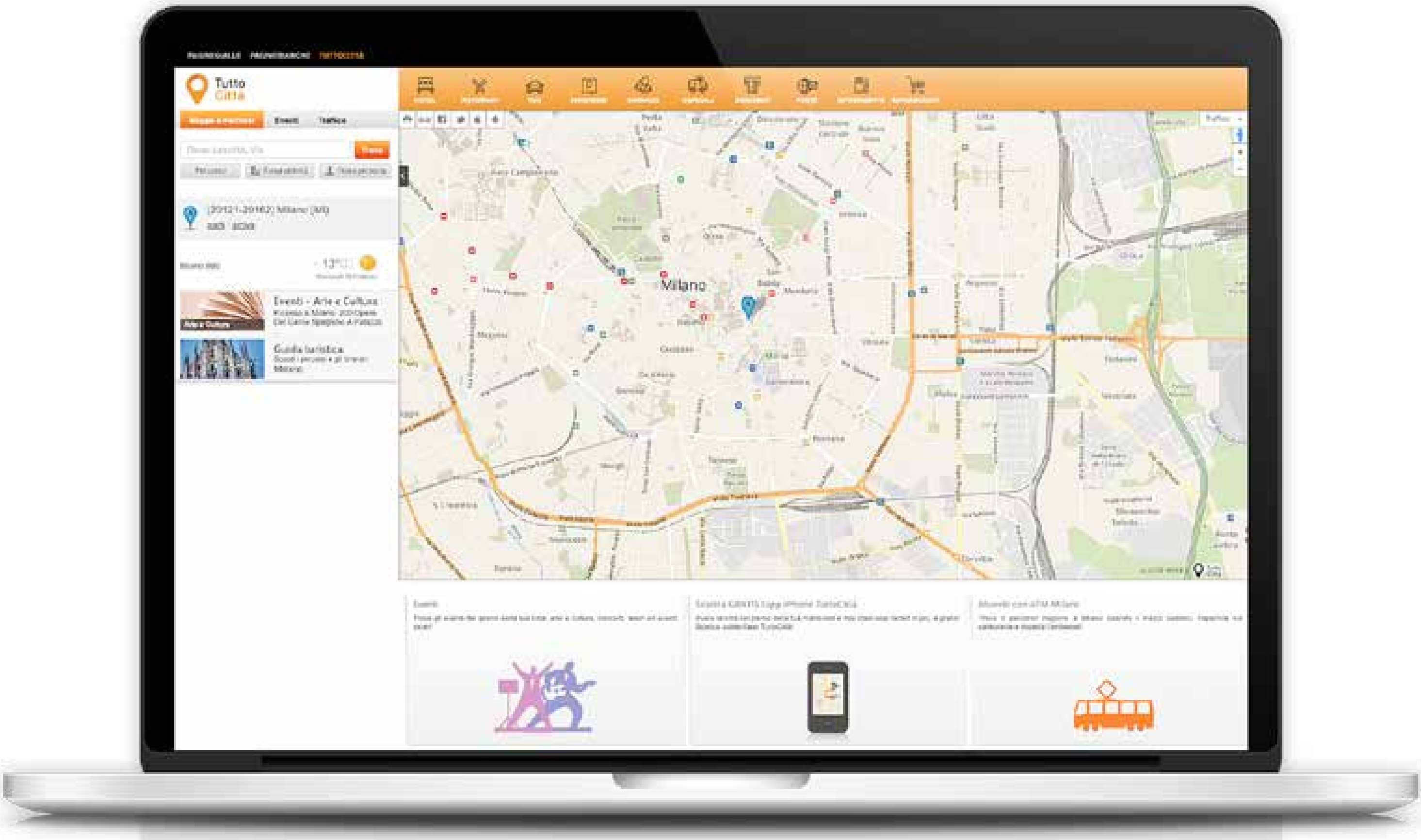
With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 8 April 2019

KPMG S.p.A.

(signed on the original)

Andrea Carlucci
Director of Audit



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OTHER INFORMATION

Resolution proposals

Dear Shareholders,

the Board of Directors of your Company has convened this Ordinary Shareholders' Meeting to propose the approval of the Italiaonline S.p.A 2018 Financial Statements which show a loss for the year of € 10,089,283.52.

The Board of Directors proposes to fully cover the loss resulting from the 2018 financial year through the use of the Share Premium Reserve.

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

"The Shareholders' Meeting of the Company:
- *examined the financial statements of the Company at December 31, 2018, with the relevant reports presented by the Board of Directors, the Board of Statutory Auditors, the Independent Auditors KPMG S.p.A. and the Manager in charge of financial reporting;*
- *acknowledged the data of the consolidated financial statements at December 31, 2018 with the relevant reports presented by the Board of Directors and by the Independent Auditors;*
- *examined the explanatory report of the Board of Directors;*

resolves

(i) to approve the Financial Statements of the Company at December 31, 2018, consisting of the report on operations of the Board of Directors, statement of financial position, income statement and explanatory notes, which show a loss of € 10,089,283.52; and
(ii) to fully cover the loss through the use, for the same amount, of the Share Premium Reserve."

Shareholders' Meeting's resolutions

On April 30, 2019, the Ordinary Shareholders' Meeting of Italiaonline S.p.A. ("Shareholders' Meeting") was held in a single session, in Assago.
The Shareholders' Meeting resolved:

- to appoint as member of the Board of Directors of Italiaonline S.p.A., pursuant to Article 2386 of the Italian Civil Code, Roberto Giacchi, who will remain in office until the expiration of the current Board of Directors, that is, until the Shareholders' Meeting that will be called to approve the financial statements at December 31, 2020;
- to assign to Roberto Giacchi, *pro rata temporis*, the same remuneration determined for all the members of the Board of Directors by the Shareholders' Meeting of April 27, 2018, without prejudice to the additional remuneration that may be established by the Board of Directors pursuant to Article 2389, paragraph 3 of the Italian Civil Code, for directors in specific positions.
- to approve the Annual Financial Statements of Italiaonline S.p.A as at December 31, 2018, which reports a loss of €10.09 million;
- to fully cover the loss through the use of the same amount from the Share Premium Reserve;
- to approve Section I of the Remuneration Report pursuant to Article 123-ter of Legislative Decree No. 58, dated 24 February 1998.
- to revoke the previous authorisation to purchase treasury shares granted by the Shareholders' Meeting of April 27, 2018, for the portion that was not executed;
- to authorise (i) pursuant to and in accordance with Article 2357 *et seq.* of the Italian Civil Code and Article 132 of Italian Legislative Decree no. 58 of 24 February 1998, the purchase of treasury shares of the Company, on one or more occasions, in a period not exceeding 18 months starting from the date of this resolution and (ii) the Board of Directors, pursuant to Article 2357-ter of the Italian Civil Code, to use all and/or part of the shares purchased, without time limits and even before having completed all the purchases, and (iii) to grant the Board of Directors and, on its behalf, the Chief Executive Officer, the widest powers necessary or suitable to carry out the purchases of treasury shares, including through buyback programs, as well as to carry out acts of sale, disposal and/or use of all or part of the treasury shares purchased, and in any event to implement the above resolutions, also through attorneys, including by approving each and every enforcement provision of the related purchase program, and fulfilling that requested by the competent authorities.

To contact Italiaonline

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A copy of official documents available on the website

www.italiaonline.it

Official documents may be requested to

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Di cosa hai bisogno?
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Di cosa hai bisogno?

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iOL | Audience

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