





➔ 2005 Annual Report

Registered office: Via Grosio, 10/8 - 20151 Milan (Italy)  
Secondary office: Via Saffi, 18 - 10138 Turin (Italy)  
Fully paid-up share capital: € 248,011,964.46  
Tax Code: 03970540963  
VAT Code: 03970540963  
Milan Register of Companies No. 03970540963



The SEAT Pagine Gialle group operates in *Italy* and the *United Kingdom* in the local advertising market for small and medium-sized enterprises (SMEs), in which it is present with its publishing and advertising business, mainly involving telephone directories and information services.

It also operates in the Directory Assistance market in *Germany, Spain, France* and *Italy*, in the Business Information and merchandising markets in Italy.

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As from January 1, 2005, the SEAT Pagine Gialle group adopted the International Accounting Standards IAS/IFRS. These Financial Statements are the first prepared in compliance with these standards. The comparative figures for 2004 have been restated and reclassified in compliance with the new accounting standards.





## Highlights and general information

.....] Putting in motion the desire to meet

For 80 years we've been putting in contact needs with solutions



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## → Company Boards

(updated March 21, 2006)

Board of Directors	↑	<b>Chairman</b> <b>Chief Executive Officer</b> <b>Directors</b>	Enrico Giliberti Luca Majocchi Lino Benassi <sup>(I)</sup> Dario Cossutta Gian Maria Gros Pietro <sup>(I)</sup> Luigi Lanari Marco Lucchini <sup>(II)</sup> Michele Marini Pietro Masera Stefano Mazzotti Stefano Quadrio Curzio <sup>(II)</sup> Marco Reboa <sup>(I) (III)</sup> Nicola Volpi
		<b>Secretary to the Board</b>	Marco Beatrice
Compensation Committee	↑	<b>Chairman</b>	Gian Maria Gros Pietro <sup>(I)</sup> Dario Cossutta Stefano Quadrio Curzio <sup>(II)</sup>
Internal Audit Committee	↑	<b>Chairman</b>	Lino Benassi <sup>(I)</sup> Marco Reboa <sup>(I) (III)</sup> Nicola Volpi
Board of Statutory Auditors	↑	<b>Chairman</b> <b>Acting Auditors</b>	Enrico Cervellera Vincenzo Ciruzzi Andrea Vasapolli
		<b>Alternate Auditors</b>	Guido Costa Guido Vasapolli
Common Representative of Savings Shareholders	↑		Carlo Pasteris
Independent Auditors	↑		Reconta Ernst & Young S.p.A.

(I) Independent Director pursuant to Art. 3 of the Code of Conduct of Listed Companies.

(II) Co-opted by the Board of Directors' Meeting held on October 11, 2005, to replace Guido Paolo Gamucci and Alberto Tazartes, who resigned.

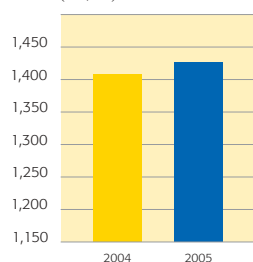
(III) Chairman of the Supervisory Committee.



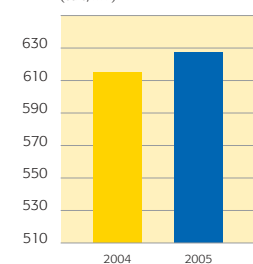
## ➤ Economic and financial highlights of the Group

- Consolidated INCOME of € 131.9 million (+65% compared to 2004);
- Consolidated REVENUES increased to € 1,424.6 million (+1.3% compared to 2004);
- Consolidated EBITDA increased to € 626.6 million (+2.0% compared to 2004);
- OPERATING CASH FLOW was € 601.5 million, of which € 529 million generated by SEAT PG S.p.A.;
- NET FINANCIAL DEBT was € 3,634.6 million, down by € 289.8 million; annual average cost of debt decreased to 6.2% from 6.6% in 2004.

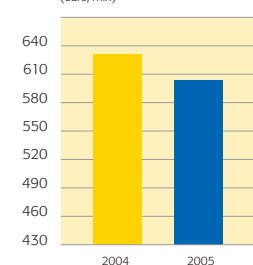
Revenues from sales and services  
(euro/mlin)



EBITDA  
(euro/mlin)



Operating free cash flow  
(euro/mlin)



	Year 2005	Year 2004
<b>(euro/thousand)</b>		
<b>Economic and financial highlights</b>		
Revenues from sales and services	1,424,611	1,405,748
Gross operating profit	690,733	681,829
Operating income before amortisation, depreciation, non-recurring and restructuring costs (EBITDA)	626,560	614,382
Operating income (EBIT)	420,194	379,372
Income (loss) before income taxes and Minority interests	163,869	134,989
Net income (loss)	131,905	79,930
Operating free cash flow <sup>(1)</sup>	601,515	632,653
Capital expenditure	46,037	29,871
Net invested capital	4,534,995	4,668,099
<i>of which goodwill and customer data base</i>	<i>4,154,998</i>	<i>4,307,825</i>
<i>of which net operating working capital</i>	<i>285,598</i>	<i>298,913</i>
Equity of the Group	980,093	850,168
Net financial debt <sup>(2)</sup>	3,634,581	3,924,424
<b>Income ratios</b>		
EBITDA/Revenues from sales and services	44.0%	43.7%
Operating income/Revenues from sales and services	29.5%	27.0%
Operating income/Net invested capital	9.3%	8.1%
Net income (loss)/Equity of the Group	13.5%	9.4%
Operating free cash flow/Revenues from sales and services	42.2%	45.0%
Operating working capital/Revenues from sales and services	20.0%	21.3%
<b>Workforce</b>		
Workforce (number at the end of the year)	6,105	5,338
Workforce (average number for the year) <sup>(3)</sup>	4,760	4,353
Revenues from sales and services/workforce (average number)	299	323

(1) Calculated as follows: Ebitda minus capital expenditure, change in operating working capital and change in operating non-current liabilities.

(2) Net financial debt doesn't include transaction costs on loans and the market value of hedging instruments on interest rate risks for a positive amount of € 99,296 thousand on the whole at December 31, 2005.

(3) FTE - Full Time Equivalent - for non-Italian companies, average salary for Italian companies.

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## ➤ Information for Shareholders

### Shares

Share capital ( <i>as at December 31, 2005</i> )	euro	248,011,964.46
Number of ordinary shares ( <i>par value euro 0.03</i> )	No.	8,130,990,696
Number of savings shares ( <i>par value euro 0.03</i> )	No.	136,074,786
Market capitalisation ( <i>on average official market prices for December 2005</i> )	euro/mln	3,271
Market ratio of SEAT Pagine Gialle ordinary shares at December 31, 2005		
- on Mibtel index		0.482%
- on Dow Jones Stoxx 600 Media index		0.862%

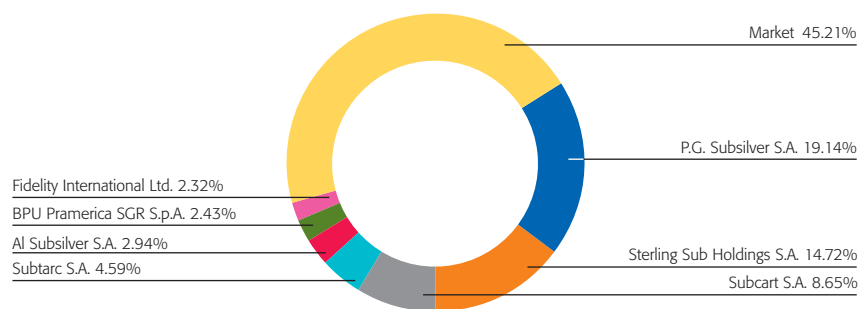
### Shareholders

The following table lists the shareholders of ordinary shares in SEAT Pagine Gialle S.p.A. who held more than 2% of the share capital at December 31, 2005.

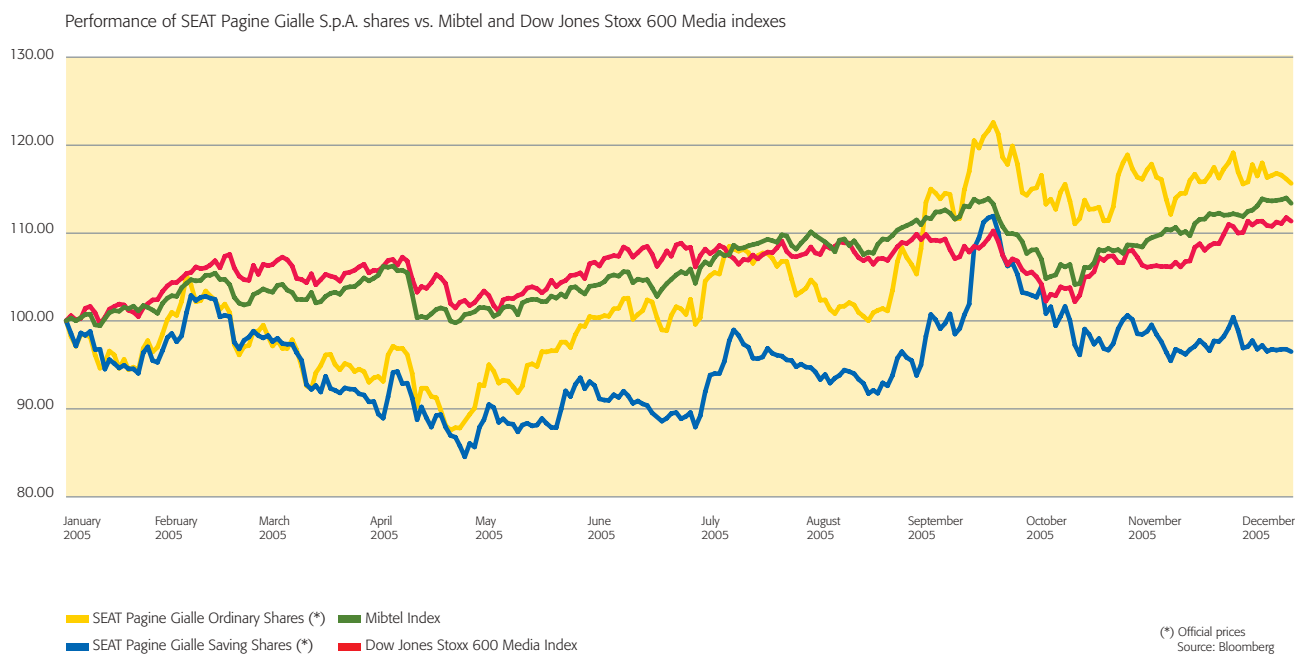
Shareholders at December 31, 2005	No. of ordinary shares	% of ordinary share capital
P.G. Subsilver S.A.	1,555,920,894	19.14 <sup>(1)</sup>
Sterling Sub Holdings S.A.	1,196,849,420	14.72 <sup>(1)</sup>
Subcart S.A.	703,586,244	8.65 <sup>(1)</sup>
Subtarc S.A.	373,595,387	4.59 <sup>(1)</sup>
AI Subsilver S.A.	239,369,605	2.94 <sup>(1)</sup>
BPU Pramerica SGR S.p.A.	197,468,906	2.43
Fidelity International Limited	188,798,263	2.32

(1) Shares pledged on a first priority basis in favor of The Royal Bank of Scotland Plc Milan Branch, The Royal Bank of Scotland Plc, Lehman Brothers Special Financing Inc., Citibank N.A. London Branch, BNP Paribas S.A. and on a second priority basis in favor of The Royal Bank of Scotland Plc Milan Branch and of Citivic Nominees Limited – London, this last pledge issued on April 22, 2004. Voting right belongs to the respective right holders.

## SEAT Pagine Gialle S.p.A. Shareholders at December 31, 2005



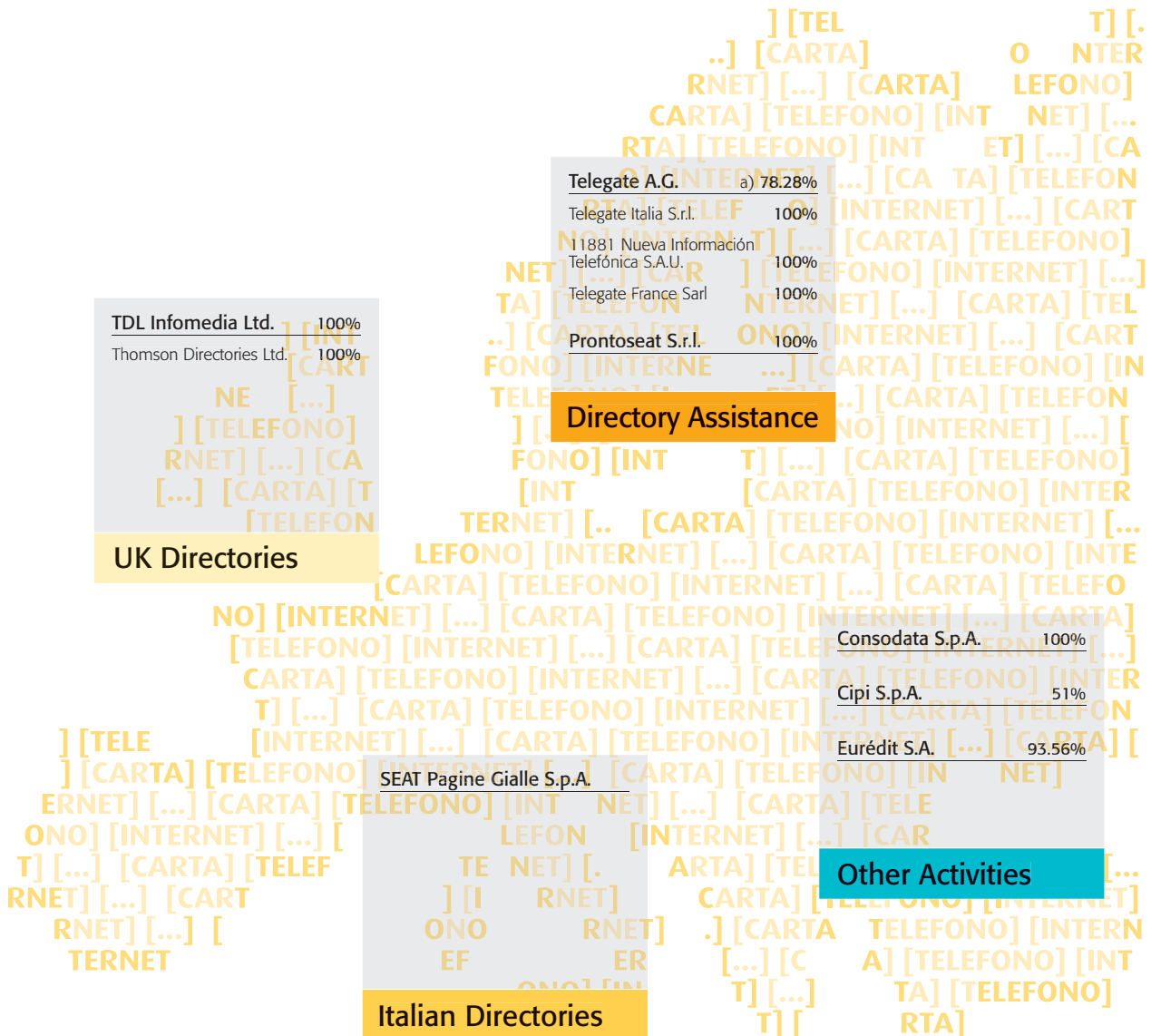
## Stock Performance of SEAT Pagine Gialle



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## ➤ Organisational structure of the Group



### Legenda

a) 16.43% directly owned and 61.85% owned through Telegate Holding GmbH.

## ➔ Market scenario and strategic positioning

The SEAT Pagine Gialle group operates in Italy and the United Kingdom in the local advertising market for small and medium-sized enterprises (SMEs), in which it is mainly present with its publishing and advertising business, principally involving telephone directories and information service, in the Directory Assistance market in Germany, Spain, Italy and France, and in the Business Information and merchandising in Italy.

The overall performance of the Group – though not directly dependent on the business cycle – was affected by the unfavorable macroeconomic environment and some structural aspects of the markets in which it operates.

### Italian Directories

In Italy, the reference country for the Group's activities, the gross domestic product in 2005 recorded 0.1% growth, according to the most recent ISTAT data, below the 1.1% rise recorded in 2004.

Despite the improvement recorded in the second half of the year compared to the first six months, the Italian economy does not seem to be on a path to recovery sufficient to have a positive and noticeable influence on the willingness to consume among households and on confidence among SMEs and small retailers.

The low confidence level amongst SMEs has led to a reflective and cautious approach in decisions regarding spending on communication, although this approach differs depending on the sector and geographical location involved.

SEAT Pagine Gialle S.p.A. has tackled this unfavorable scenario by developing and updating the multi-platform offering and investing in the quality and skills of its sales force, in line with the strategy set out in the three-year Industrial Plan presented to the market at the end of 2004.

### 1. Market analysis and segmentation

At the end of 2004, SEAT adopted a new approach for its reference market, based on an understanding of the overall communication needs of medium and large enterprises, small businesses carrying out commercial, service and craft activities and the public administration. This led to the market expanding beyond the directories-only sector, to include all the promotional and advertising communication media (press and local TV, billboards, leafleting, fairs, catalogues, etc.), that SMEs can choose from when allocating their promo-advertising budget. SEAT Pagine Gialle is competing in this market with products and services offered on three platforms (print, online, voice), which are able to meet the multiple communication needs of SMEs, both with generalist and specialised products, and overall feature a lower cost/contact than the competing media, holding a market share of about 21%.

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## 2. Continuous restyling of existing products and launch of new services

During 2005, still with the aim to better meeting the communication needs of its reference market and raising the value of its media for the advertiser, the Company started a program to restyle the existing products to make these media more relevant for the user and, hence, increase the value generated for the advertiser. It also launched new products targeted to new market segments. The initiatives carried out in 2005 include:

- the introduction of quadrichrome printing on PAGINEBIANCHE®, which represents a very important innovation that offers users an easier and more effective consultation product and advertisers greater visibility and new tools for enhancing communications with their customers;
- the restyling of the BtoB offering (ANNUARIO, PAGINEGIALLE Professional® and Kompass) to meet user and customer requirements in a way that is more effective and more in line with product positioning;
- the launch of the new "InZona" local directories in the main cities and the "Idee inVacanza" guides dedicated to leisure services in the main Italian tourist centers, to meet local consultation and advertising requirements;
- the new functionalities introduced on the online products, designed to sustain the positive trend in traffic growth and enhance the offering for the advertiser, including geographical search, virtual tours and voice over IP. In addition, the strategy of developing partnerships with some of the main portals/search engines continued to be implemented, with the aim of further expanding the channels for the user to access SEAT's online media;
- the improvement and enhancement of the voice information services, with the launch of the subscriber directory basic listings service 12.40 Pronto PAGINEBIANCHE®. This was launched after the liberalisation of the 12xy market, and completes SEAT's range of voice services, where the company has been operating successfully for some time with the value-added service 89.24.24 Pronto PAGINEGIALLE®;
- the acquisition of Cipi S.p.A. in the merchandising market and the innovation in the direct marketing services of Consodata S.p.A., with the aim of expanding the offering in the below-the-line communication market for SMEs.

## 3. Training and segmentation of the sales force

All the improvement described above have been sustained by a major effort to sales force training, which has involved the whole agent structure and has been designed to transform the commercial approach of the SEAT Pagine Gialle agent from "salesperson" to "communication consultant" for the SMEs. New IT tools allowing the agent to produce the most appropriate commercial offers for each customer and improve the management of sales campaigns have been released to support the sales force during this period of changes in commercial approach. In December 2005, the sales structure organisation was redefined, with the creation of specialist sales units for the main customer segments. The purpose of reorganising the commercial structures into four lines ("Local Sales", "Business Sales", "Top Customers" and "Kompass") is to improve the specialization level of commercial approach and sales force in relation to the types of customer. The intent of this action is to understand and meet customers' needs in an ever-more effective manner. In detail:

- the *Top Customers Department* deals with businesses at national level and complex customers, having sophisticated communications needs, and serves them using highly qualified teams of specialists. During 2005, the structure adopted a new commercial model and a new organisational set-up, based on product sector (including industry, services, commerce and public sector);

- the *Business Sales Department* deals with the market segment of medium and high-end SMEs, which it manages through some 1,600 communications consultants distributed throughout the territory. The structure it has set up can support an approach that differentiates high-end customers from existing and potential customers at the lower end;
- the *Local Sales Department* deals with the mass-market of small businesses having basic local communication needs and operates both through telephone sales operators and agents operating locally;
- the *Kompass Business Unit* has been reinforced with new managerial resources with the aim of leveraging a database and a specialist offering, which covers all BtoB market.

The segmentation of the offering and sales organisation, combined with the agent's increasingly advisory role, is an important step for ensuring an increasingly more accurate appreciation of the very high returns that SEAT media are able to offer advertisers, who do not always accurately perceive such returns. This phenomenon is, however, more significant on the print products, PAGINEGIALLE® and PAGINEBIANCHE®, where the objective is to enhance the strong growth in users recorded from 2002 onwards, reaching 27.5 million users in 2005 (representing 63% of the Italian population between 14 and 74 years of age).

#### **4. Costant customer care activities and processes**

The focus on the customer at the centre of the sales action has also continued through an reinforcement of the customer care processes, in all the after-sales publishing and administrative phases, with the aim of improving the operating processes and reducing errors in executing orders. The customer portal [www.seatconvoi.it](http://www.seatconvoi.it), was also launched with this objective, in May 2005. This is now the fourth customer service channel after the toll-free number, mailbox and e-mail.

The customer portal is designed to become the preferred relationship channel between SEAT Pagine Gialle and its customers. It will be used to provide value added information services (statistics and data on consulting SEAT media, early notification of new offers, community initiatives), conduct polls (useful for developing the offering) and develop customer-retention programs.



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## The Group in Europe

In the **United Kingdom**, the results of the subsidiary TDL Infomedia have, on the one hand, felt the effects of the healthy economic performance, with a gross domestic product that has grown by 1.7%. On the other hand, they have benefited from the use of a strategy that differentiates the product and the commercial offer from the market leader Yell.

This differentiation and the amounts invested in strengthening product content and quality, especially online products, have enabled TDL Infomedia to continue to widen its customer portfolio and increase turnover. These satisfactory results have been achieved in a scenario that is becoming ever-more competitive due to British Telecom re-entering the market, with a single directory combining alphabetical listings with yellow pages divided by category, leveraging brand reputation and a very aggressive pricing policy.

The Telegate group operates in different European directory assistance markets, featuring different levels of maturity which influence their business strategy.

In **Germany**, where the basic voice services market has reached a phase of maturity, Telegate has pursued a strategy of enhancing the offering with value-added services and new product lines, which will attract users having increasingly more diversified and sophisticated needs and will increase the average call value.

In **Spain**, the old universal service has continued to operate alongside the new operators, unlike the other European directory assistance markets in which liberalisation has taken place. In this context, Telegate is consolidating its position through selected equity acquisitions aimed at achieving an adequate level of profitability for the business.

In **France**, the process to liberalise the directory assistance market started at the end of 2005 and is still in its start-up phase. Like other operators, Telegate is investing in the brand awareness whilst awaiting full liberalisation scheduled for April 2006. The whole process is, however, running behind the schedule indicated initially by the French Authorities (which envisaged that the market would be liberalised by the first half of 2005).

In **Italy**, Telegate manages an outsourcing service of 12.40 Pronto PAGINEBIANCHE® and 89.24.24 Pronto PAGINEGIALLE® call center for SEAT Pagine Gialle.

GROWING IS GREAT

FRANCESCA



[REPEATED PATTERN OF [CARTA] [TELEFONO] [INTERNET] ...]

## Report on Operations

.....] Value for customer is success for us  
Constantly growing through listening to our customers

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## → Economic and financial performance of the Group

### → Reclassified Statement of Operations of the Group for 2005

Revenues from sales and services in 2005 amounted to € 1,424,611 thousand, up 1.3% compared to 2004 (€ 1,405,748 thousand).

Gross of eliminations among the Business Areas, revenues from sales and services were detailed as follows:

- revenues from sales and services from the "Italian Directories" (SEAT Pagine Gialle S.p.A.) Business Area, which in 2005 reached € 1,061,813 thousand, slightly up by 0.2% compared to the previous year (€ 1,059,674 thousand). This result was achieved, in a difficult market context, as a result of the changes in the sales processes and a greater focus on sales quality, suggesting the effectiveness of the broad multi-platform offering of SEAT Pagine Gialle S.p.A.. The increase in revenues from online products (PAGINEGIALLE.it® € 110,952 thousand, +13.1%), and voice services (89.24.24 Pronto PAGINE GIALLE® € 66,494 thousand, +20.8%, due in particular to the strong growth in voice traffic revenues), as well as the development in Direct Marketing activities (€ 11,795 thousand, +3.6%) offset the downturn in print products (-3.0%). This contraction was concentrated especially in PAGINEGIALLE® and amongst medium/high-end customers in a few large cities, where a small number of advertisers, who in previous years had increased their presence on this product, have now decided to reduce their spending to levels more reflective of their actual needs;
- revenues from sales and services from the "UK Directories" (Thomson Directories group) Business Area, reached € 175,559 thousand in 2005, up by 3.3% compared to 2004 (revenues expressed in pound sterling, increased by 4%). This result was achieved as the result of the significant increase in the customer base, which has sustained the positive performance of online directories (+28.9%), benefiting from the launch in May 2005 of a new local search and print directories offering (+1.2%);
- revenues from sales and services from the "Directory Assistance" (Telegate Group and Prontoseat S.r.l.) Business Area amounted to € 159,417 thousand in 2005, with a 6.3% increase compared to 2004. In the Telegate Group, revenues rose by 4.5%, thanks to the positive results achieved in the Italian market (benefiting from the new outsourcing contracts for the 12.40 Pronto PAGINEBIANCHE® service), and in the French market (with Bouygues Telecom and SFR). In Germany, the increased revenues arising from services with added value for the user and the development of parallel business lines, such as the sale of data and managing of interconnection services for private individuals and businesses, offset the fall in volumes caused by a general downturn in the market. Revenues figures for Prontoseat S.r.l. are excellent. Revenues in 2005 rose by about 50% to € 9,261 thousand (€ 6,196 thousand in 2004) due to the growth in 89.24.24 Pronto PAGINEGIALLE® traffic;



- revenues from sales and services from the "Other activities" (Consodata S.p.A., Eurédit S.A. and Cipi S.p.A.) Business Area, which amounted to € 67,641 thousand in 2005 (€ 55,478 thousand in 2004). This item includes Consodata S.p.A. revenues amounting to € 29,480 thousand, up 12.8% on 2004, within the same scope of consolidation and hence net of the deconsolidation – as from July 2005 – of Pubblibaby S.p.A., a company sold in October 2005. It also includes Eurédit S.A. revenues amounting to € 27,517 thousand and Cipi S.p.A. revenues of € 10,646 thousand (which was consolidated in the fourth quarter of 2005), emphasising the commercial synergies of the products and services offered by these Companies with the reference market.

**Raw materials and external services**, less repayments of costs, amounted to € 514,954 thousand in 2005 and were substantially stable compared to the previous year (€ 514,704 thousand). This result was made possible by the reduction of industrial and commercial costs, despite the sharp increase in advertising and promotional costs. In particular, in the Italian and UK Directories Areas the initiatives aimed at improving sales profitability have led to an increase in yield per page and a reduction in the number of signatures and, hence, paper consumption (-2.5% compared to 2004 down to € 55,636 thousand), as well as the industrial processing costs (-3.3% to € 111,961 thousand). Sale commissions and other agent costs decreased by € 13,481 thousand to € 116,200 thousand due, in Italy, to the lower volume of advertising revenues, the reversal of previous years' commission costs no longer due and the Italian sales force convention, postponed until the first half of 2006. The reduction in industrial and commission costs was accompanied by a sharp increase in advertising cost, up by € 18,628 thousand, equal to 33.5%, compared to 2004. Also significant, in particular, was the increased advertising cost in the part of the Parent Company (+ € 14,167 thousand compared to 2004, including those for the launch, in the fourth quarter, of the 12.40 Pronto PAGINEBIANCHE® service) and the Telegate group (+ € 2,715 thousand compared to 2004).

**Salaries, wages and employee benefits**, net of repayments of cost, amounted to € 218,924 thousand in 2005, a rise of € 9,708 thousand (+4.6%), compared to 2004. This increase was mainly due: *i*) € 5,410 thousand related to the opening of the new Livorno call center for the 12.40 Pronto PAGINEBIANCHE® traffic and the workforce reorganisation in Telegate group and Prontoseat S.r.l. call centers, *ii*) € 1,611 thousand related to the increased workforce in the Thomson group to strengthen the sales force particularly in the Internet area, *iii*) € 3,063 thousand related to consolidation of Cipi S.p.A.. The Group workforce was 6,105 – including directors, project workers and interns – at December 31, 2005 (5,338 at December 31, 2004). The average workforce (FTE for non-Italian companies) was 4,759.9 in 2005 (4,352.6 in 2004).

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**Other valuation adjustments and provisions to reserve for risks and charges, net** amounted to € 60,659 thousand decreased by € 3,994 thousand compared to 2004 (€ 64,653 thousand). This was due to the reduced provisions made to the reserve for litigation amounting to € 4,348 thousand and provisions to the reserve for commercial risks amounting to € 1,533 thousand. As regards the latter, it should be noted that the final balance for disputes relating to non-complete compliance with contractual commitments on PAGINEGIALLE®, PAGINEBIANCHE® and trade directories fell by 20.5% during the year thanks to the operating improvements made and the reduction in customer claims. The ordinary provision to the allowance for doubtful accounts from sales agents was also reduced by € 3,118 thousand compared to 2004. The ordinary provision to the allowance for doubtful accounts amounted to € 5,774 thousand higher than the previous year, as a result of the increased prudent provisions made in the Parent Company to ensure greater coverage of the oldest portion of receivables, which were characterised by a low level of customer selectivity in terms of creditworthiness.

**Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)**, amounted to € 626,560 thousand in 2005, with a 2% improvement compared to 2004 (€ 614,382 thousand), despite an increase in advertising costs of € 18,628 thousand from 2004, supporting the Group's future growth plans. This positive trend in EBITDA had a positive effect on the operating margin, which rose to 44.0% from 43.7% in 2004, thanks to improvements in revenues quality and efficiency.

**Operating amortisation and depreciation and write-down**, amounted to € 32,391 thousand in 2005 (€ 30,290 thousand in 2004) and include € 18,673 thousand for amortisation and write-down of intangible assets with a finite useful life and € 13,718 thousand for depreciation and write-down of property plant and equipment.

**Non-operating amortisation and write-down** amounted to € 162,067 thousand in 2005 (€ 168,754 thousand in the previous year), and refer to the *Customer Data Base*.

**Non-recurring and restructuring costs, net** amounted to € 11,908 thousand in 2005 (€ 35,966 thousand in 2004). They include *i*) € 7,907 thousand for stock option plans charges ; *ii*) € 2,256 thousand for expenses incurred in the Thomson group as part of the investigations into the level of competitiveness and competition on the English directories market undertaken by the *Office of Fair Trading and Competition Commission*; *iii*) € 2,704 thousand (€ 3,021 thousand in 2004) for restructuring costs, including € 2,667 thousand of costs incurred in the Parent Company for the Commercial Area reorganisation project and *iv*) € 1,955 thousand for reversal of unused reserve for restructuring expenses during the year.



**Operating income** amounted to € 420,194 thousand in 2005 (€ 379,372 thousand 2004), up by € 40,822 thousand compared to 2004, with a 29.5% ratio to revenues (27.0% in 2004).

**Interest expenses, net** of € 260,568 thousand in 2005, was the balance of financial expenses of € 284,753 thousand (€ 259,937 thousand in 2004) and financial income amounting to € 24,185 thousand (€ 8,978 thousand in 2004).

*Financial expenses* of € 284,753 thousand in 2005 is mainly due to debt incurred by SEAT Pagine Gialle at the end of April 2004 in relation to the payment of an extraordinary dividend. This item rose by € 24,816 thousand compared to the previous year, in which the impact was for 8 months only. In particular, financial expenses relate to:

- € 150,596 thousand (€ 119,712 thousand in 2004) on the "Senior Credit Agreement" between SEAT Pagine Gialle S.p.A. and The Royal Bank of Scotland Plc Milan Branch, which was refinanced on June 8, 2005.  
This amount includes *i*) € 15,361 thousand for net expenses on the two Interest Rate Swaps entered to partially hedge the interest rate risks and *ii*) € 14,216 thousand for the amortisation of the transaction costs incurred at the acquisition and refinancing dates;
- € 113,754 thousand (€ 83,551 thousand in 2004) for the "Subordinated" loan with Lighthouse International Company S.A., which in 2004 had made available to SEAT Pagine Gialle S.p.A. the fund generated through a bond of € 1,300 million issued on the same date. This item includes for € 5,643 thousand the amortisation of the transaction costs incurred at the financing dates;
- € 7,658 thousand for other interest and financial expenses, including € 5,521 thousand of interest expenses on discounting to present value of non-current assets and liabilities and € 866 thousand of commitment fees for unused credit line facilities made available to SEAT Pagine Gialle S.p.A. by The Royal Bank of Scotland Plc Milan Branch under the existing financing contracts;
- € 12,745 thousand for exchange rate expenses, recognised as a consequence of hedging instruments on the euro/sterling exchange rate risks and offset by exchange rate income, as described in the following item.

*Financial income* includes:

- € 16,463 thousand of exchange rate income (€ 4,180 thousand in 2004) recognised as a consequence of hedging instruments on the euro/sterling exchange risk, partially offset by exchange rate expenses (€ 12,745 thousand in 2005). This item includes € 748 thousand of income arising from the recognition in assets of the market value of the Forex contracts at December 31, 2005, in compliance with IAS 39;
- € 2,595 thousand of interest income (€ 3,570 thousand in 2004) arising from the use of short term cash deposits with banks at rates in line with the Euribor. The decrease compared to the previous year reflects the reduction in the amount of average deposits.
- € 5,127 thousand to other interest income, include for € 4,734 thousand interest income on the discounting to present value of non-current assets and liabilities.

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**Gains on investments accounted for at equity and disposal of equity investments**, amounting to € 4,243 thousand in 2005 (€ 6,576 thousand in 2004) includes € 4,334 thousand for the net surplus from the disposal of Pubblibaby S.p.A. in October 2005. This item also includes charges relating to 2004 disposal of equity investments.

**Income taxes** were negative for € 25,383 thousand (- € 48,930 thousand in 2004) and were detailed as follows

	Year 2005	Year 2004
<b>(euro/thousand)</b>		
Current income taxes	24,008	17,180
Deferred tax assets	(21,771)	(35,368)
Deferred tax liabilities	65,355	66,982
Reversal of deferred tax liabilities	(60,370)	-
Upfront tax on Customer Data Base	19,448	-
Income taxes referred to previous years	(1,287)	136
<b>Total income taxes</b>	<b>25,383</b>	<b>48,930</b>

SEAT Pagine Gialle S.p.A., according to the Law. 342/2000 - chapter I, section II, Art. 14 - (the terms of which were reopened by Law. 266/2005), has proceeded to align the *Customer Data Base* value for financial statements purposes with the value for tax purposes. This alignment of € 162,067 thousand has resulted in the reversal to the statement of operations of deferred tax liabilities of € 60,370 thousand (as indicated above), and the payment (with the same deadline of the payment of income taxes due for fiscal 2005) of an upfront tax of € 19,448 thousand, recognised at December 31, 2005 in tax payables.

**Minority interests** amounted to € 6,756 thousand (€ 6,129 thousand in 2004) and mainly due to the Minority of Telegate group.

**Income for the year**, amounting to € 131,905 thousand, improved by € 51,975 thousand compared to the previous year (€ 79,930 thousand in 2004). It benefited by the positive effects on income tax from the alignment between the value of *Customer Data Base* for financial statements purpose and value for tax purpose amounting to € 40,992 thousand net of upfront tax.

## → Reclassified Balance Sheet of the Group as at December 31, 2005

### Foreword

The "Senior Credit Agreement" with The Royal Bank of Scotland Plc Milan Branch has requested SEAT Pagine Gialle S.p.A. to issue the following main guarantees, that are standard for transactions of this type:

- a pledge on its main trademarks;
- a pledge on the shares of its major subsidiaries;
- a special privilege on SEAT Pagine Gialle S.p.A.'s tangible assets that have a net book value equal to or higher than € 25,000.

### Net invested capital

**Net invested capital**, amounting to € 4,534,995 thousand at December 31, 2005, decreased by € 133,104 thousand compared to December 31, 2004. It consists of the following items:

- **goodwill and customer data base** amounted to € 4,154,998 thousand at December 31, 2005, of which € 3,574,260 thousand for goodwill and goodwill on consolidation. This item decreased by € 152,827 thousand compared to December 31, 2004 and include: *i*) the amortisation for the year for the *Customer Data Base* (€ 162,067 thousand), *ii*) the decrease in goodwill on consolidation following the sale of the subsidiary Pubblibaby S.p.A. (€ 4,429 thousand), *iii*) an increase of € 6,094 thousand in goodwill on consolidation, arising from changes in the pound sterling/euro exchange rate and *iv*) an increase of € 7,587 thousand for the 2005 acquisition, of which € 5,012 thousand for the acquisition of 51% interest in Cipi S.p.A. and € 2,411 thousand for the acquisition of 100% interest in the French company Le 118 000 SAS.
- **other non-current assets** amounted to € 196,983 thousand at December 31, 2005 (€ 148,345 thousand in 2004) and include:
  - *operating intangible assets with finite useful life and property, plant and equipment* amounted to € 93,613 thousand at December 31, 2005 (€ 70,546 thousand in 2004), an increase of € 23,067 thousand compared to the previous year-end. The change reflects, in particular, an increase in industrial investments amounting to € 46,037 thousand (€ 29,871 thousand in 2004) and the Cipi S.p.A. consolidation (€ 7,670 thousand), offset by amortisation, depreciation and write-downs for € 32,391 thousand (€ 30,290 thousand in the previous year).

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*Industrial investments* refer to:

- in the Parent Company (€ 27,591 thousand):
  - the implementation of the "Nuova SEAT" project, with the release of a new IT system to support the sales network (Evolution);
  - the implementation of a new Multimedia Editorial Information System (SEM system), the first prototype of which was released at the end of 2005;
  - the development of existing products and the launch of new products;
  - the upgrade of the database to meet new regulatory requirements (i.e. Universal Data Base). In August 2005, the Brescia edition was published. This is the first directory produced with graphic display, using specific pictograms, of the consent obtained from subscribers regarding willingness to receive promotional-advertising material or sales contacts;
  - the reinforcement of the telephone sales channel;
  - the development of the customer portal designed to improve the corporate image and enhance customer relationships ;
- in the Telegate group (€ 11,541 thousand):
  - the modernisation and upgrading of the technological equipment in the German and Italian call centers;
- in the TDL Infomedia group (€ 2,849 thousand):
  - the development of the Telecentres, which promote the sale of Thomson products over the telephone;
- *deferred tax assets*, amounting to € 101,820 thousand (€ 76,027 thousand at December 31, 2004), include deferred tax assets for € 177,223 thousand, net accounted of deferred tax liabilities for € 75,403 thousand. Deferred tax assets increased by € 25,793 thousand compared to December 31, 2004, including € 11,640 for the tax effect on financial instruments entered into to hedge interest and exchange rate risk and recognised in the balance sheet, as for January 1, 2005, in compliance with IAS 39. SEAT Pagine Gialle S.p.A., according to the Law. 342/2000 - chapter I, section II, Art. 14 - (the terms of which were reopened by Law. 266/2005), has proceeded to align the value of the *Customer Data Base* for financial statements purposes with the value for tax purposes. This alignment has resulted in the reversal to the statement of operations of deferred tax liabilities of € 60,370 thousand, and the payment (with the same deadline of the payment of income taxes due for fiscal 2005) of an upfront tax of € 19,448 thousand, recognised at December 31, 2005 in tax payables;
- **non-operating non-current liabilities** amounted to € 3,632 thousand at December 31, 2005 (€ 3,694 thousand at December 31, 2004) and relate to the deferred income tax for € 2,059 thousand and to the reserve for restructuring expenses for € 1,546 thousand;

- **operating non-current liabilities** amounted to € 74,003 thousand at December 31, 2005 (€ 71,260 thousand at December 31, 2004) and include, in particular:

- *defined benefit pension plans*, € 19,935 thousand at December 31, 2005, net accounted for assets (€ 64,005 thousand at December 31, 2005), designated to finance these funds (€ 83,940 thousand at December 31, 2005). Both the liabilities and the relevant assets were valued by an independent expert, using the projected unit credit actuarial method.

At the first time adoption of IAS/IFRS, all net cumulative actuarial losses, which amounted to € 23,119 thousand at January 1, 2004, were recognised. Subsequently, it was decided to use the "corridor approach": thus € 637 thousand corresponding to the net actuarial income at December 31, 2005 was not recognised, as it was less than 10% of the higher value between the liabilities for the defined benefit plans and the fair value of the relevant assets at that date.

During 2005, the assets of the Thomson group pension plan increased by € 7,274 thousand thanks to the cash contribution paid in the period;

- *reserve for severance indemnities*, € 32,273 thousand at December 31, 2005 (€ 30,691 thousand at December 31, 2004), was accounted for in compliance with IAS 19, since it is considered as a defined benefit pension plan. This increased during the year was also due to the Cipi S.p.A. consolidation for € 1,216 thousand.

SEAT Pagine Gialle group decided to use the "corridor approach": thus € 631 thousand corresponding to the net actuarial losses as at December 31, 2005 was not recognised, since they were less than 10% of this liability at that date;

- *reserve for sales agents' termination indemnities*, € 19,465 thousand as at December 31, 2005 increased by € 1,604 thousand compared to December 31, 2004. It represents the liability at year-end to active trade agents for the indemnity due to them under current regulations if the agency relationship will be interrupted. This reserve has been discounted to present value by using an average market rate for debts of similar duration, taking into account the expected future cash flows and by estimating its expected future use over time also on the basis of the average life of agency contracts;

- **operating working capital** amounted to € 285,598 thousand at December 31, 2005 (€ 298,912 thousand at December 31, 2004) decreasing by € 13,314 thousand in 2005. Although this decrease was less than the one recorded in the previous year, it has a positive effect on the Group's cash generation. In detail:

- *trade accounts receivable* decreased by € 14,557 thousand compared to December 31, 2004, also thanks to the positive impact of the credit management process introduced in the Parent Company in the previous year. The reduction in total receivables and average exposure days (which fell from 200 to 195) was achieved through measures on overdue amounts. These actions are a result of a timelier and a strict credit management system, and by increasing the percentage of bank direct debits (RID), as a payment method. In addition, particular attention has been

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- committed to the customer selection policies, which will be completed during 2006 with the introduction of credit scoring systems for all customers, and will improve the quality of revenues significantly;
- *other operating current assets* decreased by € 9,832 thousand compared to December 31, 2004, due to the reduction in commission advances and other operating receivables from agents, which reflects the reduced level of commissions for the year;
  - *trade payables* increased by € 18,497 thousand compared to December 31, 2004 due to increased in investment and advertising costs, in particular, incurred in the last quarter of 2005 for the launch of the new directory assistance services;
  - *operating tax payables* decreased by € 8,789 thousand compared to December 31, 2004, including € 6,951 thousand due to the different condition of payment of value added tax (VAT) adopted in the TDL Infomedia group;
  - *payables for services to be rendered and other current liabilities* decreased by € 11,918 thousand compared to December 31, 2004, primarily due to the reduction in services to be rendered as a result of the different invoicing schedule;
  - *reserve for current risks and charges* decreased by € 5,074 thousand compared to December 31, 2004, in particular due to the reversal to statement of operations of unused provisions relate to contractual risk;
- **non-operating working capital**, negative for € 24,949 thousand at December 31, 2005 (negative for € 12,029 thousand at December 31, 2004), decreased by € 12,920 thousand compared to the previous year. In detail, this item includes:
    - *direct tax receivables* amounted to € 3,733 thousand (€ 15,432 thousand at December 31, 2004);
    - *income tax payables* amounted to € 23,486 thousand (€ 16,796 thousand at December 31, 2004), including € 19,448 thousand for the upfront tax on the alignment of the *Customer Data Base* value for financial statements purposes with the value for tax purposes;
    - *current corporate restructuring provisions* amounting to € 4,745 thousand (€ 10,195 thousand at December 31, 2004), down € 5,450 thousand following the utilisation (€ 4,303 thousand) and release of the overprovision during the year (€ 1,939 thousand).

## Shareholders' equity

**Shareholders' equity** amounted to € 999,710 thousand (€ 859,956 thousand at December 31, 2004), of which € 980,093 thousand attributable to the Parent Company (€ 850,168 thousand at December 31, 2004) and € 19,617 thousand attributable to Minority (€ 9,788 thousand at December 31, 2004). At December 31, 2005 equity included the "Reserve for transition to IAS/IFRS" (€ 181,576 thousand), the "Reserve for hedging instruments" (negative for € 14,262 thousand) and the "Reserve for stock options" (€ 9,223 thousand), which are described in detail in the notes to the Financial Statements of the SEAT Pagine Gialle group under the item "Shareholders' equity".

## Net financial debt

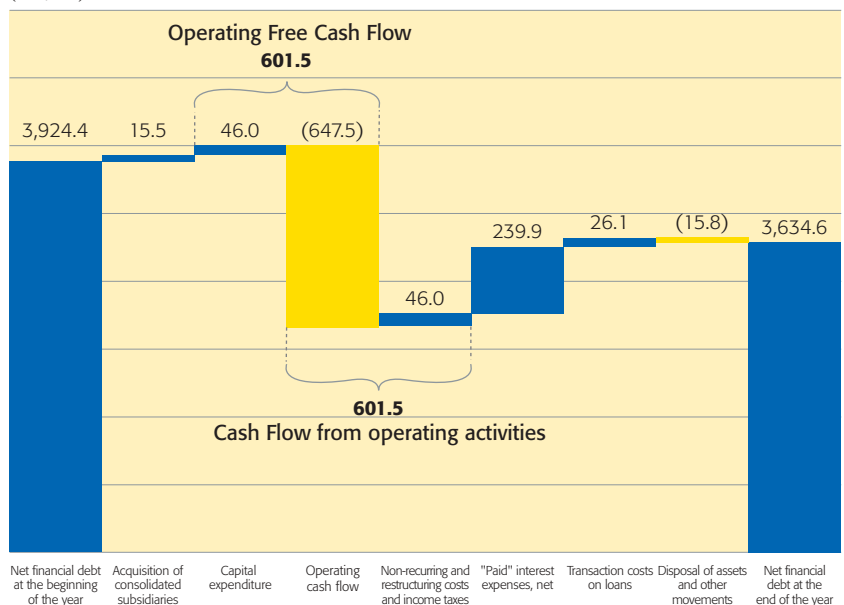
**Net financial debt** amounted to € 3,634,581 thousand at December 31, 2005 (€ 3,924,424 thousand at December 31, 2004) and decreased by € 289,843 thousand during the period, thanks to the cash flow generated by operations.

It differs from the Net financial debt – "book value" described hereafter, since it is reported "gross" of:

- transaction costs for the acquisition and refinancing of the medium and long-term loans with The Royal Bank of Scotland Plc Milan Branch and with Lighthouse International Company S.A., amounted to € 122,474 thousand at December 31, 2005, net of accumulated amortisation;
- net liabilities for the fair value valuation of the cash flow hedge instruments, which amounted to € 23,178 thousand at December 31, 2005.

The following chart summarizes the main items which impacted the trend of net financial debt during 2005.

(euro/mln)





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**Net financial debt – “book value”** amounted to € 3,535,285 thousand at December 31, 2005 (€ 3,808,143 thousand at December 31, 2004), and was detailed as follows:

- **non-current financial debts** amounted to € 3,526,689 thousand at December 31, 2005 (€ 3,760,501 thousand at December 31, 2004) and consisted of € 2,273,729 thousand for financial debt due to banks, € 1,252,897 thousand for financial debt to Lighthouse International Company S.A. and € 63 thousand for financial debts due to other lenders. “*Financial debt due to banks*” relates to the long portion of the “Term and Revolving Facilities Agreement” (net of € 75,371 thousand of transactions not yet amortised). This loans was drawn in 2004 and was refinanced in the first half of 2005 for a total amount of € 2,530.1 million.

This loan, which saw BNP Paribas in the role of Arranger and Royal Bank of Scotland Plc Milan Branch as Lender, is now organised as follows:

- tranche A, € 1,930.1 million, repayable in accordance with the amortisation plan, with six month installments, from June 2006 to June 2012, and bearing interest at a floating interest rate p.a. equal to Euribor plus 1.91%;
- tranche B, for € 600 million, repayable in a single installment in June 2013 and bearing interest at a floating interest rate p.a. equal to Euribor plus 2.41%. An amount of € 10 million was repaid early in October and so the exposure on tranche B at December 2005 amounted to € 590 million;
- tranche C, for € 90 million, designed to cover any working capital requirements of SEAT Pagine Gialle S.p.A. or its subsidiaries, in the form of a *revolving credit line*, available up to May 2012, bearing interest at a floating interest rate p.a., when taken down, equal to Euribor plus 1.91%. It is requested to pay a commitment fee of 0.56% p.a. for the unused commitments. This credit line was drawn for € 40 million, also for payment of the transaction costs (€ 26,052 thousand), and was subsequently repaid in August 2005.

The following changes were made compared to the previous loan agreement:

- the previous tranche C, bearing a 3.415% spread p.a. on the Euribor interest rate, was cancelled;
- tranche A1, in sterling, was eliminated;
- tranche A, bearing a minor spread, was increased;
- spreads applied to the various tranches were reduced.

The average life of the "Senior" debt increased from about 5.2 to about 5.9 years as a result of the refinancing. The cost of the "Senior" debt was significantly reduced. Its average weighted rate decreased by about 81 base points, representing a saving of approximately € 13 million in the period June-December 2005.

The above-mentioned refinancing agreement requires SEAT Pagine Gialle S.p.A. to observe specific *covenants*, which are checked on a quarterly basis. These *covenants* refer to the observance of specific ratios between: *i*) net debt and EBITDA; *ii*) EBITDA and interest on debt; *iii*) cash flow and debt service (including interest and quotas of principal payable in each period referred to). The result of the check carried out on these *covenants* at December 31, 2005 (this reporting date) was positive.

Transaction costs are accounted for offsetting the total debt as at December 31, 2005, as well as, transaction costs for the financing agreement, capitalised in 2004 and not yet amortised at the refinancing date. The amortisation for the year was € 14,216 thousand.

"Financial debt due to Lighthouse International Company S.A." amounted to € 1,252,897 thousand at December 31, 2005. In accordance with IAS 32, it was accounted for in the balance sheet net of € 47,103 thousand for transaction costs not yet amortised at the end of the year. The amortisation for the year amounted to € 5,643 thousand.

The 10-year loan bearing fixed interest of 8% p.a. falls due in 2014.

€ 17,375 thousand of debt is recognised in current financial liabilities at December 31, 2005 for interest accrued and not settled.

It should be noted that SEAT Pagine Gialle S.p.A. issued guarantees of € 350,000 thousand in order to withstand possible accessory costs of the bond.

The following table describes briefly the repayment plan for the loans in place at the year-end.

(euro/thousand)	Expiration year					Beyond five years	Total
	2006	2007	2008	2009	2010		
Debts due to The Royal Bank of Scotland Plc Milan Branch	171,000 <sup>(*)</sup>	176,900	182,700	245,000	259,000	1,485,500 <sup>(**)</sup>	2,520,100
Debts due to Lighthouse International Company S.A.	-	-	-	-	-	1,300,000	1,300,000
Debts due to other lenders	112	63	-	-	-	-	175
<b>Total non-current financial debts (gross value)</b>	<b>171,112</b>	<b>176,963</b>	<b>182,700</b>	<b>245,000</b>	<b>259,000</b>	<b>2,785,500</b>	<b>3,820,275</b>

(\*) This amount is included in current financial debts and € 85,5 million was repaid early at the beginning of February 2006.

(\*\*) € 15 million was repaid early at the beginning of February 2006.

The overall average annual cost of the financial debt of SEAT Pagine Gialle S.p.A. was 6.2%.

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- **current financial debts** amounted to € 214,301 thousand at December 31, 2005 (€ 192,233 thousand at December 31, 2004) and mainly relate to:
  - € 171,000 thousand for the current portion of the refinancing with The Royal Bank of Scotland Plc Milan Branch, due in June and December 2006 and paid back in advance for € 85,500 thousand in February 2006;
  - € 17,375 thousand for accrued interest expenses on the loan from Lighthouse International Company S.A., which have not yet been paid (€ 19,306 thousand at December 31, 2004);
  - € 24,558 thousand for liabilities from hedging instruments.

The "Senior" debt with The Royal Bank of Scotland Plc Milan Branch bears a floating interest rate per annum equal to Euribor plus certain margins. In order to reduce the exposure to risks on floating-rate debt, SEAT Pagine Gialle entered into the following hedging agreements with major international financial counterparties:

- a) two *Interest Rate Swap (IRS)*, restructured in December 2005 to make them consistent with the quarterly due dates of the "Senior" debt interest. This restructuring allowed the floating Euribor rate to be replaced with a fixed rate at approximately 3.26% to hedge the risk exposure of about 55% of the financial debt expected to be outstanding until December 2006 and approximately 25% of the financial debt expected to be outstanding until June 2007;
- b) three *Interest Rate Collar*, entered into in July 2004 to enhance the previous hedging instruments. One of these collars was restructured in September 2005, in order to improve the overall hedging profile of the floating rate financial debt. Through these hedging agreements a variable band of the floating six-month Euribor was fixed with maximum (in a range between 4.30% and 5.08%) and minimum threshold (in a range between 2.59% and 3.42%). The restructuring has resulted in a benefit of some 30 basis points;
- c) *Forward Rate Agreements (F.R.A.)*, entered starting from June 2005, through which an average Euribor rate was fixed at about 2.1% on a notional amount of € 1,040 million with different maturity dates (from December 2005 to December 2006). At the end of 2005, some of these agreements were ceased (for a notional amount of € 690 million), recognising a positive result of € 1.8 million equal to a 0.5% rate on Euribor which was paid in the first two quarters of 2006.

In February and March 2006 in order to further enhance the previous hedging instruments new Interest Rate Swap contracts were entered into with primary financial institutions, in relation to the "Senior" debt expected to be outstanding in the period from December 2009 to June 2012, through which the floating six-month Euribor was swapped for a fixed rate of some 3.75% on a notional amount of € 325 million.

The derivatives entered into by SEAT Pagine Gialle allowed an overall coverage of about 83% of the financial exposure in 2006, of about 86% during 2007-2009 and of about 80% during 2010-2011.

As of January 1, 2005, the SEAT Pagine Gialle group adopted IAS 39. As a consequence, the above-mentioned hedging instruments have been valued at their fair value and the Group has recognised a corresponding specific reserve in the equity, net of the relevant tax impact, since they are cash flow hedging instruments. In the case of F.R.A. contracts closed during 2005, the related income has been accounted for in the statement of operations on an accrual basis, according to the duration of the relevant hedge period.

*Liabilities from hedging instruments* at December 31, 2005 were as follows:

- a) *Interest Rate Swaps*: € 6,413 thousand (€ 19,185 thousand at January 1, 2005);
- b) *Interest Rate Collars*: € 18,145 thousand (€ 12,350 thousand at January 1, 2005).

- **other non-current financial assets** amounted to € 1,160 thousand at December 31, 2005 (€ 4,767 thousand at December 31, 2004) and refer to loans to employees.

At December 31, 2004 this item included € 3,729 thousand paid in 2004 in order to enter into the Interest Rate Collars hedging instruments. These expenses, on the basis of the Italian accounting standards in force at that time, had been deferred to the moment when the hedging starts (December 2006).

On January 1, 2005, in compliance with IAS 39, this deferred cost was written off with a corresponding entry, net of the relevant tax effect, recognised in the "Reserve for transition to IAS/IFRS", in the equity.

- **current financial assets, cash and cash equivalents** amounted to € 204,545 thousand at December 31, 2005 (€ 139,824 thousand at December 31, 2004) and refer to:
  - € 202,158 thousand for cash and cash equivalents (€ 137,877 thousand at December 31, 2004);
  - € 1,380 thousand for the market value of the two FRA contracts entered into to hedge € 350 million of Senior debt for the six-month period June 28, 2006 - December 2006;
  - € 748 thousand for the market value at December 31, 2005 of derivative instruments entered into to hedge euro/sterling exchange rate risks, accounted for, as of January 1, 2005, in compliance with IAS 39;
  - € 259 thousand for financial receivables from third parties.

## → Operating Free Cash Flow of the Group

**Operating free cash flow** generated in the year was still high in absolute terms (€ 601,515 thousand), though it was € 31,138 thousand lower than that generated in 2004. Its performance, compared to 2004, was due to a lower working capital contribution (€ 19,977 thousand in 2005 compared to € 48,581 thousand in 2004) and to the increase in industrial investments, up by € 16,166 thousand compared to the previous year.

The ratio of operating free cash flow to revenues from sales and services (42.2% in 2005) decreased compared to the prior year (45.0%). This performance is reflected in the ratio of operating free cash flow to EBITDA (96% in 2005 and 103.0% in 2004).

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## Reclassified Statement of Operations of the Group for 2005

(euro/thousand)	Year 2005	Year 2004	Change	
			Absolute	%
<b>Revenues from sales and services</b>	<b>1,424,611</b>	<b>1,405,748</b>	<b>18,863</b>	<b>1.3</b>
Raw materials and external services (*)	(514,954)	(514,704)	(250)	(0.05)
Salaries, wages and employees benefits (*)	(218,924)	(209,216)	(9,708)	(4.6)
<b>Gross operating profit</b>	<b>690,733</b>	<b>681,828</b>	<b>8,905</b>	<b>1.3</b>
<i>% on revenues</i>	<i>48.5%</i>	<i>48.5%</i>		
Other valuation adjustments and provisions to reserves for risks and charges, net	(60,659)	(64,653)	3,994	6.2
Other income (expenses), net	(3,514)	(2,793)	(721)	(25.8)
<b>Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)</b>	<b>626,560</b>	<b>614,382</b>	<b>12,178</b>	<b>2.0</b>
<i>% on revenues</i>	<i>44.0%</i>	<i>43.7%</i>		
Operating amortisation, depreciation and write-downs	(32,391)	(30,290)	(2,101)	(6.9)
Non-operating amortisation and write-downs	(162,067)	(168,754)	6,687	4.0
Non-recurring and restructuring costs, net	(11,908)	(35,966)	24,058	66.9
<b>Operating income (EBIT)</b>	<b>420,194</b>	<b>379,372</b>	<b>40,822</b>	<b>10.8</b>
<i>% on revenues</i>	<i>29.5%</i>	<i>27.0%</i>		
Interest expenses, net	(260,568)	(250,959)	(9,609)	(3.8)
Gains (losses) on investments accounted for at equity and disposal of equity investments	4,243	6,576	(2,333)	(35.5)
<b>Income before income taxes, discontinued operations and Minority interests</b>	<b>163,869</b>	<b>134,989</b>	<b>28,880</b>	<b>21.4</b>
Income taxes	(25,383)	(48,930)	23,547	48.1
Income from discontinued operations, net	175	-	175	n.s.
<b>Income before Minority interests</b>	<b>138,661</b>	<b>86,059</b>	<b>52,602</b>	<b>61.1</b>
Minority interests	(6,756)	(6,129)	(627)	(10.2)
<b>Income for the year</b>	<b>131,905</b>	<b>79,930</b>	<b>51,975</b>	<b>65.0</b>

(\*) Less repayments of costs.

## Reclassified Balance Sheet of the Group at December 31, 2005

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change
Goodwill and customer data base	4,154,998	4,307,825	(152,827)
Other non-current assets (*)	196,983	148,345	48,638
Non-operating non-current liabilities	(3,632)	(3,694)	62
Operating non-current liabilities	(74,003)	(71,260)	(2,743)
<b>Operating working capital</b>	<b>285,598</b>	<b>298,912</b>	<b>(13,314)</b>
- Operating current assets	755,600	776,198	(20,598)
- Operating current liabilities	(470,002)	(477,286)	7,284
Non-operating working capital	(24,949)	(12,029)	(12,920)
- Non-operating current assets	3,742	16,070	(12,328)
- Non-operating current liabilities	(28,691)	(28,099)	(592)
<b>Net invested capital</b>	<b>4,534,995</b>	<b>4,668,099</b>	<b>(133,104)</b>
Equity of the Group	980,093	850,168	129,925
Minority interests	19,617	9,788	9,829
<b>Total equity</b>	<b>(A) 999,710</b>	<b>859,956</b>	<b>139,754</b>
<b>Net financial debt</b>	<b>3,634,581</b>	<b>3,924,424</b>	<b>(289,843)</b>
Transaction costs on loans	(122,474)	(116,281)	(6,193)
Cash flow hedge instruments	23,178	-	23,178
<b>Net financial debt - "book value"</b>	<b>(B) 3,535,285</b>	<b>3,808,143</b>	<b>(272,858)</b>
<i>of which:</i>			
- Non-current financial debts	3,526,689	3,760,501	(233,812)
- Current financial debts	214,301	192,233	22,068
- Non-current financial assets	(1,160)	(4,767)	3,607
- Current financial assets, cash and cash equivalents	(204,545)	(139,824)	(64,721)
<b>Total</b>	<b>(A+B) 4,534,995</b>	<b>4,668,099</b>	<b>(133,104)</b>

(\*) This item includes the "financial assets available for sale".

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## Operating Free Cash Flow of the Group for 2005

(euro/thousand)	Year 2005	Year 2004	Change
Operating income before amortisation, depreciation, non-recurring and restructuring costs (EBITDA)	626,560	614,382	12,178
Actuarial gains (losses) on operating assets and liabilities	(787)	(790)	3
Decrease (increase) in operating working capital	19,977(*)	48,581(**)	(28,604)
(Decrease) increase in operating non-current liabilities	1,708	532	1,176
Capital expenditure	(46,037)	(29,871)	(16,166)
(Gains) losses on disposal of non-current assets	94	(181)	275
<b>Operating Free Cash Flow</b>	<b>601,515</b>	<b>632,653</b>	<b>(31,138)</b>

(\*) The amount includes an adjustment of € 6,951 thousand to offset the effects on free cash flow resulting from the new VAT taxation in the Thomson group.

(\*\*) € 25,000 thousand of non-recurring provision to the allowance for doubtful account was deducted from the "decrease (increase) in operating working capital" item for the year 2004.



## ➤ Economic and financial performance of SEAT Pagine Gialle S.p.A.

For the notes please refer to the following sections:

- "Italian Directories" Business Area;
- Notes to the Financial Statements of SEAT Pagine Gialle S.p.A.

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## Reclassified Statement of Operations of SEAT Pagine Gialle S.p.A for 2005

(euro/thousand)	Year 2005	Year 2004	Change	
			Absolute	%
<b>Revenues from sales and services</b>	<b>1,061,813</b>	<b>1,059,674</b>	<b>2,139</b>	<b>0.2</b>
Raw materials and external services (*)	(389,203)	(389,140)	(63)	(0.02)
Salaries, wages and employees benefits (*)	(85,116)	(85,188)	72	0.1
<b>Gross operating profit</b>	<b>587,494</b>	<b>585,346</b>	<b>2,148</b>	<b>0.4</b>
<i>% on revenues</i>	<i>55.3%</i>	<i>55.2%</i>		
Other valuation adjustments and provisions to reserves for risks and charges, net	(50,028)	(52,433)	2,405	4.6
Other income (expenses), net	(2,256)	(2,068)	(188)	(9.1)
<b>Operating income before amortisation, depreciation, non-recurring and restructuring costs (EBITDA)</b>	<b>535,210</b>	<b>530,845</b>	<b>4,365</b>	<b>0.8</b>
<i>% on revenues</i>	<i>50.4%</i>	<i>50.1%</i>		
Operating amortisation, depreciation and write-downs	(19,312)	(17,335)	(1,977)	(11.4)
Non-operating amortisation and write-downs	(162,067)	(162,067)	-	-
Non-recurring and restructuring costs, net	(10,007)	(30,391)	20,384	67.1
<b>Operating income (EBIT)</b>	<b>343,824</b>	<b>321,052</b>	<b>22,772</b>	<b>7.1</b>
<i>% on revenues</i>	<i>32.4%</i>	<i>30.3%</i>		
Interest expenses, net	(248,071)	(216,830)	(31,241)	(14.4)
Write-up (write-down) of equity investments	447	(31,484)	31,931	101.4
Gains (losses) on disposal of equity investments	(432)	4,541	(4,973)	109.5
<b>Income before income taxes</b>	<b>95,768</b>	<b>77,279</b>	<b>18,489</b>	<b>23.9</b>
Income taxes	(11,053)	(43,963)	32,910	74.9
<b>Income for the year</b>	<b>84,715</b>	<b>33,316</b>	<b>51,399</b>	<b>154.3</b>

(\*) Less repayments of costs.

## Reclassified Balance Sheet of SEAT Pagine Gialle S.p.A. at December 31, 2005

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change
Goodwill and customer data base	3,767,899	3,929,966	(162,067)
Other non-current assets (*)	514,257	357,237	157,020
Operating non-current liabilities	(48,758)	(46,578)	(2,180)
<b>Operating working capital</b>	<b>283,588</b>	<b>303,965</b>	<b>(20,377)</b>
- Operating current assets	658,645	698,068	(39,423)
- Operating current liabilities	(375,057)	(394,103)	19,046
<b>Non-operating working capital</b>	<b>(23,209)</b>	<b>(3,098)</b>	<b>(20,111)</b>
- Non-operating current assets	2,144	16,755	(14,611)
- Non-operating current liabilities	(25,353)	(19,853)	(5,500)
<b>Net invested capital</b>	<b>4,493,777</b>	<b>4,541,492</b>	<b>(47,715)</b>
<b>Equity</b>	<b>(A) 979,587</b>	<b>899,643</b>	<b>79,944</b>
<b>Net financial debt</b>	<b>3,613,486</b>	<b>3,758,130</b>	<b>(144,644)</b>
Transaction costs on loans	(122,474)	(116,281)	(6,193)
Cash flow hedge instruments	23,178	-	23,178
<b>Net financial debt - "book value"</b>	<b>(B) 3,514,190</b>	<b>3,641,849</b>	<b>(127,659)</b>
<i>of which:</i>			
- Non-current financial debts	3,526,626	3,760,403	(233,777)
- Current financial debts	261,949	232,525	29,424
- Non-current financial assets	(110,600)	(172,132)	61,532
- Current financial assets, cash and cash equivalents	(163,785)	(178,947)	15,162
<b>Total</b>	<b>(A+B) 4,493,777</b>	<b>4,541,492</b>	<b>(47,715)</b>

(\*) This item includes the "financial assets available for sale".

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## Operating Free Cash Flow of SEAT Pagine Gialle S.p.A. for 2005

(euro/thousand)	Year 2005	Year 2004	Change
Operating income before amortisation, depreciation, non-recurring and restructuring costs (EBITDA)	535,210	530,845	4,365
Actuarial gains (losses) on operating assets and liabilities	(998)	(851)	(147)
Decrease (increase) in operating working capital	20,377	39,129(*)	(18,752)
(Decrease) increase in operating non-current liabilities	2,180	2,619	(439)
Capital expenditure	(27,591)	(20,574)	(7,017)
(Gains) losses on disposal of non-current assets	70	(26)	96
<b>Operating Free Cash Flow</b>	<b>529,248</b>	<b>551,142</b>	<b>(21,894)</b>

(\*) € 25,000 thousand of non-recurring provision to the allowance for doubtful account was deducted from the "decrease (increase) in operating working capital" item for the year 2004.

## ➤ Main corporate events of 2005

In addition to the information described in the section “Economic and Financial Performance of the Business Areas”, the following should be noted:

### Refinancing of the “Senior” debt with The Royal Bank of Scotland Plc Milan Branch

On June 8, 2005 SEAT Pagine Gialle S.p.A., after repaying a € 84 million installments of principal originally due in December 2005, refinanced the outstanding debt at that date with the Royal Bank of Scotland Plc Milan Branch drawn in 2004, for a total amount of € 2,530.1 million, plus a revolving credit line facilities of € 40 million, which was repaid on August. This loan, which saw BNP Paribas in the role of Arranger and The Royal Bank of Scotland Plc Milan Branch as Lender, is now organised into three tranches, as described in the section “Economic and financial performance of the Group - Net Financial Debt”.

The following changes were made compared to the previous loan agreement:

- the previous tranche C, bearing a 3.415% spread p.a. on the Euribor interest rate, was cancelled;
- tranche A1, in pound sterling was cancelled;
- tranche A, bearing a minor spread, was increased;
- spreads applied to the various tranches were reduced.

As a result of the loan reorganisation, the average life of the “Senior” debt increased from approximately 5.2 to 5.9 years.

This transaction also enabled the Company to significantly reduce the cost of the Senior debt, whose weighted average rate decreased by around 81 basis points, equivalent to a saving of approximately € 13 million for the period from June to December 2005.

### Seat Corporate University S.c.a.r.l.

In July 2005 “Seat Corporate University S.c.a.r.l.”, a consortium company, was set-up with share capital of € 10,000. Seat Pagine Gialle S.p.A holds directly the 95% interest and indirectly the 5% interest through Prontoseat S.r.l..

Seat Corporate University was created in January 2005 within SEAT Pagine Gialle S.p.A., in order to capitalise and focus the Company’s resources on training and to restore to SEAT Pagine Gialle S.p.A. its role as a school of excellence in Italy for sales and consultancy on advertising, communication and information for small and medium size enterprises. The Seat Corporate University is a separate legal entity and its purpose is to promote and carry out managerial and professional training programs related to advertising, communication and information services.

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## Taxation of interest payments between associates in different member states

On July 26, 2005 Legislative Decree No. 143 of May 30, 2005 was published on the "Gazzetta Ufficiale" and consequently came into force. This Legislative Decree implements the EU directive 2003/49/CE concerning the taxation of interest and rent payments between associates companies in different EU States.

It states the withholding tax exemption on interest payments to foreign companies directly held through a minimum stake of 25%. Therefore this legislative decree can be applied to future interest payments to the subsidiary Lighthouse International Company S.A., in relation to the "Notes Proceeds" loan of € 1,300 million granted to SEAT Pagine Gialle S.p.A. by using the funds generated as of the same date through a debenture loan of a similar amount.

The new regulation will have a positive impact on the results of the SEAT Pagine Gialle group as a consequence of the loan agreement clauses which provide the possibility of changing the interest rate depending on the application of withholding tax.

## ➤ Events subsequent to December 31, 2005

### Prepayment of a portion of "Senior" debt

In February 2006 SEAT Pagine Gialle S.p.A. made a prepayment of € 100.5 million referred to the tranches A and B of the "Senior" loan with The Royal Bank of Scotland Plc Milan Branch.

€ 85.5 million of the amount repaid was contractually due June 2006 and the remaining amount June 2013. Voluntary repayment is one of the contractual options the Company has to use liquidity exceeding operational requirements.

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## → Outlook

The year 2005 was a major transition year for SEAT Pagine Gialle S.p.A., featuring the reorganisation of its operating and sales structures aimed at bringing the company back onto a sustainable business growth path. In accordance with the 2005-2007 three-year Plan, the company completed an intensive sales force training program and introduced new products onto the market for print directories and directory assistance services. These innovations, the step-up in specialised BtoB directories, and the good performance reported by the online platforms and the 89.24.24 Pronto PAGINEGIALLE voice service generated stable revenues, despite worse-than-expected macroeconomic conditions and the decrease in the print PAGINEGIALLE revenues.

After two years of focusing mainly on internal reorganisation, 2006 will be a turning point for SEAT, with the Parent Company investing heavily in the introduction of new products in the key business areas: since January, the company has been advertising the new 12.40 Pronto PAGINEBIANCHE® service; in April, it will introduce to the market major innovations in its online service; in June, it will begin distributing the new color editions of PAGINEBIANCHE® directories; in the second quarter, it will begin the advertising collection on the new print PAGINEGIALLE® directories, which have been quite significantly redesigned in their content and graphic especially in the "Lavoro" edition. These product innovations will sustain revenue growth, still also influenced by the restructuring of the customer portfolio for the print PAGINEGIALLE® directories. Major investment in advertising and the strengthening of internal operating structures to support the above-mentioned product innovation will affect EBITDA, which is however expected to grow compared to 2005.

Elsewhere within the Group, Telegate is expected to report particular revenue growth, boosted by entry into the French market where liberalisation began in November and will be completed in early April with the definitive closing of the old Universal Service Numbers. This revenue growth will be offset by advertising expenses necessary for entry into the French market, having an impact on the 2006 operating result.



## ➤ Economic and financial performance of the Business Areas

		Italian Directories	UK Directories	Directory Assistance	Other Activities	Aggregate Total	Eliminations and other adjustments	Consolidated Total
<i>(euro/mln)</i>								
<i>Revenues from third parties sales and services</i>	Year 2005	1,054.9	175.6	142.9	51.2	1,424.6	-	1,424.6
<i>Revenues from intercompany sales and services</i>	Year 2005	6.9	-	16.5	16.4	39.8	(39.8)	-
Revenues from sales and services	Year 2005	1,061.8	175.6	159.4	67.6	1,464.4	(39.8)	1,424.6
	Year 2004	1,059.7	170.0	150.0	55.5	1,435.2	(29.5)	1,405.7
Raw materials and external services (*)	Year 2005	(389.2)	(62.5)	(63.6)	(39.6)	(554.9)	39.9	(515.0)
Salaries, wages and employees benefits (*)	Year 2005	(85.1)	(65.1)	(53.1)	(15.5)	(218.8)	(0.1)	(218.9)
Gross operating profit	Year 2005	587.5	48.0	42.7	12.5	690.7	-	690.7
	Year 2004	585.3	45.3	42.1	9.0	681.7	0.1	681.8
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	Year 2005	535.2	42.0	37.7	11.7	626.6	-	626.6
	Year 2004	530.8	39.6	36.0	7.9	614.3	0.1	614.4
Operating income (EBIT)	Year 2005	343.8	35.9	31.1	9.4	420.2	-	420.2
	Year 2004	321.1	35.8	25.2	3.5	385.6	(6.2)	379.4
Total assets	December 31, 2005	5,217.3	310.1	158.4	57.6	5,743.4	(426.4)	5,317.0
	December 31, 2004	5,353.1	287.7	120.5	52.1	5,813.4	(420.4)	5,393.0
Total liabilities	December 31, 2005	4,237.7	166.0	71.8	29.2	4,504.7	(187.4)	4,317.3
	December 31, 2004	4,453.5	267.8	86.6	23.1	4,831.0	(297.9)	4,533.1
Net invested capital	December 31, 2005	4,493.8	231.4	35.5	13.2	4,773.9	(238.9)	4,535.0
	December 31, 2004	4,541.5	214.5	26.3	8.2	4,790.5	(122.4)	4,668.1
Capital expenditure	Year 2005	27.6	2.8	13.1	2.7	46.2	(0.2)	46.0
	Year 2004	20.6	3.1	4.1	2.1	29.9	-	29.9
Average workforce	Year 2005	1,288.4	1,025.0	2,019.4	427.1	4,759.9	-	4,759.9
	Year 2004	1,318.4	971.0	1,857.0	206.1	4,352.5	-	4,352.5
Average number of sales agents	Year 2005	1,899	-	-	-	1,899	-	1,899
	Year 2004	1,973	-	-	-	1,973	-	1,973

(\*) Less repayment of costs.

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Main operational data of the Group	Year 2005	Year 2004
<b>Published directories</b>		
PAGINEBIANCHE®	103	103
PAGINEGIALLE®	202	202
ThomsonLocal	173	173
<b>Distributed directories (values in million)</b>		
PAGINEBIANCHE®	26.1	26.2
PAGINEGIALLE®	21.1	21.7
ThomsonLocal	24.0	23.8
<b>Number of page views (values in million)</b>		
<i>Thirty-minute accesses to website with no interruption</i>		
PAGINEBIANCHE.it®	159.6	121.8
PAGINEGIALLE.it®	76.7	70.1
TUTTOCITTÀ.it®	34.1	26.0
Europages.com	23.7	17.4
<b>Number of calls (values in million)</b>		
11880	114.4	120.6
89.24.24 Pronto PAGINEGIALLE®	18.5	16.9
<b>Average value per call (values in euro)</b>		
11880	1.31	1.45
89.24.24 Pronto PAGINEGIALLE®	1.68	1.35
<b>Number of users (values in million)</b>		
PAGINEBIANCHE® page views <sup>(1)</sup>	24.7	23.7
PAGINEGIALLE® page views <sup>(1)</sup>	20.8	21.3
PAGINEGIALLE.it® unique users	2.8	2.5
TUTTOCITTÀ.it® unique users	5.3	4.8
Callers at 89.24.24 Pronto PAGINEGIALLE®	4.9	4.4











(1) Sinottica Eurisko Data - number of users during the twelve-month period prior to interview (people among 14 - 74 years). The 2005 data are being worked out by Eurisko yet.

## → Italian Directories





### Market scenario and strategic position

As the “Italian Directories” Business Area (substantially coinciding with SEAT Pagine Gialle S.p.A.) prevails over the rest of the Group, the market scenario and the strategic reference positioning are those described in the previous introductory section with the same title and referred to the Group as a whole and to SEAT Pagine Gialle S.p.A. in particular.

### Products

			Year 2005 % on total revenues
<b>Print revenues</b>			
	PAGINEGIALLE	Italian businesses and institutions directory	37.8
	PAGINEBIANCHE	telephone directory	36.2
	ANNUARIO SEAT	a benchmark for Italian companies, industry by industry	1.5
	PAGINEGIALLE Professional	BtoB directory by PagineGialle, specially designed for entrepreneurs and purchasing managers of SMEs	1.5
	PAGINEBIANCHE Office	CD-ROM delivered with PAGINEGIALLE Lavoro containing complete updated information on over 3 million Italian companies	
	TuttoCittà	road map of Italy	
	InZona	pocket guide to the most common services and purchases near home designed for families	1.6
	Idee InVacanza	shopping and entertainment guide mainly designed for summertime tourists	
	Annuario Kompass	directory containing information relative to offices, activities and products of over 100,000 Italian companies	
Other printed products			
<b>Total print revenues</b>			<b>78.6</b>
<b>Online revenues</b>			
	PAGINEGIALLE.it	search engine specialised in business searches	10.9
Other online products (Kompass)			
<b>Total online revenues</b>			<b>10.9</b>

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			Year 2005 % on total revenues
<b>Voice revenues</b>			
	89.24.24 Pronto PAGINEGIALLE	it provides directory assistance value added services	
	12.40 Pronto PAGINEBIANCHE	it provides basic information about phone subscribers	6.5
<b>Total voice revenues</b>			<b>6.5</b>
<b>Other</b>			
	Direct Marketing	postal and internet mailing list services	
	Merchandising	custom-made series of promotional objects	4.0
<b>Product sales and other revenues</b>			
<b>Total revenues</b>			<b>100.0</b>

## Economic and financial performance

The table below sets out the highlights for 2005, compared to those of the prior year.

(euro/mln)	Year 2005	Year 2004	Change	
			Absolute	%
Revenues from sales and services	1,061.8	1,059.7	2.1	0.2
Gross operating profit	587.5	585.3	2.2	0.4
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	535.2	530.8	4.4	0.8
Operating income (EBIT)	343.8	321.1	22.7	7.1
Net invested capital	4,493.8	4,541.5	(47.7)	(1.1)
Capital expenditure	27.6	20.6	7.0	34.0
Average workforce	1,288.4	1,318.4	(30.0)	(2.3)

SEAT Pagine Gialle S.p.A.'s **revenues from sales and services** amounted to € 1,061.8 million in 2005, a slight increase of 0.2% compared to the previous year (€ 1,059.7 million). This result was achieved notwithstanding the negative economic environment and the Company's actions aimed at increasing sales quality.

A more detailed analysis of the main products contained in the wide multi-platform offering shows that:

- *Print*: revenues from print products decreased by 3% in 2005 to € 834.1 million, compared to € 859.6 million in 2004, though on an upward trend in the last months of the year compared to the first half of the year, when the contraction was 4%. This trend is affected by the negative performance of directories of the largest cities (Turin, Milan, Florence and Rome). In those areas the result was impacted by *i*) the greater focus on sales quality (creditworthiness and use of sales promotions), *ii*) the reduced spending of a small number of medium-large customers, who in recent years had highly increased their purchases of advertising space, also in response to the promotional incentives received. However, also in the biggest cities, most of large customers increased their spending, showing to appreciate the product value. On the other hand, results in mid-size cities were less impacted by the reduction in the number of advertisers with large-size advertising space.

In 2005, revenues, whose performance was negative in overall terms, were impacted primarily by PAGINEGIALLE® (which represents about 48% of *print* revenues), whilst revenues from most of the other print products increased and/or were substantially stable compared to 2004. In particular, the two main products PAGINEGIALLE® and PAGINEBIANCHE® showed different trends:

- PAGINEGIALLE® recorded a sharp drop in revenues (-6.3% compared to 2004), with a declining number of customers, and a substantially stable average value. As mentioned above, the decision of some medium-large clients to reduce their spending on the SEAT's media affected the performance of PAGINEGIALLE®, particularly in the largest cities. The advertising sales campaign for the renewal of Casa and Lavoro editions will start;
- PAGINEBIANCHE® recorded revenues substantially stable (-0.6% compared to 2004). This is the result of its increased presence in the medium/small towns and the reduced commercial pressure existing for this product in the past. In 2005 the average value per customer increased, more than offsetting the slight decrease in the number of clients, benefiting both from product development, and from the offering of combined visibility on the print and online version, PAGINEBIANCHE.it®, whose page views increased by 31.0% to 159.6 million. PAGINEBIANCHE® will benefit from an important innovation: the full-colour. This innovation, starting with the 2006 edition of Genoa directory, will make searches more effective and agreeable for users and will increase the visibility of advertisers;
- with regards to *other print products* it should be noted that:
  - two new products *InZona* and *Idee InVacanza* were launched successfully onto the market (€ 4.8 million) during 2005. These represented an important product innovation designed to meet communication needs on a local scale in the large cities and tourist areas not fully served by the range of existing products. These products, in fact, may be considered a development of PAGINEGIALLE® at a local level;

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- during the year, other print products reported total revenues of € 44.0 million, a reduction of € 1.2 million compared to 2004. Print products for business use (BtoB), thanks to repositioning and restyling actions, reversed their negative trend recorded in the past few years (PAGINEGIALLE Professional® +6.4% in 2005 compared to -9.6% in 2004, ANNUARIO SEAT® +1.9% in 2005 compared to -6% in 2004). In 2006 a similar recovery is expected for TuttoCittà®, which is currently being restyled.
- *Online*: revenues amounted to € 115.8 million in 2005 (+13.0% compared to 2004), thanks in particular to PAGINEGIALLE.it®, which increased by 13.1% to € 111.0 million (€ 98.1 million in 2004). This increase in revenues was supported by the improvement in functions and the rise in page views (+4%). The majority of page views (about 58%) took place directly on PAGINEGIALLE.it®, whilst the remaining 42% was generated by the partnership agreements with other portals. These agreements belong to two different categories, both designed to assure greater visibility to SEAT Pagine Gialle's customers: *co-branding* (in place with MSN, Virgilio, Yahoo Italia, Supereva, Kataweb, Leonardo.it, La Repubblica.it, Corriere della Sera.it, La Gazzetta.it, H3G, Vodafone and Wind) which allows PAGINEGIALLE.it® to be accessed directly from the home page of these portals through the link to different search functions; *PG-NET* whose subscribers are offered exit priority on the Virgilio and Yahoo Italia portals as well as on the PAGINEGIALLE.it® search engine. Advertisers were able to achieve an increased return on their advertising spending thanks to a higher visibility obtained through an increasing number of users. The result was a rise in the average expenditure per customer, which reached € 714 (+15.3% compared to 2004), more than offsetting the reduction in the number of customers (-5.3% compared to 2004). This reduction was mostly due to the strategy of redefining the customer portfolio, with a focus on customers who can really benefit from their presence on this platform. The performance of revenues was also positively influenced by a further enhancement of the offering, with the introduction of new functions such as proximity search, virtual tours and voice-over-IP options. In particular about 10,000 clients of PAGINEGIALLE.it® (7% of the total amount) signed up to the latter function in 2005. Finally, important changes were also introduced in the *online map system of TuttoCittà*, with the launch of TuttoCittà online editions for the cities of Rome, Turin, Naples and Milan. *Cataloghi online* also achieved good results in 2005, reaching more than 10,000 customers.

- *Voice*: revenues from voice platform continued to grow, with an increase of 25.3% to € 69.0 million in 2005 due to the excellent performance of the 89.24.24 Pronto PAGINEGIALLE® service and the launch of the new 12.40 Pronto PAGINEBIANCHE® service. Traffic revenues (+42.8% to € 33.2 million) contributed to this result, sustained by the good performance in terms of call numbers and the increase in the call average handling time. In 2005, the number of services available on 89.24.24 Pronto PAGINEGIALLE® was expanded significantly with new offerings such as information on local events (exhibitions, markets, etc), sport facilities, shopping centers, TV programmes, lotteries, car road tax, news, snow bulletin and horoscope, as well as the ringtone request facility. These services complete the ones previously offered, including the possibility to book restaurants and purchase tickets for concerts and sport events, among others. Advertising revenues increased by +12.6% to € 35.8 million. The rise in call numbers and the new services allowed the average revenues per account (ARPA) to increase by 9.9% to € 345. Following the liberalisation of the directory assistance market in Italy, as of October 2005 revenues from the 12.40 Pronto PAGINEBIANCHE® service start to flow into the Voice business area. SEAT Pagine Gialle S.p.A.'s entry into the basic directory assistance market can be considered as a development of the Voice offering, already available with the 89.24.24 Pronto PAGINEGIALLE® value added service.
- *Other products*: revenues from Direct Marketing products continued to grow (+3.6% to € 11.8 million) benefiting from the continuous evolution of the products and services offered, as well as the new offering of direct marketing campaigns through SMS. Giallo Promo merchandise recorded a decrease in its activity, with revenues amounting to € 18.5 million (€ 22.0 million in 2004), mainly due to the start of a restructuring project of the product range and catalogues to support sales. This restructuring project began in the last few months of 2005 thereby affecting the Company's performance for 2005. The acquisition of Cipi S.p.A., in September 2005, considered a step of this project aimed at improving the offering in the merchandising market also thanks to a greater integration with the SEAT product portfolio and sales network, as well as the below-the-line services provided by the SEAT group, in particular by Consodata.

**Raw materials and external services** amounted to € 389.2 million, substantially stable compared to 2004, since the increase in advertising costs (+ € 14.2 million) was offset by the decrease in sales commission (- € 13.5 million). In detail:

- *industrial costs*, amounting to € 161.3 million in 2005 (€ 163.9 million in 2004), include € 43.2 million for *paper consumption* (€ 45.6 million in 2004), down due to the reduction in the number of signature marks (-4% compared with 2004) and € 89.7 million for *industrial, production and distribution costs* (€ 91.8 million in 2004). These costs benefit from a better yield per page of the print editions as a result of the improvements achieved in the sales quality. In 2005, 64,141 tons of paper (67,986 tons in 2004) and 12.1 million sheets (9.7 million in 2004) were used. In addition, industrial

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costs include € 16.1 million of *call center costs* (€ 12.5 million in 2004), increased as a consequence of a higher call average handling time within the 89.24.24 Pronto PAGINEGIALLE® service and the launch of the 12.40 Pronto PAGINEBIANCHE® service as of October 2005;

- *sales commissions and other agent costs* amounted to € 116.2 million in 2005, down by 10.4% compared with the previous year. The decrease was due to reduced advertising revenues, the reversal of prior years' commission costs no longer due and the national sales force Convention, deferred to the first half of 2006 to support the new product initiatives and the start-up of the network's new organisational structure;
- *advertising and promotion costs* amounted to € 34.5 million up by € 14.2 million compared to the previous year (€ 20.3 million in 2004) as a result of the new advertising campaign on PAGINEGIALLE® and the launch of the new 12.40 Pronto PAGINEBIANCHE® service;
- *professional services, consultancies and collaboration costs*, amounting to € 29.6 million in 2005 (€ 25.8 million in 2004), relate to legal, administrative and IT services. IT services, in particular, increased by € 1.2 million (+22.9%) due to a lot of projects started in strategic areas (e.g. SEM, enterprise DB, Data Center, SAP);
- with regards to *other costs*, training costs amounted to € 1.1 million in 2005, more than doubled compared to 2004 as a result of the intensive sales force and employees training activity relating to the New SEAT Project and rentals costs amounted to € 13.2 million in 2005, down by € 2.1 million compared to 2004.

**Salaries, wages and employees benefits**, net of repayments of costs for seconded personnel, amounted to € 85.1 million, substantially stable compared to 2004 (€ 85.2 million). The result is the combined effect of *i*) a reduction in the average workforce (-30 units) also due to the reorganisation plan which led to the early retirement of 81 employees during 2005 (- € 3.3 million), and *ii*) an increase in the average cost per capita due to a more qualified personnel mix and the renewed National Collective Labor Contract (+ € 3.8 million).

Workforce numbered 1,331 units at December 31, 2005 (1,341 units at December 31, 2004) whilst the salaried average workforce during the year was 1,288 units (1,318 units in 2004).

**Gross operating profit**, amounting to € 587.5 million, is substantially in line with the previous year (+0.4%), a ratio of 55.3% on revenues from sales and services (55.2% in 2004), despite increased advertising costs in 2005 compared to 2004.

**EBITDA** reached € 535.2 million, an increase of € 4.4 million compared to 2004 (+0.8%), a ratio of 50.4% on revenues from sales and services, slightly up compared to the previous year (50.1%). The further improvement compared to the gross operating profit is mainly



due to the provisions. In fact, the provisions to the reserves for litigation was € 4.3 million lower than in 2004, the provision to the allowance for doubtful accounts from agents € 2.9 million lower and to the reserve for commercial risks € 1.5 million lower (at the end of 2005 the number of claims for publishing errors on PAGINEGIALLE®, PAGINEBIANCHE® and Annuari was 20.5% lower than at the end of the previous year). The provision to the allowance for doubtful trade accounts, on the contrary, increased by € 6.5 million compared to 2004. This provision was prudently accrued to ensure greater coverage of the oldest portion of receivables, which were characterised by a low level of customer selectivity in terms of creditworthiness and which were overdue from a long time.

## Investments

**Industrial investments**, amounting to € 27.6 million, increased by € 7 million compared to 2004. The main project areas include: development of architectures used for providing online and voice products (€ 3.1 million); development of software used for managing the potential customer database in order to support both the CRM and Accounting processes (€ 1.3 million); start-up of SAP project for the development of CRM processes and systems and optimisation of the process from order to cash (€ 1.8 million); creation of a prototype and start-up of tests for implementing the new multiplatform publishing system (€ 3.2 million); security measures including fitting out a second machine room and installing disaster recovery storage (€ 1.9 million).

The main investments made by SEAT Pagine Gialle S.p.A. are illustrated below.

### **New multimedia publishing system (SEM Project)**

SEM project started up in February 2005 to develop an integrated production platform, specifically for Directories, for processing multimedia advertising information (on paper, online, on disc and on voice). SEM will replace the existing platform, created by SEAT at the beginning of the 1990s.

The new operating logic focused on the publishing validation of the basic contents of each economic operator regardless of the publication/delivery medium. The aim is to ensure data uniformity and quality as well as the visibility of the data in the publishing processes and the preparation of commercial proposals.

SEM project has innovative aspects, such as *i)* an automatic normalisation system, which converts to standard formats the shared content of different advertisements of the same customer; *ii)* a multimedia publishing database, which supports the processing within a "customer-focused" vision and *iii)* an automatic system for constructing each advertisement in relation to the specific features of the publication/delivery medium. Latest-generation integrated workstations have been provided to support the new working practices. These allow all the editorial products to be processed at the same time. It has been also provided a system for managing the whole supply chain, which will enable SEAT to plan and

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control all the activities of the publishing process.

The first prototype was released at the end of 2005, whilst production start-up is planned for the second half of 2006. For this purpose training is being organised both for operating staff and for outsourcers and the new work organisation is being defined so as to capitalise on the benefits of the new system.

### **PAGINEBIANCHE® in full-colour**

Design work on the new PAGINEBIANCHE® using full-colour took place during 2005. The entire advertising range was redefined and the service and navigation information restyled so as to expand the commercial opportunities and create renewed interest for the product by users.

The project led to the creation of the sales “maquettes” for the start-up of the campaign starting with the Genoa 2006 directory.

On the production front, in collaboration with ILTE, SEAT identified the reference technology for producing both the new PAGINEBIANCHE® using full-colour and the installation’s supplier. The choice of the supplier fell on the German company MAN, world leader in the coldset rotary offset printing sector. In view of the significant investment that the printer will have to make in order to provide a rotary offset printer for SEAT’s use only and having the dimensional and quality features required by the new PAGINEBIANCHE®, the contractual agreements have also been redefined and extended to the end of 2014. The tariffs are highly competitive compared to European prices in this sector.

Still on the production front, a project was started with the main paper suppliers for the development of a special standard of paper for the new coldset rotary offset printer so as to maximise the chromatic yield in the low basic weights, whilst research was developed together with ILTE to produce special inks so as ensure a high level of compatibility with the printing technology and paper used. This was done to optimise the overall result.

### **New Commercial Information Systems**

Within the project to renew SEAT’s information systems, a major focus has been placed on systems to support the sales staff. In particular, it should be noted:

- *Customer Data Base*: creation of an integrated database of personal details, supporting all the business processes, relative to the Italian Economic Operators (existing and potential clients), managing both a sales-oriented and administrative data view. The customer database will also be the basis for the marketing and campaign management processes;
- *Evolution – sales support*: development of new software to support agents in preparing their visits to customers, in profiling the client and its potential interest in SEAT products, in preparing sales reasons and advertising design prototypes to be shown to customers, in filing the history of the customer relationship. Once the sale is completed, Evolution allows to interface with SEAT’s administrative systems;
- *SAP – from order to cash*: development of the first steps of the project aimed at adopting the SAP platform from the front-end (Evolution) to the final back-office step, represented by the cash receipt.

## Regulatory framework

### Telephone directories and Universal Data Base

Starting from the regulations on Universal Service (Presidential Decrees No. 318/97 and No. 77/01, now replaced by Legislative Decree No. 259/03, through which the Electronic Communications Code was issued) and the implementing measures issued by the Authority for Communication and the Data Protection Authority (Garante per la protezione dei dati personali), fixed and mobile telephone operators have created the Universal Data Base (UDB). In July 2005, the contract to access the UDB and its updating with Telecom Italia was signed (Telecom Italia is one of the three operators, together with Albacom and Eutelia, authorised to sell the UDB to the market, and SEAT is involved in negotiations with each company). Making them it was possible to comply with the provisions contained in the regulations issued by the Data Protection Authority under which the first telephone directories using data from the UDB should have been published by August 2005. SEAT has complied with this provision since publishing the Brescia 2005/2006 Edition of PAGINEBIANCHE® in August 2005. Both the telephone directory, available online through the website [www.paginebianche.it](http://www.paginebianche.it), and the subscriber information service, available by dialling 89.24.24 Pronto PAGINEGIALLE® and, starting from October 2005, also accessible by dialling 12.40 Pronto PAGINEBIANCHE®, are provided by access to the UDB.

Similar contracts were signed by the other three companies in the Group (Consodati S.p.A., Prontoseat S.r.l., Telegate Italia S.r.l.) which, according to the nature of their business, need to use the telephone service subscribers data in compliance with consents provided by the individual subscribers.

In July 2005 the Data Protection Authority issued further regulations relating to telephone service subscribers data, this time concerned with the creation of the "category" directories, that is those publications, such as, for example, PAGINEGIALLE®, in which telephone subscribers are listed by reference to trade categories representing their business activities. In substance, the Authority, acknowledging the different commercial and unregulated nature of such directories with respect to the alphabetic directories, confirmed that the more restrictive privacy regulations applying to telephone directories did not apply to them. As a consequence they are not affected by the related provisions (among others, the obligation to print a sign representing an envelope and telephone receiver next to each subscriber's company title/name as an indication of their consent to being contacted by mail or telephone for commercial purposes). These regulations thus permit the processing of the related data for the compilation of the "category" directories and down-stream activities in compliance with the general principles contained in the Privacy Code even where the "category" directories have been created by drawing on data from the UDB.

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### Subscriber information services

Following the issuing of Resolution 15/04/CIR by the Authority for Communication ("AGCom") implementing the National Numbering Plan, the Ministry of Communications effected the first allocation of 12xy numbers for subscriber information services, the final regulation to permit the full deregulation of the market. SEAT Pagine Gialle currently has three numbers available and, more precisely, 12.40 used by SEAT, 12.89 used by Prontoseat and 12.56 used by Telegate Italia.

In the first quarter of 2005, Telecom Italia S.p.A., Tim S.p.A. and Vodafone S.p.A. appealed to the Latium Regional Administrative Courts (TAR of Latium) for the repeal and interim suspension of the above mentioned Resolution No. 15/04/CIR. The appeal was argued affirming that it was illegitimate the closing (starting from December 1, 2005) of the subscriber information services provided by the three petitioners under the "decade 4" numbers (412) and that telephone operators were being treated unfairly with regard to notifying users about the closing of such services under the "decade 4" numbers and the launching of the new 12xy ones. The petition for suspension was rejected at first instance by the TAR of Latium and at second instance by the Council of State.

The new 12xy numbers (12 out of a total of 16 codes allocated by the Ministry of Communications) were activated in October 2005 as scheduled by AGCom, with the simultaneous closing of the 12 service of Telecom Italia.

The three numbers allocated to the SEAT Pagine Gialle group can be accessed by all fixed and mobile telephone subscribers of all telephone operators. SEAT Pagine Gialle decided to enter the market with the number 12.40 Pronto PAGINEBIANCHE®, focusing its entire advertising campaign on this number, implemented by TV, radio, press and billboards from the end of September 2005.

At the end of November 2005, following infringements by the telephone operators providing subscriber information services without complying with the provisions issued by AGCom, the latter issued a new resolution (83/05 CIR), regarding the imminent cessation of subscriber information services accessible through the "decade 4" numbers and to protect fair competition by imposing the following requirements on the telephone operators providing the subscriber information services (effective from December 1, 2005, and for no less than 180 days):

- prohibition against direct routing of calls made to "decade 4" numbers to other numbers offering subscriber information services;
- ban on providing information to callers giving details of the new numbers allocated to the related operators;
- a limit imposed on the use of "decade 4" numbers for the operator's internal services only; and
- the neutrality of the (free) message that has to specify *i*) the subscriber information service is no longer available on the 412 numbers and *ii*) there are new 12xy numbers dedicated to this service, without, however, specifying one in particular.

Finally, in order to ensure transparency in dealings with users, the Authority requested all operators offering subscriber information services to send over details of the prices charged to the public for their services together with any subsequent variation. These prices have

been published on the Authority's website.

This resolution too, was challenged by Telecom Italia, TIM Italia and Vodafone before the TAR of Latium, requesting its interim suspension, alleging that it was illegitimate for the same reasons relied on in the previous applications. SEAT appeared before the court in all these legal proceedings. At the hearing held on March 9, 2006, the petitioners gave up their request for a suspension and hence all three applications will be decided on the merits at the next hearing set for October 26, 2006.

Still with regard to the supply of subscriber information services through the 12xy numbers, AGCom has recently approved a resolution, published in the Official Gazette on March 7, 2006, reducing the maximum price per calls from a fixed network from euro 1.50 to euro 1.20 per minute, excluding VAT, maintaining the cost of the connection charge unchanged (euro 0.30). This change has no significant effects on the 12.40 Pronto PAGINEBIANCHE® service provided by SEAT.

On the other hand, the Ministry of Communications has adopted regulations, by means of a Ministerial Decree being published in the Official Gazette, affecting the manner in which additional charge services (such as, for example, subscriber information services, technical-professional consultancy services, publishing services, weather forecast services, tourism services, prize contests) accessible by telephone (through 12xy and 892UUU numbers) and through the Internet may be offered and provided. In substance the regulations impose the following obligations on the providers of electronic communication services (telephone operators) and the owners of the numbers or the service centres concerned (according to their respective responsibilities): (a) further duties in the supply of information to users in addition to those already in force with respect to the price of the service, both at the connection to the service itself and on the related advertising; (b) forms of consent by users to the supply of the service; (c) restrictions on the sale of products and services; (d) the imposition of a maximum price (euro 12.50) which can be invoiced by the electronic communications operator; (e) sanctions in the case of non-compliance with the provisions, ranging from the temporary suspension from service to the deactivation of network access which, in the most serious cases, may cover all additional charge services provided through any number.

On December 1, 2005, Telegate (SEAT Pagine Gialle S.p.A. and Prontoseat S.r.l. number hosting) requested the intervention of AGCom to settle a dispute with Telecom Italia S.p.A. relating to the failure to apply the Reference Offer (which, under of current AGCom regulations is valid for all non-geographical numbers) to the 12xy numbers interconnection agreements. The failure to apply the reference price list means that SEAT Pagine Gialle is required to pay higher costs than those incurred for the services offered on 892 number.

The first hearing of this proceeding was held at the end of February 2006 and the dispute is currently at the preliminary investigation step.

### **Guideline Document on Security**

As responsible of the personal data processing, in response to the requirements of rule No. 26 of the "Disciplinare Tecnico" concerning minimum security measures (Legislative Decree No. 196 of June 30, 2003), SEAT Pagine Gialle S.p.A. will publish the annual update of its Guideline Document on Security, in relation to the processing of "sensitive and judiciary data" by electronic instruments, in March 2006.

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## → UK Directories

### Market scenario and strategic positioning

The TDL Infomedia group, which controls Thomson Directories – second player in the UK directories market since 1980 –, joined the SEAT Pagine Gialle group at the end of 2000.

Currently, TDL Infomedia group has 1,072 employees and produces 173 editions of the Thomson Local directories, distributed in 22 million copies throughout the United Kingdom. Every week, Thomson Local directories are used by 6 million people and generate 15 million business contacts. Over the past few years, the Group has strongly developed its offering of online directories.

In 2005, Thomson was 34th in the Sunday Times classification of the best 100 companies to work for in the United Kingdom. This is confirmed by the fact that the employee retention rate, including sales staff, remains at 74% despite a highly competitive market.

In 2005, British economy growth rate slowed down, with GDP growing just 1.7% (less than the expectations at the beginning of 2005). In the advertising investments sector, the Advertising Association has estimated real growth of zero in 2005, while a recovery is expected in 2006.

The Thomson strategy, in this economic scenario and in a highly competitive market, where important industrial groups such as British Telecom, Yell, and Trinity Mirror operate, aims to develop the customer base by leveraging its distinguished positioning as a local directory.

### Main corporate events

In July 2005, the Board of Directors of TDL Infomedia Ltd. decided to liquidate four subsidiaries, which were the holding of the TDL Infomedia group. The Board approved a UKE 71.1 million increase in the share capital through the conversion of intra-group loans into equity.

### Economic and financial performance

The table below sets out the highlights for 2005, compared to those for the prior year.

(euro/mln)	Year 2005	Year 2004	Change	
			Absolute	%
Revenues from sales and services	175.6	170.0	5.6	3.3
Gross operating profit	48.0	45.3	2.7	6.0
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	42.0	39.6	2.4	6.1
Operating income (EBIT)	35.9	35.8	0.1	0.3
Net invested capital	231.4	214.5	16.9	7.9
Capital expenditure	2.8	3.1	(0.3)	(9.7)
Average workforce	1,025.0	971.0	54.0	5.6

In 2005, **revenues from sales and services** of the TDL Infomedia group amounted to € 175.6 million, up by 3.3% compared to 2004. Moreover revenues expressed in sterling rose 4%, reflecting the positive performance of all product lines. The increase in revenues



and customer base (+7.2%) is a positive result in a market that is highly competitive and currently regulated. In detail:

- *revenues from print directories* increased by 1.2% even though the second half of the year felt the effects of the aforementioned slowdown in the UK economy and in the advertising market overall. The company confirmed its leadership at local level with the introduction of major innovations including new color advertisements and a new section, "Local Plus", dedicated to services and events in the local community;
- *revenues from online directories*, increased by 28.9%, from UK£ 9 to UK£ 11.6 million, thanks to product innovations, the distribution agreements of *Business Finder* (search engine for commercial operators on the Thomson database at the web address Thomsonlocal.com) and the growing interest in the *Webfinder.com* service (search engine that promotes business websites on some of the main portals in the UK). The long-term agreement signed with Google in May 2005, which provides for the integration and use of the Google AdWords services as an integral part of the Thomsonlocal.com and Webfinder.com search engines, is significant also from a future perspective, as those signed in December 2005 with MSN (Microsoft's consumer portal) and Skype (eBay group global telephone company). These agreements, with that signed with Yahoo, aim to offer Thomson customers the opportunity of increasing their visibility and thereby obtaining additional returns on their advertising investment;
- *revenues from sales of data and other business information services* increased by 10.4% from UK£ 7.7 to UK£ 8.5 million, with a growth both in number of customers and their average value.

The growth in the *directories customer base* (print and online) also continued in 2005 (+7.1% to 122.1 thousand units) thanks to the combined effect of the rise in the acquisition of new customers and the reduction in customer churn rate.

The strategy aimed at increasing market penetration has also been pursued by focusing on the commercial structure with the introduction of incentive mechanisms to reward multi-product sales. Additional new investments have been made to develop the Telecentres, which promote the sale of Thomson products by telephone.

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At EBITDA level, TDL Infomedia reports an improvement of € 2.4 million (UK£ 1.8 million) compared with 2004, despite higher advertising costs (+ € 1.4 million compared with 2004) and salaries, wages and employees benefits (+ € 1.6 million), due to the strengthening of the sales structure. This result was achieved thanks to production efficiencies, particularly in the printing process of directories.

The Group's EBIT doesn't reflect this improvement, since it is absorbed by non-recurring costs for the stock option plan granted by SEAT Pagine Gialle S.p.A. to some of its employees (€ 0.9 million) and for expenses (€ 2.3 million) incurred by the Thomson group as part of the inquiry into the level of competitiveness and competition in the British directories market undertaken by the Office of Fair Trading and the Competition Commission.

## Regulatory framework

In April 2005, the OFT (Office of Fair Trading) completed its periodic examinations of the effects arising from the regulatory mechanisms on competition. It found that there was an inadequate level of competition in the United Kingdom directories market, despite the high pressure on prices and the recent entry into the market of new competitors (British Telecom and Trinity Mirror). OFT then transferred the case to the Competition Commission (Competition Authority) to open an investigation on this issue.

Thomson officially stated its willingness to cooperate with all the necessary investigations, maintaining that the current UK market is highly dynamic and competitive, as proven by, among other things, the trend in the end prices applied to customers and the profitability margins of the market players. The Thomson group is working closely with the Competition Commission in its conduct of the investigation which is expected to last until the first half of 2007.



## → Directory Assistance

### Market scenario and strategic positioning

The "Directory Assistance" Business Area provides information services by telephone through the Group managed by the German subsidiary Telegate A.G. and through the direct subsidiary of SEAT Pagine Gialle S.p.A., Prontoseat S.r.l.

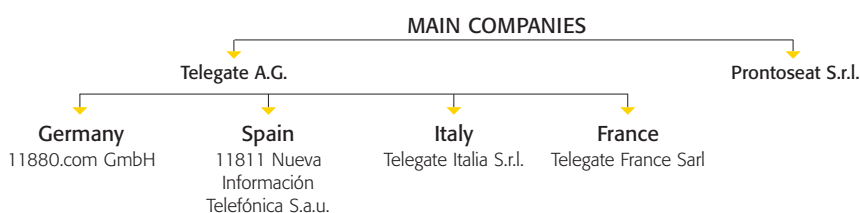
In Germany, Telegate A.G., operating with the services of the 11880 vocal portal, is the second player in the market, behind the former monopolist, Deutsche Telekom, with a 32% market share.

In Spain, a recently liberalised market, Telegate A.G. has achieved, with the number 11811, the role of second player, after the Telefónica group.

In Italy, the Company manages part of the calls of SEAT Pagine Gialle S.p.A. numbers and acts as outsourcer for other partners.

In France, Telegate entered the market in November, with the number 118000.

In Italy, Prontoseat S.r.l. performs the outsourcing of call centers serving 12.40 Pronto PAGINEBIANCHE® and 89.24.24 Pronto PAGINEGIALLE® by SEAT.



The European Directory Assistance market is developing gradually along a path of liberalisation which, after Germany and Spain, is now being experienced in Italy and France.

The Group's strategic development is moving along two main lines:

- broadening and extending the business model in Germany, which opened up at the end of the Nineties and where the market has reached a phase of maturity in terms of basic services. This market recorded a fall in call volumes in recent years, whilst the greatest opportunities for growth are available in value added services, where Telegate has successfully launched new telephone and internet services;
- extension of the business model developed in Germany in other countries, where the liberalisation process is currently under way. This business was launched in Italy at the end of 2005 and in France the launch, started last November, will be completed in 2006.

### Main corporate events

- Following the exercise of the options granted to its employees as part of the stock option plans, the Telegate AG's share capital increased to € 20,987,045, due to the issue of 6,210 new shares. As a result, the SEAT Pagine Gialle group holds 78.28% of the subsidiary's share capital (16.43% directly and 61.85% indirectly owned through Telegate Holding GmbH).

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- As from July 1, 2005, Telegate A.G. acquired the 100% interest in Febrezomo S.L., a company operating in the Spanish directory assistance market. At the end of July 2005 the company changed its name to "Uno Uno Ocho Cinco Cero Guías S.L."
- In July 2005, Telegate France Sarl (a company full owned by Telegate A.G.) acquired the 100% interest in Scoot France Sarl, which has its registered office in Paris. The company operates in the French directory assistance market, where it acquired the "118.000" telephone number. After the acquisition, the company changed its name to "Le 118000 SAS".
- As from October 1, 2005, Telegate A.G. acquired the 100% interest in 1818 Auskunft A.G., a company operating in the Swiss directory assistance market, with registered office in Zurich.
- In November 2005, during the Shareholders' Meeting of Telegate Holding GmbH, SEAT Pagine Gialle S.p.A., as sole shareholder, approved the resolution to pay an amount of about € 26 million as capital of Telegate Holding GmbH, by waiving the financial receivables paid to the subsidiary in the past under the Credit Facility Agreement effective since February 2003.
- In November 2005, the Shareholders' Meeting of Telegate Italia S.r.l., having acknowledged the company's business performance based on the results as at October 31, 2005, resolved to distribute € 5,000,000 to its sole shareholder Telegate A.G., as special dividend from the available reserves (retained earnings of previous years).

## Economic and financial performance

The table below sets out the highlights for 2005, compared to those of the previous year.

(euro/mln)	Year 2005	Year 2004	Change	
			Absolute	%
Revenues from sales and services	159.4	150.0	9.4	6.3
Gross operating profit	42.7	42.1	0.6	1.4
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	37.7	36.0	1.7	4.7
Operating income (EBIT)	31.1	25.2	5.9	23.4
Net invested capital	35.5	26.3	9.2	35.0
Capital expenditure	13.1	4.1	9.0	n.s.
Average workforce	2,019.4	1,857.0	162.4	8.7

**Revenues from sales and services** of the Directory Assistance Business Area increased by 6.3% to 159.4 million compared to 2004. This result was due to the positive performance of the Telegate group and the rise in Prontoseat S.r.l. revenues, supported by the increasing traffic volumes of the 89.24.24 Pronto PAGINEGIALLE® service.

## Telegate group

16.43% held by SEAT Pagine Gialle S.p.A. and 61.85% by Telegate Holding GmbH

The table below sets out the highlights for 2005, compared to those for the previous year.

(euro/mln)	Year 2005	Year 2004	Change	
			Absolute	%
Revenues from sales and services	150.2	143.8	6.4	4.5
Gross operating profit	41.4	40.6	0.8	2.0
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	37.0	35.2	1.8	5.1
Operating income (EBIT)	31.1	26.4	4.7	17.8
Net invested capital	18.0	8.6	9.4	n.s.
Capital expenditure	11.5	3.8	7.7	n.s.
Average workforce	1,809.4	1,664.7	144.7	8.7

In 2005, **revenues from sales and services** of the Telegate group increased by 4.5% to € 150.2 million compared to 2004, with strong growth in the last quarter (+24.6%). In detail:

- in Germany revenues decreased by 2.3% to € 113.8 million (€ 116.5 million in 2004) particularly due to the reduction in volumes caused by a general downturn in the market. This reduction was almost completely offset by an increase in average value per call as a result of the greater incidence of value added services (such as weather, traffic information and the booking service), the development of parallel business lines (such as the sale of data and the management of interconnection services for consumers and business) and the introduction of new services such as call-by-call (interconnection service for direct calls from consumers), reverse search (which allows the telephone number to be traced starting from the subscriber) and nearby search (which enables a telephone number to be traced starting from a geographical area). In addition, the strategy of enhancing outsourcing services continued with agreements with the telephone operators Vodafone GmbH and Mobilcom, on top of those with the telephone operator Colt Telecom. These agreements will allow Telegate A.G. to increase the traffic handled and to benefit from further economies of scale. Moreover, the online information service 11880.com was launched during the year. Thanks to its strong brand, it allows users to carry out searches on the Telegate database also via internet, thereby providing greater search opportunities thanks to multiplatform integration, as already happens in other European countries;
- in 2005, revenues of the Telegate group's international operations (Italy, Spain and France) increased by 37.9% to € 36.4 million (€ 26.4 million in 2004), with different trends in the various countries.

In Italy, Telegate Italia S.r.l. withstood the end of a number of outsourcing contracts through the good performance of 89.24.24 Pronto PAGINEGIALLE® service and, as of October 2005, 12.40 Pronto PAGINEBIANCHE® service. In particular, the contract with Telecom Italia Mobile S.p.A. (TIM), which expired in the last quarter of 2005, was not renewed as the result of the TIM merger into Telecom Italia S.p.A..

**11 880**

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In Spain, revenues increased by 11.8% compared to 2004. The market has entered the phase of maturity even though the universal service continues to be operated. 11811 Nueva Information Telefonica S.a.u. is aiming at consolidating its position, second player after the Telefonica group. In December 2005 the Company signed the contract for managing the services of MGA (third player in Spain, with a market share of about 3%). This contract followed those relating to the management of the services of the Antena3 Television group and the acquisition of the number 11850 from the Irish operator Conduit.

In France, in order to benefit from the liberalisation of the universal service, in July 2005 Telegate A.G. acquired Scoot France Sarl, holder of the 118000 number. This is considered to be the most promising number in terms of memorability. It also signed two important commercial agreements with the mobile telephone operators SFR and Bouygues Telecom, positioning itself as preferred partner for the directory assistance services for approximately 23.7 million of potential customers. Liberalisation of the market started in November 2005, but no significant call volumes are expected up to April 2006, when the universal service will be definitely closed.

Telegate group's workforce numbered 2,697 units at December 31, 2005 (2,502 units at December 31, 2004). The average workforce (FTE) for the year increased from 1,664.7 to 1,809.4. The difference between the workforce at the year end and the FTE is mainly due to the high use of part-time staff, in order to maximize the operating flexibility required by this type of business.

EBITDA of the Telegate group increased by 5.1% to € 37.0 million (€ 35.2 in 2004). This positive result was achieved thanks to the good performance of the German operations, which offset the costs of launching the new service in France.

In particular, call center cost-saving efficiencies continued in Germany, by optimising the overall capacity and reducing the operating costs of the technological infrastructures. This has resulted in a further improvement in the profit margin from 35.7% to 40.8% of revenues. The cost reduction compared to 2004 also reflects the benefit arising from the lower cost paid for the purchase of the subscribers data base from the incumbent telephone operator. This benefit arises from the order of the German Telecommunications Authority which imposed on Deutsche Telekom a reduction of the price per datum from 9.00 to 0.13 cents of euro. Thanks to this decision and to the litigation won against Deutsche Telekom for the repayment by the latter to Telegate A.G. of about € 5 million for data purchase costs paid in excess (the judgment will be final in August 2006), costs of using and updating the database decreased by € 6.8 million compared to 2004, due to the release of provisions accrued in previous years to cover the Deutsche Telekom requests.

The Telegate group continues to generate high level of cash. The operating free cash flow of € 29.4 million in 2005 allowed the group to achieve a positive net financial position of € 51.6 million (€ 33.9 million in 2004), despite the acquisition of new companies, in particular in France. This result was achieved in a year marked by high industrial investments (€ 11.5 million compared to € 3.8 million in 2004), as a consequence of the entry into the French and Italian markets and the modernisation and optimisation process of the call centers in Germany. In addition, in Italy, the opening of a new call center in Livorno for the 12.40 Pronto PAGINEBIANCHE® traffic required an investment of € 1.2 million. The Telegate group expects to pay a dividend in 2006, for the first time in its history.

## Prontoseat S.r.l.

100% held by SEAT Pagine Gialle S.p.A.

The company provides call center services on behalf of the Parent Company SEAT Pagine Gialle S.p.A.

The table below sets out the highlights for 2005, compared to those of the prior year.

(euro/mln)	Year 2005	Year 2004	Change	
			Absolute	%
Revenues from sales and services	9.3	6.2	3.1	50.0
Gross operating profit	1.3	1.5	(0.2)	(13.3)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	0.7	0.9	(0.2)	(22.2)
Operating income (EBIT)	-	(1.2)	1.2	100.0
Net invested capital	0.1	0.3	(0.2)	(66.7)
Capital expenditure	1.6	0.3	1.3	n.s.
Average workforce	210.1	192.4	17.7	9.2



Prontoseat S.r.l.'s economic results for 2005 showed a significant increase in revenues compared to the previous year (+50%), due to the excellent performance of the traffic volumes of 89.24.24 Pronto PAGINEGIALLE® service and, as of October 2005, 12.40 Pronto PAGINEBIANCHE® service. The call center services are provided jointly by Prontoseat S.r.l. and Telegate Italia S.r.l., the Italian subsidiary of the Telegate group. The outbound 12.40 service was awarded to Prontoseat in October 2005.

The investments were made with the aim to develop operations and sustaining a technological/organisational structure able to ensure efficiency and high levels of service.

Operating profitability (EBITDA) remained essentially stable due to the higher costs of call center personnel following revision of labor agreements.

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## Regulatory framework

### Germany/Austria

In August 2005, the German Authority (RegTP) completed its investigation on the prices for acquiring the subscriber Data Base charged by Deutsche Telekom to Telegate A.G., requiring a significant reduction in the costs of acquiring such data (from 9.00 to 0.13 cents of euro per each datum).

Deutsche Telekom subsequently challenged the decision before the Bundesgerichtshof (the highest German civil court) which is considering the application. The decision also required that the data provided by Deutsche Telekom should be:

- made available at the cost of their production and transfer, with a total maximum cost ceiling for all businesses using such data of € 700,000; and
- inclusive of all information that Deutsche Telekom publishes in its directories (including the subscribers of other operators) and that additional information, such as the profession of the subscriber, extension numbers, e-mail addresses, etc. should be made available at marginal cost to the extent that Deutsche Telekom possesses such information.

At the same time, on August 31, Cologne's regional court ordered in two proceedings of first instance that Deutsche Telekom reimburse the Telegate group the excess costs paid for the purchase of subscribers database. This reimbursement amounts to € 60 million plus the interest accrued from the start of the proceedings in December 2004. The judgment was favourable to Datagate (100% owned by Telegate A.G.) and laid down the following rules relating to all excess charges paid by Telegate to Deutsche Telekom for the purchase of subscriber data:

- *online access*: refund of payments over € 7,600 per month (over the period July 1998-September 1999);
- *offline delivery*: the refund of the excess with respect to the cost of a CD ROM (after September 1999);
- any charging criterion based on the number of times the information in the database was used represents a breach of the European regulations;
- Deutsche Telekom had no copyright over the subscriber data.

These judgments follow another decree of the Supreme Court of Dusseldorf that ordered Deutsche Telekom to pay approximately € 5 million always as a reimburse of "excess" prices for subscribers data purchases between January and September 1999. The ground for the actions brought by Telegate was based on the previous case decided by the European Court of Justice on November 25, 2004, which defined the costs of acquiring subscribers data, binding all the European Member States. This judgement shall become final in August 2006.

In **Austria** the national regulatory authority has come to a decision in relation to three of the four cases pending against a number of alternative telephone operators (specifically, T-Mobile, Mobilkom and Tele.ring) ruling that such operators were obliged to deliver their subscriber data off-line, based on the judgement No. 109/03 issued by the European Court of Justice. The position based on the cost to sell data prevailed, without any mark-up by the selling operator. The related prices shall be approximately € 5,000, based on a monthly payment included between € 200 and € 500.

#### **France**

In June 2005, the French Regulatory Authority (ARCEP) assigned the new 118xyz numbers for the directory assistance services, after an unsuccessful attempt of Pages Jaunes to modify the rules concerning the attribution of numbers by draw. The Telegate group received the following numbers: 118555, 118787, 118321, 118247 and 118244. The new numbers 118xyz were activated in November 2005, in parallel with the previous numbers. The previous numbers are due to close in April 2006 with the simultaneous addition of neutral, non-discriminatory messages on the new numbers.

Furthermore ARCEP issued the rules concerning the Universal Data Base. Under these rules the telephone numbers of all subscribers will be available to each fixed and mobile telephone operator (and not only those of France Telecom as was the case up to now) both for printed directories and directory assistance services. Many alternative mobile and fixed telephone operators are resisting making available their subscriber databases and often propose contracts which are not compliant with current regulations. The Telegate group has, in fact, started proceedings on this basis against French operators.

In 2005 Telegate acquired Scoot (a French directory assistance provider, now renamed "Le 118000", which is already providing a directory assistance service under the number 3200) to which the 118000 and 118002 numbers have been allocated. The acquisition is consistent with the strategy to maintain the Telegate group's leadership on a market which is due to be deregulated in the near future.

Finally, the company has initiated collaboration with SFR and Bouygues Telecom (mobile telephone operators), thus reinforcing its position in the mobile telephone market, representing about half directory assistance traffic in France.

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### Spain

Following an amendment of the Spanish legislation concerning the telecommunication market (which allows Telefonica to freely modify the prices of its directory assistance services), the incumbent operator Telefonica increased its prices from 35 to 55 cents of euro per call, in line with standards of price reasonableness (for callers) and recovery of costs for providing services (for operator). Such increase partially reduced the difference between Universal Service prices and those offered by the operators that entered the market upon its deregulation.

The Ministry of Industry, Tourism and Trade has in the mean time started consultation on the allocation of the different components of the universal service obligation. The Ministry is asking in particular whether the Universal Service obligations should be maintained for the subscriber information service considering the fact that Order No. 711/2002 introduced an effective competition regime in the Directory Assistance market.

### Switzerland

BAKOM, the federal Communications Office in Switzerland, has concluded its consultations on the deregulation of directory assistance services. The results of the consultation are as follows:

- the closing of the monopolist's number "111" (for the national service) and number "115x" (for the international service) within December 31, 2006;
- the obligation to add a neutral message for all those calling "111" over the period included between the last quarter of 2006 and the first quarter of 2007;
- the obligation to print neutral information on telephone bills;
- the banning of call completion to additional charge services dedicated to a solely adult public.

The 18xy numbers still available will be allocated by draw in the first half of 2006. The following "golden numbers" have been prohibited: 1888, 1881, 1880, 1800.

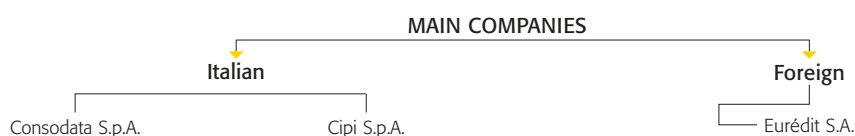
Also, in view of the opening of the Swiss market, Telegate has acquired the Swiss company Xentel A.G., holding the directory assistance number 1818. In October 2005, Xentel changed its company name to "1818- Auskunft A.G.".



## → Other Activities

### Structure of the Business Area

This is a residual Business Area, which groups all the activities not included in the previous Areas. In particular, it is organised as follows:



### Main corporate events

- In June 2005, the Extraordinary Shareholders' Meeting of Consodata Group Ltd. (a company entirely held by SEAT Pagine Gialle S.p.A.) resolved to wind up the company and appointed a Liquidator.
- On July 1, 2005, the merger by incorporation of Consodata Marketing Intelligence S.r.l. into Consodata S.p.A., approved by the respective Shareholders' Meetings on April 7, 2005, became effective. The activities of the merged company have been included in the financial statements of the merging company as of January 1, 2005 both for accounting and tax purposes.
- In July 2005, SEAT Pagine Gialle S.p.A. acquired the 100% interest in Pubblibaby S.p.A. from Consodata S.p.A.. This subsidiary was subsequently sold to the group RCS Mediagroup, effective as of October 4, 2005.
- In July 2005, SEAT Pagine Gialle S.p.A. signed a preliminary contract for the purchase of the 51% interest in Cipi S.p.A. (a company operating in the merchandise market). The operation, which was conditional upon receiving the approval of the Antitrust Authority, was completed successfully in September.

### Economic and financial performance

The table below sets out the highlights for 2005, compared to those of the prior year.

(euro/mln)	Year 2005	Year 2004	Change	
			Absolute	%
Revenues from sales and services	67.6	55.5	12.1	21.8
Gross operating profit	12.5	9.0	3.5	38.9
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	11.7	7.9	3.8	48.1
Operating income (EBIT)	9.4	3.5	5.9	n.s.
Net invested capital	13.2	8.2	5.0	61.0
Capital expenditure	2.7	2.1	0.6	28.6
Average workforce	427.1	206.1	221.0	n.s.

The comparison with the same period of the previous year is not consistent since the economic values of:

- Pubblibaby S.p.A. are fully consolidated with reference to the first half of 2005, whilst they are consolidated amongst discontinued operations with reference to the third quarter of the year;
- Cipi S.p.A. are consolidated in full as from October 2005.

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## Consodata S.p.A.

100% held by SEAT Pagine Gialle S.p.A.

### Business and products

Consodata S.p.A., a SEAT Pagine Gialle S.p.A. group company, is the Italian leader in services for marketing intelligence and one-to-one marketing. It has the know how and service capabilities that enable collecting information on millions of consumers, recognising the best targets for products and more specific services, implementing complete cycle one-to-one marketing campaigns, developing and offering marketing intelligence and geo-marketing solutions and services for all the main market sectors. Consodata S.p.A. offers its services both to the small and medium as well as to the large-scale Italian businesses, using both the Parent Company's widespread sales network and its own dedicated commercial network.

For over 20 years, it has been a reference point, not only commercial but also cultural, having contributed to the dissemination of the knowledge of direct marketing in Italy, through the publication of books and specific series.

The main strategic lines can be summarised in an on-going product and distribution innovation, in the development of multiple channels and in the increase in the acquisition of databases with consent.

### Economic and financial performance

The table below sets out the highlights for 2005, compared to those of the prior year.



(euro/mln)	Year 2005	Year 2004	Change	
			Absolute	%
Revenues from sales and services	29.5	29.4	0.1	0.3
Gross operating profit	4.6	4.0	0.6	15.0
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	4.4	3.6	0.8	22.2
Operating income (EBIT)	2.8	1.4	1.4	100.0
Net invested capital	5.1	9.7	(4.6)	(47.4)
Capital expenditure	2.1	1.7	0.4	23.5
Average workforce	137.6	148.4	(10.8)	(7.3)

In 2005, **revenues from sales and services** of Consodata S.p.A. were substantially stable at € 29.5 million, despite the disposal of the subsidiary Pubblibaby S.p.A. during the year. The growth in revenues, net of the Pubblibaby S.p.A. disposal, was 12.8%. This result was achieved also thanks to the considerable product, commercial and operating synergies with the Italian operations of SEAT Pagine Gialle S.p.A, including the extensive sales network. In particular, during 2005 innovations were launched as "privacy compliant" direct marketing campaigns via SMS and the integration of the geomarketing and one-to-one offerings, which allow conventional leafleting throughout different geographical areas, without having to send them to specific addressees. Due to the profiling of consumers and their location within the geographical area, this is carried out only in the areas in which potential customers for a given product or service are most concentrated.

EBITDA amounted to € 4.4 million, increasing by 22.2% compared to 2004 (35.9% at constant consolidation area). This increase was attributable to the growth in revenues from Consodata's own dedicated sales network and to continuing efforts to optimise the costs structure.

Investments were made in order to update the structure of the database within the context of the new and more stringent Privacy legislation. In fact, € 1.15 million were spent on collecting data for the Lifestyle Questionnaire. Additional sums were spent on making the Lifestyle Database more efficient with the company's existing production system. In order to improve the data collection process, the electoral File and the telephone Database was updated through the Universal Data Base of Telecom subscribers.

The average workforce in Consodata S.p.A. (including former subsidiary Consodata Marketing Intelligence S.r.l., which was merged by incorporation effective as of January 1, 2005) decreased from 148 units in 2004 to 138 units in 2005.

### Regulatory framework

The Direct Marketing sector has been influenced by the introduction of the new universal telephone directory, distributed in the second half of 2005. On the basis of instructions from the Privacy Authority the directory may be used for Direct Marketing purposes only if the interested party has given specific consent. This has led to a significant contraction in the number of subscribers who can be contacted. Following this development, the market is gradually moving towards authorised personal data and/or unaddressed distribution procedures. So, Consodata has the distinctive resources which will allow it to meet the new challenges in the best possible way thanks to the largest profiled database in Italy (DB Lifestyle, including over 1.8 million authorised personal data) and can guarantee an effective unaddressed distribution procedure thanks to its advanced geo-reference techniques allowing it to identify those areas most receptive to Direct Marketing campaigns, also following the merger with the subsidiary Consodata Marketing Intelligence S.r.l.

### Eurédit S.A.

*93.562% held by SEAT Pagine Gialle S.p.A.*

### Business and products

Euredit S.A. is the publisher of Europages, "the European Business Directory", the main reference directory in the Business to Business sector for companies that use the import and export channels. This multi-language and multi-medial research tool, published by Euredit S.A., a Paris-based company, has been available on paper since 1982, on CD-Rom since 1993 and online since 1995. The Europages selection includes 600,000 of the most dynamic main exporters and suppliers on the European market. The online version, at [www.europages.com](http://www.europages.com), is available in 25 languages (including Chinese, Arabic and Aramaic), and generates a monthly average of about 2 million visits from 204 countries and about 6 million searches for economic operators. The Company, which has agreements with advertising agent networks in 30 countries, includes among its shareholders three of the main editors of Pagine Gialle at European level: SEAT PG (Italy), TPI (Telefónica - Spain) and DeTeMedien (Deutsche Telekom - Germany).

The logo for EURO PAGES, with 'EURO' stacked above 'PAGES' in a bold, green, sans-serif font.

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## Economic and financial performance

The company's reference market is represented by 27 million businesses in 38 different geographical areas of the world. The Europages offering is quite specific and distinctive as regards its main competitors, consisting both of traditional directories and Internet operators (portals and search engines), which offer BtoB and/or sector-related services. In addition, import/export companies can also reach potential contacts through attendance at international fairs.

The main strategic lines can be summarised as follows:

- strengthening existing sales channels;
- extending the distribution agreements with the sales networks of the national directories in countries that are not completely covered or that represent new markets for the company (such as Austria, Bulgaria, Romania, Taiwan, China);
- developing a direct sales channel, as an alternative to the sales staff of the national directory companies, through the use of call centers.

From the marketing point of view, there will be a continuation of the strategy of widening the distribution and online co-branding agreements and introducing new product functions that will be supported by advertising campaigns. The new projects relating to the new distribution channels and product development will require major investment and human resources in the IT sector.

The table below sets out the highlights for 2005, compared to those of the prior year.

(euro/mln)	Year 2005	Year 2004	Change	
			Absolute	%
Revenues from sales and services	27.5	25.9	1.6	6.2
Gross operating profit	5.7	5.3	0.4	7.5
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	5.0	4.6	0.4	8.7
Operating income (EBIT)	4.5	4.0	0.5	12.5
Net invested capital	(2.2)	(0.9)	(1.3)	n.s.
Capital expenditure	0.4	0.4	-	-
Average workforce	58.5	57.7	0.8	1.4

In 2005, the Company's revenues amounted approximately to € 27.5 million, up 6.2% compared to € 25.9 million achieved in 2004. The number of customers also increased by 3.5% to about 24,700. Most of the revenues (about 69%) were achieved in Italy, the country which reported the best performance (+9.6%) thanks to SEAT Pagine Gialle S.p.A.'s network and the sale of translation into four exotic languages. Revenues, by contrast, reported a slight contraction of 0.4% in France, second country in order of importance with about 13.7% of revenues, where the current distribution agreement with Pages Jeunes will expire at the end of 2006. Revenues increased by 1.4% in Spain, the third country with about 8% of revenues. Positive results were also achieved in Belgium (+8.8%), a country which reported about 3% of revenues. The number of page views on Europages.com (+49% compared to December 2004 up to about 196 million) and the number of searches (+36.2% up to about 24 million) increased sharply.

The growth in revenues boosted the EBITDA which rose 8.7% compared to 2004, thanks also to careful management of industrial costs.



## Cipi S.p.A.

51% held by SEAT Pagine Gialle S.p.A.

### Business and products

Cipi S.p.A., a company which has been operating for about 40 years, is the Italian leader of the promotional gadgets industry, one of the main below the line marketing levers. The distinguishing skills range from research and manufacturing of specifically created objects for big campaigns to the management of corporate merchandising projects up to the mail-order sale of customised objects destined to SMEs (Small Medium Enterprises). Cipi S.p.A. currently serves about 40,000 companies in Italy, transversally distributed in terms of dimensions and merchandising categories. Every year, through its products and services, thousand of companies in Italy add value to their communication making it tangible, visible, and customised. The acquisition of Cipi S.p.A. falls within the context of the SEAT strategy aimed at improving and strengthening the offer of products for the promotional investment market of Italian SMEs, with the direct entry into the promotional gadget and business gift sector. The acquisition, which allows the direct control of all the components in the value chain, will enable increasing integration of the processes and product portfolio of Cipi S.p.A. with the SEAT sales network and with the other Group companies operating in the below-the-line sector, such as Consodata S.p.A..

### Economic and financial performance

The table below sets out the highlights for 2005, compared to those of the prior year.

(euro/mln)	4 <sup>th</sup> quarter	4 <sup>th</sup> quarter	Change		Year	Year	Change	
	2005	2004	Absolute	%	2005	2004	Absolute	%
Revenues from sales and services	10.6	11.8	(1.2)	(10.2)	21.8	24.2	(2.4)	(9.9)
Gross operating profit	2.3	3.3	(1.0)	(30.3)	1.9	3.0	(1.1)	(36.7)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	2.2	3.4	(1.2)	(35.3)	1.9	3.1	(1.2)	(38.7)
Operating income (EBIT)	2.0	3.1	(1.1)	(35.5)	1.2	2.3	(1.1)	(47.8)
Net invested capital	0.2	0.03	0.2	n.s.	0.4	0.4	-	-
Capital expenditure	-	-	-	-	7.5	9.1	(1.6)	(17.6)
Average workforce	-	-	-	-	231.0	251.0	(20.0)	(8.0)

Cipi S.p.A. operates in the merchandise market. In 2005, Cipi S.p.A.'s revenues (consolidated in the statement of operations as of October 2005) reached € 21.8 million whilst EBITDA amounted to € 1.9 million.

The 2005 performance of Cipi S.p.A. reflects the effects of the organisational restructuring of the sale channels (including the SEAT channel) which led to a temporary contraction in sales volumes. This in turn impacted operating margins due to the lower operating leverage on costs.

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## → Other information

### → Human resources

With 7,500 between employees and agents, the SEAT Pagine Gialle group, also within the context of internal relations, interprets the same “values and abilities to bring into a contact” that are at the basis of its enterprise mission.

In this way, a management style oriented towards shared goals, to the constant innovation of working methods and styles and to a culture of “spread management” founded on responsibility and on participation is created.

Training at different levels, steady checking of satisfaction levels and communication as well as meeting initiatives to our employees: this is the SEAT Pagine Gialle group style, to be tuned to innovation through innovation.

#### SEAT Pagine Gialle group

	At 12.31.2005	At 12.31.2004	Change
Employees number	5,756	4,870	886
Non-executive directors, project workers and interns	349	468	(119)
<b>Total workforce at the end of the year</b>	<b>6,105</b>	<b>5,338</b>	<b>767</b>
<b>Average workforce for the year</b>	<b>4,760</b>	<b>4,353</b>	<b>407</b>

At December 31, 2005 the Group's workforce numbered 6,105 units, reflecting an increase of 767 units compared to the workforce at December 31, 2004. Such change is due, primarily, to the entry in the scope of consolidation of Cipi S.p.A. (175 units) during the fourth quarter of 2005 and to the increase of personnel at the Telegate group and Prontoseat S.r.l. call centers (571 units) and to the increase in the sales force of TDL Infomedia Ltd. (52 units). However, these changes are more limited if the average values (Full Time Equivalent) are compared (4,760 units in 2005 against 4,353 units in 2004).

#### SEAT Pagine Gialle S.p.A.

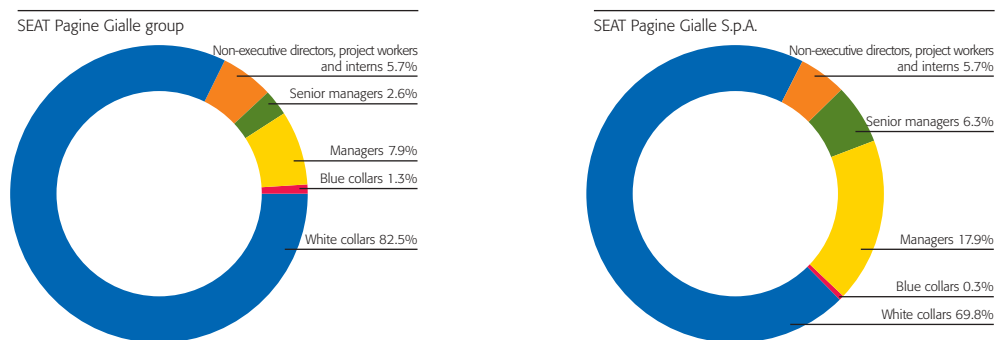
	At 12.31.2005	At 12.31.2004	Change
Employees number	1,255	1,290	(35)
Non-executive directors, project workers and interns	76	51	25
<b>Total workforce at the end of the year</b>	<b>1,331</b>	<b>1,341</b>	<b>(10)</b>
<b>Average workforce for the year</b>	<b>1,288</b>	<b>1,318</b>	<b>(30)</b>

In SEAT Pagine Gialle S.p.A., a decrease of 10 units was recorded (30 units in terms of average workforce), reflecting the effects of the first step of the corporate reorganisation during 2005, activating CIGS (*Cassa Integrazione Guadagni Straordinari*) and early retirements that affected 111 units during the year, with 81 early retirements. The reduction was partially compensated by the entry of newly graduated young people, mostly as interns.

With reference to the Parent Company, the analysis of the employees revealed that the 40 to 50 age-group has the highest number of units, about 47% of the total. The average corporate length of service confirmed this figure: approximately 40% of the employees have been in service between 15 and 25 years.

The female presence is important – 54% of the total employees – distributed at all levels of responsibility; a slight increase may be noted in the medium-high level corporate positions.

The analysis of the breakdown by specific roles showed that 49% of the employees consisted of managerial staff and skilled employees.



## Sales force

SEAT Pagine Gialle S.p.A. sales force consists of 1,838 agents and 214 employees. It is structured into three sales channels, recently reorganised according to its customer segmentation (Top Customer, Business Sales, and Local Sales). Different sales figures operate within the channels: (freelance: junior agents and supervisors, senior agents and zone managers, telesales operators; employees: telesales staff, regional key account, sales managers). They refer to employees which have the role of coordination and support.

Most of the economic operators, customers and potential customers are managed by over 1,500 agents operating in *Business Sales Department*. The sales force is divided between *agents* and *zone managers* (agents who also coordinate groups of agents), who operate with the support of over 40 employed *area managers*; these are joined by *regional key accounts*, employees who manage an assigned portfolio of medium-high customers.

*Local Sales Department*, responsible for the management of customers with a low expenditure attitude, is formed by *telesales operators* (currently about 130 units, set to rise to about 300 units by the end of 2006) with the aim to develop the advertising presence of customers and about 150 *junior agents*, coordinated by *supervisor agents*, who are responsible for contacting potential customers.

More complex customers, in terms of value and coverage of the advertising investment, are managed by *Top Customer Sales Department*, which included several agents and over twenty employees (sales staff and sales managers).

Lastly, about 50 agents, coordinated by *area managers*, promote Kompass services and products.

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## Organisational development, services to people and training

During 2005, SEAT Pagine Gialle continued its commitment to implement the "Employee Satisfaction" project, with the aim of assessing the impact of the actions already performed and to increase, through new initiatives, the corporate identity and the personal and professional motivation and development of the employees and sales agents.

The most significant initiatives include:

- a second survey on *People Satisfaction*, aimed at understanding the corporate environment, performed through a questionnaire posted to the corporate intranet to all the employees and agents. As with the first edition, the survey proved very popular (in terms of number of responses), showing the widespread desire for participation in the life of the company by employees and agents. A first analysis of the data highlighted an improvement in the organisational identity and identification with the Company, a stable outside perception (for the employees) and an improvement of the same for the agents' world. There has been a strengthening of the commitment in terms of affection and positive emotions, indicating confidence and adhesion to the ongoing project of change and, at the same time, the perception of an important challenge, that may be faced by investing in the development of suitable capabilities and skills.

In detail, the improvement of most of the values analysed during the previous survey and proposed again this year was the result of the operations effected in areas which appear to be priority;

- within the context of the *Professional Development Plan* for employees and sale agents, the expansion of the assessment of employees to top management, manager and skilled employees continued, to reach about 400 units of human resources. A new assessment system for agents was introduced to develop and support the compensation policies;
- the enlargement of the *Employee Self Service* intranet site, enabling on line self-justification of attendance and the management of the corporate transfers;
- with the opening of two *New Company Offices* in Bari and Milan, during the second half of the year, in addition to the improvement of the corporate environment induced by better working conditions, more attention was given to the corporate identity through the colours of the environment.







**Seat Corporate University**, into which all the activities relating to employee training were converged, has been operating since March 2005 and many projects and initiatives concerning to the Sale Force have been set up.

The number of training hours totally granted in the 2005 financial year was 71,636 (+131% compared to 2004).

The increase was linked to the different reference target (+140% compared to the previous year, as it was made up of all the agents and employees) with a per-head average of about 23 hours.

Over the year, Seat Corporate University supported and favoured *the change* and the attention to customer to develop the market leadership and the central position of the human resource and its contribution to achieving the corporate goals.

The initiatives implemented in such sense were:

- 42% for Sales Force of the different channels/lines with particular reference to high value sales and to advertising communication and information;
- 19% invested in analytical specialisation of the role and increasing cross-functional skills;
- 16% for all incoming sales people (agents and tele-sellers);
- 12% aimed at the development of managerial skills and organisational behaviours;
- 6% for Call Center resources involved in the improvement of the database of the 12.40 Pronto PAGINEBIANCHE® service;
- 5% related to the technical knowledge.

The total training investment increased of 218% compared to 2004.

## Corporate protection and Security

In pursuing the purposes of the safety of human resources and infrastructures, the *Corporate Protection and Security* function focused its activity for 2005 on the projects briefly described below:

- *Disaster Recovery*: on the basis of the results of the Business Impact Analysis and Risk Analysis, at the end of 2004, a *Disaster Recovery* plan was drawn up. The premises for the *Disaster Recovery* were individuated at one of the Turin offices, equipped with a fire-prevention system (smoke detectors, extinguishing systems, fire alarm, acoustic and visual warning panels) monitoring and anti-intrusion system (access control system, motion detection cameras, volumetric and anti-intrusion contacts, also remote controlled);
- *Information Security Management System*: to systematically manage the security of the information, it was deemed appropriate to equip the company with an information system management model (ISMS) recognisable and recognised at world level, with reference to standard ISO 17799 and according to the confidentiality, integrity, and availability requirements imposed by the law and business standards;

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- *Accesses control system and new badge triple technology*: with the aim of improving the level of physical security and safety for resources and for the corporate assets, an accesses control system using proximity technology was installed in the Turin, Milan and Bologna offices. In addition to the area around the main accesses, the system was also positioned to protect sensitive areas (EDP, telephone exchanges etc.). The opportunity was taken to restyle the company's badge, which now has a microchip for any information technology services.

## Industrial relationships

Also during 2005 the "Industrial Relations" were significantly involved in the management of the "Corporate Reorganisation Plan". The activities performed, particularly aimed at obtaining the extension of the CIGS (*Cassa Integrazione Guadagni Speciale*) and the early retirement to the period January 1 – December 31, 2005, concerned:

- preparation of the CIGS applications related to the first and second halves of 2005;
- management of the inspections carried out by the Turin, Milan and Rome "Labour Inspection Departments";
- obtaining the Ministry of Labour Law Decree No. 37579 dated December 15, 2005, granting the CIGS for the first half of 2005.

Remarkable attention and commitment were dedicated to the agreements concerning the call center activities both of SEAT Pagine Gialle S.p.A, and its Subsidiaries, in particular:

- opening the telesales call center in Bologna in March 2005;
- agreement for the opening of a Telegate call center in Livorno, operating since October 2005, with a start-up phase lasting 36 months, manned by about 100 young people with higher levels of education;
- agreement entered into in November 2005 related to the management of the Telegate call center in Turin, with the aim to promote the stabilisation of employment, offering a certain number of temporary employment contracts as well as open-ended contracts;
- agreement with Prontoseat S.r.l. concerning the new out bound activity aimed at improving the PAGINEBIANCHE customer database, with a start-up phase lasting 24 months.

## Stock option plans

The stock option plans in force at the end of the financial year were issued over time by SEAT Pagine Gialle S.p.A. and Telegate A.G. Each plan is for particular categories of employees of the Parent Company and its subsidiaries who occupy "key" positions because of their responsibilities and/or skills. Such plans are implemented by granting to beneficiaries personal rights that are not transferable inter vivos and that entitle the beneficiaries to subscribe, against payment, for equal number of newly issued ordinary shares in SEAT Pagine Gialle S.p.A. and Telegate A.G. (the options).

In 2005, SEAT Pagine Gialle S.p.A. approved the following stock option plans:

**a) "2005 Stock Option Plan for Employees" and b) "2005 Stock Option Plan for TDL group Employees"**

The options (that entail a right to subscribe a corresponding number of ordinary shares) were granted as follows:

- 67,400,000 and 9,335,000 options were granted respectively under the "2005 Stock Option Plan for Employees" and "2005 Stock Option Plan for TDL Group Employees" to employees of SEAT Pagine Gialle S.p.A. and the subsidiaries Consodata S.p.A., Eurédit S.A. as well as Thomson Directories Ltd, at the € 0.3221 strike price, equal to the market price of a SEAT Pagine Gialle ordinary share as at April 8, 2005;
- in order to complete the "2005 Stock Option Plan for Employees", the employees of the SEAT Group were granted 1,600,000 options at the € 0.3915 strike price, equal to the market price of a SEAT Pagine Gialle ordinary share as at November 4, 2005.

The options assigned under these plans are exercisable as from September 30, 2006 until June 7, 2010.

**c) "2005 Stock Option Plan for the Managing Director"**

In 2005, a further stock option plan called "2005 Stock Option Plan for the Managing Director" was approved for the Managing Director of SEAT Pagine Gialle S.p.A.. Consequently on April 8, 2005, 5,000,000 options were granted to the Managing Director (entitling the same to subscribe a corresponding number of ordinary shares) at the strike price of € 0.3221, equal to the market price of a SEAT Pagine Gialle ordinary share as at the date on which the options were granted.

The exercisability period will start on September 30, 2006 and will expire on June 7, 2010. Further details on the current plan are provided in Note 23 to the financial statements of the SEAT Pagine Gialle group.

As at December 31, 2005, the following stock option plans, again issued by SEAT Pagine Gialle S.p.A. were still in force:

1. "2000-2002 Stock Option Plan" and "Key People Plan";
2. "2004 Stock Option Plan for Employees" and "2004 Stock Option Plan for Thomson Employees";
3. "2004 Stock Option Plan for the Managing Director".

The terms, conditions and essential features of such stock option plans, as set forth in the Directors' Report accompanying the Financial Statements for 2004, under the section "Other information" (to which the reader is referred for further information), remain basically unchanged.

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The plans mentioned under points 2) and 3) became exercisable as of September 30, 2005.

In May 2005, Telegate A.G. approved the following stock option plan:

***“2005 Stock Option Plan for Telegate group Managing Directors, Executives and Employees”.***

In May and July 2005, 300,000 options (bearing the right to subscribe a corresponding number of ordinary shares) were assigned to the beneficiaries at the mean strike price of € 14.35. This price is equivalent to the mean closing value of an ordinary share in Telegate A.G. on the German Stock Exchange during the ten days immediately preceding the date on which the options were granted. The options became exercisable two years following the date on which they were granted. The exercisability period of the options will last five years and will expire on September 30, 2010.

In compliance with Notice No. 11508 of February 15, 2000, the following table show the essential elements of the Company's stock option plans as at December 31, 2005.

The information contained herein is to be read together with the considerations set forth subsequently in the note 23 to the consolidated financial statements.

	Strike price (euro)	Number and exercise period of options allotted at December 31, 2005			Maximum validity of the options
		2005	2006	Total	
2000-2002 Stock Option Plan	1.22	5,893,142	-	5,893,142	May 2007
Key People Plan	0.8532	18,650,000	-	18,650,000	May 2008
2004 Stock Option Plan for Employees	0.3341	46,220,000	-	46,220,000	June 2009
Stock Option Plan for Thomson Employees	0.3341	9,375,000	-	9,375,000	June 2009
2004 Stock Option Plan for Managing Director	0.3341	5,000,000	-	5,000,000	June 2009
2005 Stock Option Plan for Employees	0.3221	-	67,350,000	67,350,000	June 2010
2005 Stock Option Plan for TDL group Employees	0.3915	-	1,600,000	1,600,000	June 2010
2005 Stock Option Plan for Managing Director	0.3221	-	9,335,000	9,335,000	June 2010
2005 Stock Option Plan for Telegate group Managing Directors, Executives and Employees	0.3221	-	5,000,000	5,000,000	June 2010
2005 Stock Option Plan for Telegate group Managing Directors, Executives and Employees	14.35	-	296,000	296,000	September 2010
<b>Total</b>		<b>85,138,142</b>	<b>83,581,000</b>	<b>168,719,142</b>	

		Options at 01.01.2005	New options granted 01.01.2005 12.31.2005	Options exercised 01.01.2005 12.31.2005	Options expired and not exercised 01.01.2005 12.31.2005	Options expired 01.01.2005 12.31.2005 for termination of service/other	Options at 12.31.2005	Of which exercisable at 12.31.2005
2000-2002 Stock Option Plan	Ordinary shares	12,133,320	-	-	6,175,297	64,881	5,893,142	5,893,142
	Strike price for ordinary shares (euro)	1.22	-	-	1.22	1.22	1.22	1.22
	Market price for ordinary shares (euro)	0.339 <sup>(1)</sup>	-	-	0.2986 <sup>(4)</sup>	0.334 <sup>(5)</sup>	0.3931 <sup>(2)</sup>	0.3931 <sup>(2)</sup>
Key People Plan	Ordinary shares	19,650,000	-	-	-	1,000,000	18,650,000	18,650,000
	Strike price for ordinary shares (euro)	0.8532	-	-	-	0.8532	0.8532	0.8532
	Market price for ordinary shares (euro)	0.339 <sup>(1)</sup>	-	-	-	0.3633 <sup>(5)</sup>	0.3931 <sup>(2)</sup>	0.3931 <sup>(2)</sup>
2004 Stock Option Plan for Employees	Ordinary shares	64,065,000	-	16,695,000	-	1,150,000	46,220,000	46,220,000
	Strike price for ordinary shares (euro)	0.3341	-	0.3341	-	0.3341	0.3341	0.3341
	Market price for ordinary shares (euro)	0.339 <sup>(1)</sup>	-	0.4074 <sup>(3)</sup>	-	0.3244 <sup>(5)</sup>	0.3931 <sup>(2)</sup>	0.3931 <sup>(2)</sup>
2004 Stock Option Plan for Thomson Employees	Ordinary shares	10,000,000	-	-	-	625,000	9,375,000	9,375,000
	Strike price for ordinary shares (euro)	0.3341	-	-	-	0.3341	0.3341	0.3341
	Market price for ordinary shares (euro)	0.339 <sup>(1)</sup>	-	-	-	0.3509 <sup>(5)</sup>	0.3931 <sup>(2)</sup>	0.3931 <sup>(2)</sup>
2004 Stock Option Plan for Managing Director	Ordinary shares	5,000,000	-	-	-	-	5,000,000	5,000,000
	Strike price for ordinary shares (euro)	0.3341	-	-	-	-	0.3341	0.3341
	Market price for ordinary shares (euro)	0.339 <sup>(1)</sup>	-	-	-	-	0.3931 <sup>(2)</sup>	0.3931 <sup>(2)</sup>
2005 Stock Option Plan for Employees	Ordinary shares	-	67,400,000	-	-	50,000	67,350,000	-
	Strike price for ordinary shares (euro)	-	0.3221	-	-	0.3221	0.3221	-
	Market price for ordinary shares (euro)	-	0.3915	-	-	0.3915	0.3915	-
2005 Stock Option Plan for TDL group Employees	Ordinary shares	-	9,335,000	-	-	-	9,335,000	-
	Strike price for ordinary shares (euro)	-	0.3221	-	-	-	0.3221	-
	Market price for ordinary shares (euro)	-	0.3221	-	-	-	0.3931 <sup>(2)</sup>	-
2005 Stock Option Plan for Managing Director	Ordinary shares	-	5,000,000	-	-	-	5,000,000	-
	Strike price for ordinary shares (euro)	-	0.3221	-	-	-	0.3221	-
	Market price for ordinary shares (euro)	-	0.3221	-	-	-	0.3931 <sup>(2)</sup>	-
2005 Stock Option Plan for Telegate group Managing Directors, Executives and Employees	Ordinary shares	-	293,000	-	4,000	-	289,000	-
	Strike price for ordinary shares (euro)	-	14.35	-	-	-	14.35	-
	Market price for ordinary shares (euro)	-	7.22	-	-	-	17.22	-

(1) Market price of SEAT Pagine Gialle ordinary share at December 30, 2004.

(2) Market price of SEAT Pagine Gialle ordinary share at December 30, 2005.

(3) Average market value of SEAT Pagine Gialle ordinary share weighted by the number of exercised options.

(4) Average market value of SEAT Pagine Gialle ordinary share weighted by the number of expired options.

(5) Average market value of SEAT Pagine Gialle ordinary share weighted by the number of expired options for termination.

(6) Market price of TELEGATE A.G. ordinary share at December 30, 2005.

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## → Litigation

As beneficiary of the partial proportional spin-off of Telecom Italia Media S.p.A. (the new name of the former Seat Pagine Gialle S.p.A.) SEAT Pagine Gialle S.p.A. is jointly liable with Telecom Italia Media S.p.A. (the Company effecting the spin-off) for liabilities deriving from litigations that have not been settled by Telecom Italia Media S.p.A., pursuant to Art. 2506-quater, Paragraph 3, of the Italian Civil Code. The only significant news regards one of the two disputes pending before the Court of Appeals, in particular, the dispute involving the appeal against the resolutions passed by the Shareholders' Meetings of Cecchi Gori Communications S.p.A. (now H.M.C.) concerning the approval of the financial statements as of December 31, 2000, as well as the share capital write-off and its re-establishment. By a ruling issued on November 8, 2005, the Judge hearing the appeal has substantiated the trial judgment and dismissed all the claims lodged by the plaintiff companies (Cecchi Gori Group Fin.Ma.Vi and Cecchi Gori Group Media Holding).

About other three pending disputes:

- regarding the one heard by the Court of Appeals of Milan against the judgment issued by the Court of Milan to assess the invalidity or cancellation of the deed to pledge the shares of Cecchi Gori Communications S.p.A. (now H.M.C.) in favour of the Company effecting the spin-off, after filing of legal briefs and ensuing responses, the parties are now waiting for the entry of judgments;
- regarding the one heard by the Court of Appeals of Rome against the decision rendered by the Court of Rome on the appeal against the resolution passed by the Shareholders' Meeting on August 11, 2000, introducing amendments to the company's by-laws to assign special rights to class "B" shares, the hearing to specify the conclusions has been scheduled for April 20, 2006, and deadline for filing of legal briefs fixed on June 27, 2006, and deadline for filing of statements of defence fixed on July 17, 2006;
- regarding the one heard by the Court of Milan to assess the extra-contractual liability in tort of Telecom Italia Media for conduct related to the management of Cecchi Gori Communications (now H.M.C.) and the performance of the contract dated August 7, 2000, concerning the acquisition of the TV companies in the Cecchi Gori Group, with claim to sentence Telecom Italia Media to payment of 500 million euro. During the last hearing held on December 1, 2005, the parties specified their respective conclusions, and the Court set February 11, 2006, as the deadline for filing of legal briefs and March 3, 2006, as the deadline for filing of statements of defence.

Therefore, as a consequence of the aforesaid potential joint and several liability, SEAT Pagine Gialle S.p.A. could be subject to legal action from the Cecchi Gori group, in the event of a decision in favour of the latter Group, if Telecom Italia Media S.p.A. does not satisfy its claims. However, in this case, SEAT Pagine Gialle S.p.A. has the right to be indemnified by Telecom Italia Media S.p.A..

Furthermore, pursuant to the indemnity agreements entered into on August 8, 2003, also in the interest of SEAT Pagine Gialle S.p.A., Telecom Italia S.p.A. will provide Telecom Italia Media S.p.A. with the cash which may be necessary to enable the latter company to pay, at the due date, its liabilities relating to the operations that were incurred prior to its spin-off and were outstanding as of the effective date of the spin-off.

Also Telecom Italia Media S.p.A. and SEAT Pagine Gialle S.p.A., within the spin-off operation, signed an agreement dated August 1, 2003 through which: *i)* both companies confirmed that potential liabilities relating to the company divisions which remained to Telecom Italia Media S.p.A. (as those inherent the still pending suits described above) or the ones transferred to SEAT Pagine Gialle S.p.A. will be considered entirely attributable to the company who owns the division; *ii)* both companies decided that the allocation of liabilities, not clearly attributable to each company division, according to the equity stake respectively transferred to SEAT Pagine Gialle S.p.A. or remaining with Telecom Italia Media S.p.A..

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## → Corporate Governance

### Foreword

The Corporate Governance system adopted by the Company complies with the recommendations laid down by the Code of Conduct proposed by the Corporate Governance Committee of the Italian listed companies (the "Code of Conduct" or the "Code"), and is based on the set of rules, both legal and technical, aimed at protecting stakeholders and providing transparency through proper management of the Company in terms of governance and supervision.

In pursuance of the regulatory obligations of Italian Stock Exchange, every year SEAT Pagine Gialle S.p.A. prepares the "Corporate Governance Report", presented at the Shareholders' Meeting and available on the website [www.seat.it](http://www.seat.it), section "Financial data".

In providing below the annual update of the adopted guidelines of Corporate Governance, particular mention must be made that, in 2005, the Company passed the *Organisational Model pursuant to Legislative Decree No. 231/2001*, finalizing all the documents related to the so-called "Project 231" (Principles of the Organisational Model, Organisational Model and Code of Ethics). Furthermore, the Board of Directors approved the "*Regulation of the Internal Audit Committee*" and the "*Procedure to appoint the Independent Auditors*" on December 20, 2005.

### Management and Coordination activities

SEAT Pagine Gialle S.p.A. is not subject to management and coordination activities by Companies or entities. Pursuant to Article 2497-bis of the Italian Civil Code, the subsidiaries have identified SEAT Pagine Gialle S.p.A. as the legal entity that performs direction and coordination activities. Such activity consists in indicating the general strategic and operating guidelines of the Group, defining and updating the Corporate Governance and Internal Audit Model, and formulating the general policies for the management of human and financial resources, the procurement of production, training and communication factors.

### Company's Organisation

#### Board of Directors

Pursuant to Article 14 of the By-Laws, the number of members of the Board of Directors, must be at least seven and no more than twenty-one. The Shareholders' Meeting fixes the number of members of the Board of Directors and their term of office. Directors may be re-appointed (Article 15 of the Company's By-Laws).

The ordinary as well as extraordinary administration of the company is delegated to the Board of Directors which may carry out those actions that it deems appropriate to achieve corporate objectives, both in Italy and abroad, except those actions reserved by law to the Shareholders Meeting (Article 19 of the Company's By-Laws). The Board of Directors has a pivotal role in the Corporate Governance system of the Company; it meets on a regular basis, acting independently and performing its functions effectively and efficiently.



The Board of Directors is appointed by a *voting mechanism based on competing lists of candidates*. This involves lists of candidates being submitted to the Company's headquarters ten days before the meetings. Such lists are accompanied by schedules containing exhaustive information about the personal and professional qualities of candidates, along with an indication of their suitability as independent executives, pursuant to the provisions of Article 3 of the Code of Conduct. Pursuant to Article 14 of the Company's By-Laws, only shareholders who, either alone or with other shareholders, hold the percentage of voting shares in the Ordinary Shareholders' Meeting, representing at least 2% of the share capital, are entitled to submit a list.

The Board of Directors currently in office was appointed by the Shareholders' Meeting held on November 18, 2003, setting the number of its members at 13 and the term of office for three financial years. The current Board term in ends at the next Shareholders' Meeting, which has been called to approve this financial annual report.

Following the resignations by the Directors Guido Paolo Gamucci and Alberto Tazartes, the Board of Directors appointed Marco Lucchini and Stefano Quadrio Curzio on October 11, 2005.

Listed below are the main positions held by the members of the Board of Directors in the Companies referred to in Article 1.3 of the Code of Conduct (\*):

<b>Enrico Giliberti</b> (Chairman)	Director of Sirti S.p.A.
<b>Luca Majocchi</b> (Managing Director)	No position held in companies indicated by Article 1.3 of the Code of Conduct.
<b>Lino Benassi</b> <i>Independent Director</i>	Chairman of Credit Suisse Italy, AC Private Equity Partners SGR S.p.A., La Finanziaria Trentina S.p.A., InPartner S.p.A.; Deputy Chairman of Toro Assicurazioni S.p.A.; Director of DeAgostini S.p.A.
<b>Dario Cossutta</b>	Managing Director of Investitori Associati, Director of Egidio Galbani S.p.A., Invex S.p.A., La Rinascente S.r.l., Upim S.r.l.
<b>Gian Maria Gros Pietro</b> <i>Independent Director</i>	Chairman of Autostrade S.p.A., Perseo S.p.A. (holding); Director of Fiat S.p.A., Edison S.p.A.
<b>Luigi Lanari</b>	Managing Director of CVC Capital Partners S.r.l., Director of Lecta S.A., Sub Lecta 1 and Rhiag Holding Limited.
<b>Michele Marini</b>	Director of Investitori Associati, Invex, Ifas Gruppo.
<b>Pietro Masera</b>	No position held in companies indicated by Article 1.3 of the Code of Conduct.
<b>Stefano Mazzotti</b>	Director of MIV Holdings S.A., Gruppo Galbani S.p.A., Egidio Galbani S.p.A.
<b>Marco Reboa</b> <i>Independent Director</i>	Director of ENI S.p.A., Interpump Group S.p.A., IMMSI S.p.A., Intesa Private Banking, Intesa Sec 2 S.r.l., Intesa Lease Sec S.r.l., Intesa Sec. NPL 2 S.r.l.; Auditor of Autogrill S.p.A., Egidio Galbani S.p.A., Big S.r.l.
<b>Nicola Volpi</b>	Director of Permira Associati S.p.A., Ferretti S.p.A., Marazzi Gruppo Ceramiche.
<b>Marco Lucchini</b>	Director of Marazzi Group S.p.A., Sole Director of Schroder Associati S.p.A.
<b>Stefano Quadrio Curzio</b>	Director of General Healthcare Group Ltd, Hirslanden Investments S.A., Hirslanden Healthcare S.A., BC Partners Limited; Chairman of Teknon Healthcare S.A., Fitness First Limited.

(\*) Information provided at March 21, 2006.

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Information about the personal and professional background of the Directors may be found on the Company's website: [www.seat.it](http://www.seat.it), under the section "About us – Organisation" .

Only one member is to be considered as an executive Director (the Managing Director), while all other Board members - since they do not have proxies and do not hold executive roles in the Company – are to be considered as non-executive directors. Therefore, the latter by number and by standing can ensure that their judgment will have significant bearing when Board decisions are taken.

During the meeting held on October 11, 2005, the Board of Directors acknowledged the existence of the independence requirements - pursuant to Article 3 of the Code of Conduct - of the Directors Lino Benassi, Gian Maria Gros Pietro and Marco Reboa.

Before Board meetings, the Company provides the directors, in a timely manner, with the documents needed for the Board to be duly informed on the issues on the agenda.

## Chairman and Managing Director

The **Chairman**, Enrico Giliberti, is empowered to sign on behalf of the Company and acts as the Company's legal representative in front of third parties and in legal proceedings. Since he is not entrusted with any proxies and does not have a management role for the administration of the Company, he should be considered as a "non-executive director".

The **Managing Director**, Luca Majocchi, is empowered to sign on behalf of the Company and acts as the Company's legal representative in front of third parties and in legal proceedings, and also has all the specific powers and responsibilities necessary to guarantee the management of the Company, within a general limit of value. Specific limits are set for certain transactions. The Managing Director reports regularly to the Board of Directors on activities related to his proxies.

## Compensation Committee

The Compensation Committee is composed *exclusively of the following non-executive Directors*: Gian Maria Gros Pietro (Chairman), Dario Cossutta and Stefano Quadrio Curzio.

The Committee is required to submit to the Board of Directors proposals concerning the following:

- compensation of the Managing Directors and all those Directors appointed to particular positions, including the determinations of stock option plans conditions;
- the criteria for total remuneration of the Company's top management upon recommendations of Managing Directors.

The Directors are entitled to annual remuneration as determined by the Shareholders' Meeting, in addition to refund for costs incurred to perform their functions. The remuneration of directors holding particular offices is determined by the Board of Directors, after having obtained the favourable opinion of the Board of Statutory Auditors. The remuneration of the Chairman is fixed, while the Managing Director is significantly variable. Top management's remuneration also varies, based on results achieved in their business areas and on individual targets.

In 2005, the Compensation Committee set (i) the Managing Director's targets for the year 2005, linked to the variable part of the remuneration; (ii) reviewed the terms, conditions and procedures of the "2005 Stock Option Plan for Employees" and the "2005 Stock Option Plan for the Managing Director"; and (iii) examined the criteria to determine the remuneration of Group management.

Remuneration paid to Directors for the 2005 financial year is reported in the Note 32 of the SEAT Pagine Gialle S.p.A. financial statements.

### Internal Audit Committee

The task of the Internal Audit Committee (Article 10 of the Code) consists of making recommendations and proposals concerning the internal control system. The Committee is composed exclusively of non-executive Directors, half of whom are independent.

The members of the Committee appointed by the Board are: Lino Benassi - Chairman, Marco Reboa, each of whom are independent directors, and Nicola Volpi. Meetings may be attended, by the Chairman of the Board of Statutory Auditors or by an effective Auditor charged by the latter, and the responsible of the Company's Internal Auditing Department. Depending on the issues on the Agenda, meetings may also be attended by the Managing Director, the Company's Independent Auditors or the Company's management.

During the meeting held on December 20, 2005, the Board of Directors approved the regulation on the Internal Audit Committee, setting its functions.

As stated in Article 9.2 of the Code, the Board of Directors has the responsibility for the internal control system, establishing its guidelines, managing corporate risks, and periodically assessing its adequacy through the support of the Internal Audit Committee and the person responsible for internal control. As part of these activities, the Board has delegated to the Managing Director the task of guaranteeing the functionality and adequacy of the internal control system.

The responsible of Internal Auditing Department has an independent position in respect to any other business area directors. He supports the Committee and carries out the activities entrusted to him by the Committee.

The Internal Audit Committee, during 2005 and up to the date of this report, performed the following activities:

- verified the development of the organisational and operational model of the Internal Audit Department;
- assessed the results which arose from the performed activities;
- assessed the internal auditing programs for 2006;
- met with the Administration, Finance and Control top management to get qualitative and quantitative information on the performance of trade receivables following the measures adopted to improve collection processes;
- examined the main features of the Financial Statements as at December 31, 2005, with the Chief Financial Officer, the Chairman of the Board of Statutory Auditors and the Partner of the Independent Auditors Reconta Ernst & Young S.p.A. in order to assess the adequacy of the IAS/IFRS adopted effective from January 1, 2005;

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- examined the issues arisen during their audit with the Partner of the Independent Auditors Reconta Ernst & Young S.p.A.;
- positively assessed the procedure to assign additional tasks to Independent Auditors, approved by the Board of Directors on December 20, 2005;
- monitored the activities requested by the implementation of the Organisational, Operating and Control Model pursuant to Legislative Decrees No. 231/2001 and 61/2002;
- completed the assessment of the decision to task the independent auditors Ernst & Young S.p.A. with the audit work relating to each financial year ended December 31, 2006, and subsequent years, for the duration under Article 159 of the T.U. (Testo Unico, Consolidation Act);
- positively assessed the results which arose from the technical activities performed by PricewaterhouseCoopers Advisory S.r.l. to support the Internal Auditing Department of the Company in respect of the controls required by Legislative Decrees No. 231/2001 and No. 61/2002.

## Shareholders' Meetings

The Directors take the appropriate measures to facilitate the attendance by Shareholders. Article 8 of the By-Laws prescribes that shareholders possessing voting rights and holding appropriate certification, may participate in the Shareholders' Meeting, provided the Company receives notice from the intermediary within the two days before the date of each single Shareholders' Meeting. Notice of call may be published in the Italian daily newspaper "Il Sole 24 Ore", in addition to the Official Gazette.

Therefore, as the Shareholders' Meetings are easy conducting and without criticism, the adoption of meeting regulations have not been necessary till now. Further, with regard to the Meeting's chairing, it should be noted that Article 2371 of the Italian Civil Code explicitly requires the Chairman to verify the proper convening of the meeting as well as the identity and the right to attend of participants, to ensure the orderly conduct of the discussion and to verify the voting results. In accordance with the abovementioned Article 2371 of the Italian Civil Code, and in particular under Article 12 of the Company's By-Laws, the Chairman of the Shareholders' Meeting must verify, also through delegates, the right to take part in the discussion, compliance of proxies with the laws in force, the proper constitution of the meeting, and the identity and legitimacy of the attendants; he directs the proceedings and adopts the appropriate measures to make the discussion and the voting run smoothly, setting procedures and verifying results.

## Statutory Auditors

The Board of Statutory Auditors was appointed for a three-year term by the Shareholders' Meeting of November 18, 2003. The Board, therefore, ends its term in office at the next Shareholders' Meeting, called to approve this annual report.

It is formed by three standing members and two substitutive members, in the persons of Messrs. Enrico Cervellera (Chairman), Vincenzo Ciruzzi (Acting Auditor), Andrea Vasapolli (Acting Auditor), Guido Costa (Alternate Auditor) and Guido Vasapolli (Alternate Auditor).

Auditors are appointed on the basis of candidates' lists filled at the Company's headquarter at least ten days before the meeting. Only shareholders who, either alone or with other shareholders, hold the percentage of voting shares in the Ordinary Shareholders' Meeting, representing at least 2% of the share capital, are entitled to submit the lists.

Listed below are the main positions held by the members of the Board of Statutory Auditors in other companies (\*)

<b>Enrico Cervellera</b>	Chairman of the Board of Statutory Auditors of Interpump Group S.p.A., Gruppo Galbani S.p.A., Egidio Galbani S.p.A., Big S.r.l.; Auditor of Brembo; Director of Ferrero S.p.A., Stefanel S.p.A.
<b>Vincenzo Ciruzzi</b>	Chairman of the Board of Statutory Auditors of Camuzzi International S.p.A., Previmoda Fondo Pensioni; Auditor of Dexia Crediop S.p.A.
<b>Andrea Vasapolli</b>	-
<b>Guido Costa</b>	Chairman of the Board of Statutory Auditors of Giava Group S.p.A.; Acting Auditor of Gruppo Rivolta S.p.A., Seregni Industrie Grafiche S.p.A.
<b>Guido Vasapolli</b>	Chairman of the Board of Statutory Auditors of Cartiere del Garda S.p.A., Gefin S.p.A.

(\*) Information provided at March 21, 2006.

Information on the personal and professional background of the Statutory Auditors may be found on the Company's website: [www.seat.it](http://www.seat.it), under the section "About us – Organisation".

## Project "231" and Supervisor Committee

During the meeting of December 20, 2004 the Board of Directors approved the "Code of Ethics" and the "Principles and guidelines of the organisational, management and control model". Such documents are available on the Company's official website: [www.seat.it](http://www.seat.it).

The same meeting appointed the Supervisor Committee, tasked, *inter alia*, with the definition of the "Organisational, management and control model" pursuant to Legislative Decree No. 231/2001 (concerning the administrative responsibility of legal persons in accordance with Article 11 of Law No. 300 of September 29, 2000) according to the principles and guidelines approved by the Board of Directors.

The Supervisor Committee is formed by Marco Reboa, independent director and member of the Internal Auditing Committee, as Chairman; Francesco Nigri, responsible for the internal control and the Internal Auditing Department, and Marco Beatrice, responsible for the Legal and Corporate Affairs Department. Its meetings are always attended by a member of the Board of Statutory Auditors.

As part of its activities, the Supervisor Committee approved the internal Regulations for its operations and defined the "Organisational, management and control model". The Model was drawn up in compliance with the guidelines set by Confindustria and establishes a set of procedures and controls aimed at preventing and/or reducing the risk of commission of specified crimes.

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## Relations with institutional investors and the other Shareholders

In 2005, in compliance with the procedures to disclose documents and information regarding the Company, SEAT Pagine Gialle group gave precise and timely notice in order to guarantee correct and transparent disclosures on the Company's activities.

Appropriate corporate functions guarantee, in particular, relations with the national and international financial community (*Investor Relations*) and the shareholders (*Legal and Corporate Affairs*).

In 2005, the **Investor Relations** function organised numerous formal meetings with the market (financial analysts, institutional investors and representatives of the financial community) through quarterly conference calls, road shows and conferences. The Company also conducts daily contacts, through direct meetings and conference calls with financial analysts and institutional investors.

To further promote relations with members of the financial market, the Company has released on its website all of its public financial documentation (financial statements, half-year and quarterly reports) and supporting documents (presentations to the financial community), at a special section named "Corporate Governance", as well as the press releases issued by the Company, both in Italian and English. The website also has a section with useful information for all shareholders and an on-line update on the Group's stock prices.

## Regulatory news introduced by Law No. 262/2005 (the so-called "savings act") and by the regulations on market abuses

It should be noted that the Company is adjusting to the regulations on the novelties introduced by the so-called "savings act" (no. 262/2005) and to the acknowledgement of EC regulations on market abuses (amendments to the Issuers' Regulations no. 11971/1999 and the Markets Regulations no. 11768/1998 made by Consob by resolutions no. 15232 and no. 15233 of November 29, 2005).

Furthermore - in regard to the savings act - the Company's By-Laws already comply with the new rules regarding appointment of the Board of Directors, referring to list voting and the quorum required to present such lists (2% of the Company's share capital). It should also be noted that in 2005, the Company passed a procedure to assign tasks to independent auditors: the regulation held in such document, specifically referring to the section on tasks not to be assigned to the firm responsible for auditing (the so-called "prohibited services"), are consistent with the fulfilments of the new Article 160, Paragraph 1-ter, of Legislative Decree No. 58/98, without prejudice to the enforceability of other restraints that may be adopted through future regulations issued by CONSOB.

An Extraordinary Shareholders' Meeting will be called in the coming months for further amendments that may be required to the By-Laws, currently being verified and examined.

In connection to the fulfilments related to market abuse regulations, it should be noted that the Company is about to prepare the "Register of persons authorised to regularly or occasionally access privileged information" (referred to in Article 115-bis of Legislative Decree No. 58/98 and Articles 152-bis and subsequent of the Issuers' Regulations of Consob), as well as the compliance with the regulations on internal dealing (concerning the transactions implemented by relevant and related persons, referred to in Articles 152-sexies and subsequent of the Issuers' Regulations of Consob).

## Shareholders' agreements

At present, the following "Shareholders' Agreements" are in existence:

- a) Shareholders' agreement dated July 30, 2003, as amended by an addendum dated March 24, 2004, between the closed investments funds indirect by holding a stake in SEAT Pagine Gialle S.p.A.'s ordinary share capital (the "Funds"), each via their own Luxemburgian legal vehicles. This Shareholders' agreement makes regulation concerning, inter alia, (i) membership of and the resolutions passed by the Board of Directors of SEAT Pagine Gialle S.p.A. and its subsidiaries, as well as the resolutions passed by the SEAT Pagine Gialle S.p.A.'s Shareholders' Meeting; (ii) establishment of a constraint of non-transferability on SEAT Pagine Gialle S.p.A.'s shares owned by the Funds via their own respective legal vehicles, as well as on the equity investments owned by the Funds in the vehicles.
- b) Shareholders' agreement dated March 18, 2005, between some tier-one vehicles held by the Funds and Mr. Luca Majocchi concerning his appointment as Managing Director of the Company.

All the aforesaid agreements have been properly notified as required by Article 122 of Legislative Decree No. 58/1998 and related implementation directives, also via publication of extracts, respectively (i) in the "La Repubblica" newspaper on August 9, 2003, as regards the Shareholders' agreement dated July 30, 2003, and (ii) in the "La Repubblica" newspaper on March 30, 2004, as regards the addendum dated March 24, 2004; (iii) in the "Il Sole 24 Ore" newspaper on March 25, 2005, as regards the Shareholders' agreement concerning Mr. Luca Majocchi appointment as Managing Director of the Company. A further extract was published in the "Il Sole 24 Ore" newspaper on December 17, 2004, to advise of completion of some corporate reorganisation operations undertaken to enforce the pre-mentioned addendum of March 24, 2004.

The Shareholders' agreement dated July 30, 2003, was filed with the Milan Companies' Register on August 13, 2003. The addendum of March 24, 2004 was filed with the Milan Companies' Register on April 1, 2004. The Shareholders' Agreement concerning the appointment of Mr. Luca Majocchi as Managing Director of the Company was filed with the Milan Companies' Register on March 22, 2005.

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## → Social responsibility

### SEAT Pagine Gialle: an engine to forge economic and social relations

SEAT Pagine Gialle expresses its mission as an engine to forge economic and social relations by connecting people and companies, needs and solutions, favouring personal and commercial exchanges. Due to its relational nature, the Group is committed to initiatives which also enhance the value of creativity and social contact, the final aim being to help improve the quality of life in the areas in which it operates.

### SEAT Pagine Gialle on the territory

In 2005, SEAT Pagine Gialle continued to implement its territorial communication plan, set up in 2004, aimed at consolidating and diffusing the Company image among a widespread and extended public of interlocutors, strengthening its reputation and influence on the territory, with the publishers of the territorial newspapers and the local opinion makers.

The goal is to disseminate an "useful knowledge" with an extended public, highlighting the particularities of the services offered and their importance in supporting the activities performed by small, medium and large-scale Italian entrepreneurs on a daily basis, with specific reference to the development of the Italian industrial districts.

The operation, carried out with the cooperation of the local media departments, has enabled the sharing of the contents of the corporate database with the reference territory, with reports on current events and on issues of social and economic interest.

The diffusion of releases (Surveys and overviews of SEAT Pagine Gialle on the development of the vertical sectors at territorial level, etc.) and a series of local events has enabled to increase the Company visibility on various topics.

A few examples are mentioned below:

- survey on Italy system and Opec development overview in the main provinces;
- life style overview: InZona and Kaleidos Consodata;
- resorts overview: Idee inVacanza;
- tourism overview: Soloalberghi.com and Alberghi d'Italia;
- export overview: Europages;
- consumer requests overview: 89.24.24 Pronto PAGINEGIALLE;
- city streets overview: TuttoCitta'.



## InZona: WIVO il mio quartiere!

“Wivo il mio quartiere!” is an educational project aimed at about 160 thousand schoolchildren between 7 -11 years, who are attending the third, fourth, and fifth classes of primary schools in Milan, Rome, Naples and Turin, for the rediscovery by children and their families of the districts of the towns in which they live.

The initiative is realised through an educational walk to discover the areas of the city around the school, aiming at rediscovering life in the district and a sense of civil responsibility and community.

The initiative was set up in 2005 within the framework of the launch of InZona, a guide dedicated to the discovery of the various areas of the city, its services and shops. The guide is distributed free of charge directly to the homes of families and commercial operators to assert product notoriety and to stimulate its use.

At the base of the editorial project of InZona guide, there is a thorough study, carried out by SEAT Pagine Gialle with the contribution of sociologists and city planners, of the current social-demographic and economic development features of the metropolitan realities. The material processed will form an integral part of the next edition of InZona (publication, local exhibitions, book, web review). The initiative was launched in cooperation with the four Mayors of the cities concerned.

Support and visibility initiatives are being developed in schools. Prize giving days are also planned for the children in Turin, Milan, Rome, and Naples, along with educational activities in the classroom, in collaboration with the local media and other initiatives involving economic operators in the district (such as shops) to promote a moment of contact with the children, their families and schools.



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## PAGINEBIANCHE d'Autore

With its initiative "PAGINEBIANCHE d'Autore", SEAT Pagine Gialle has opened its doors to the creativity of young Italian artists, meeting great interest nationwide.

This initiative received a large interest throughout Italy, obtaining immediately, also due to its significant social value, the patronage of both the Ministry of Cultural Activities and Cultural Heritage and the City of Turin. The great success was also, and firstly, due to the support and collaboration of DARC – the General Direction for Architecture and Modern Art of the Ministry of Cultural Activities and Landscape Heritage, which promotes and brings out the contemporary creativity throughout Italy – and of GAI – Association for the young Italian Artists circuit, an association with 39 local administrations throughout Italy with the aim of sustaining the creativity of young people through training, promotion and research activities.



PAGINEBIANCHE d'Autore with different deadlines in each Region, is aimed at promoting young artists between the age of 20 and 35, who work in the two-dimensional visual arts field, by bringing out visual expressions in the regional context.

In their works, the artists draw their inspiration from the "pleasure of meeting" through personal, professional, daily or extemporary communication and, in any case, by "living" art. Works will be judged by a specific jury chaired by Mr Luca Beatrice, an art critic and Professor of History of Art at the Brera Academy, by a representative of the BSG Agency (in charge of the creativity and product image at PAGINEBIANCHE® and who designed the logo of the initiative), and by a SEAT Pagine Gialle representative. The jury will select the works on the basis of quality, research and innovation, as well as consistency with the initiative's topic.

A dedicated website ([www.paginebianchedautore.it](http://www.paginebianchedautore.it)) will allow the artists to constantly monitor the course of their respective candidacy. The selected works will be published on [www.paginebianchedautore.it](http://www.paginebianchedautore.it) and on [www.paginebianche.it](http://www.paginebianche.it), and also on the cover and the inside of PAGINEBIANCHE® directory related to the region they were submitted for, in the publishing cycle starting with the 2004/2005 edition of the Rome directory and ending with the 2005/2006 edition of the Bolzano directory.

The winners will benefit from the enormous popularity achieved by PAGINEBIANCHE® and see their own work entering the home of all Italians living in the region they participated for. Furthermore, the Jury will select two works from all those submitted and regardless of whether some of them have been selected for the cover design of PAGINEBIANCHE®. One will be used for the packaging and internal displays of PAGINEBIANCHE Office CD-Rom and the other one on the packaging and internal displays of PAGINEBIANCHE® CD Italy.

The first edition of the initiative started in July 2004 and ended in April 2005. The second edition has successfully started during the year and will select 20 regional works of young Italian artists to publish on the covers of 30 million PAGINEBIANCHE directories. In this initiative, SEAT Pagine Gialle is supported by UndoNet, an organisation involving young art editors in the project to lend even more visibility and emphasis to the project, especially on the local media.

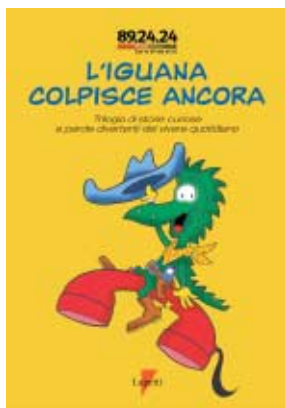
About halfway through the second edition, 380 works have been received (about 40% more than the first edition), with more than 180 thousand visits to the website (20% from abroad), and over 185 articles have been published in national and local newspapers, and there have been numerous successes and acknowledgements in the world of the art. The initiative has also a positive effect on advertising collection, thus contributing to the increase of income on the product's covers.

## Gemine e Muse

Remaining within the context of the promotion of young people involved in artistic production and creativity, SEAT Pagine Gialle, as an international leading Group, in 2005 continued supporting "*Gemine e Muse*", project created by the association Young Italian Artists (partner of PAGINEBIANCHE d'Autore). "*Gemine e Muse*" involves 36 museums at European level, with over 100 young artists for a series of exhibitions in nine EU countries, with works inspired by the museum masterpieces. SEAT Pagine Gialle has contributed to the realization of the documentation to support the initiative with the important catalogue distributed in all European museums involved, thus bringing out, in an extremely effective way, its own image and brand toward the wide public of art tourism.

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## Social solidarity initiatives



On the wave of success of the first and second editions, the third edition of the book was realized in 2005. It is dedicated to the most bizarre and unusual anecdotes collected by 89.24.24 Pronto PagineGIALLE assistants working at the most famous Italian call center during the first months of the year. The title of the book, published by Lupetti Editore and distributed by Messaggerie Italiane Libri, on sale in the principal Italian bookstores from December 2005, is "L'iguana colpisce ancora". In this third "collection" the operators great ability to pay attention and listen is confirmed, along with the variety of situations and issues for which they are able to provide an answer and solution. For this reason 89.24.24 Pronto PagineGIALLE® has become the reference point for millions of Italians of all ages, in a market that is becoming increasingly rich in competition. Also for this third edition, SEAT Pagine Gialle S.p.A has decided to devolve to charitable initiatives all revenues related to the copyright following the sale of each copy of the book: Telethon and the scientific research, among over six thousand genetic diseases affecting 4% of the Italian population, especially children.

From November 7 to December 31, 2005, SEAT Pagine Gialle promoted, through the sales network during normal working contacts, a campaign to persuade its customers to donate 2 euros by sending a SMS to the number 48548 to support the *Emocromatosi* research project, being carried out by the Istituto San Raffaele in Milan. The same request was sent out to employees and agents through the corporate intranet.

SEAT Pagine Gialle added to the amount collected, a donation of 5 euros for each "People Satisfaction II" questionnaire filled in by its employees and agents as part of the survey on the corporate atmosphere, as well as the copyrights of the third edition of the book 89.24.24 "L'iguana colpisce ancora" and 10 cents of euro for each call to 12.40 Pronto PagineBIANCHE from December 16 to December 31, 2005, during the Telethon television marathon.



Through all these fundraising sources, the amount needed to finance the entire research project for two years was collected. TV and radio broadcasts were extremely successful, favouring the entire collection in favour of the Onlus charitable organisation.

This initiative is part of a long-term cooperation agreement between SEAT Pagine Gialle and Telethon, begun with a test in 2004, the aim of which is to promote the fundraising activity also outside the well-known yearly television marathon.





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## Financial Statements of the Group

.....] More than 3000 of us, ready to help you with the right idea

Working together every day to find new solutions

## ➤ Balance Sheet

### Assets

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change	Note
<b>Non-current assets</b>				
Intangible assets with indefinite useful life	3,574,260	3,565,020	9,240	(6)
Intangible assets with finite useful life	624,703	777,654	(152,951)	(8)
Property, plant and equipment	49,648	35,697	13,951	(9)
Equity investments	254	209	45	(10)
Other non-current financial assets	1,330	4,917	(3,587)	(11)
Deferred tax assets	101,820	76,027	25,793	(32)
Other non-current assets	1,126	1,413	(287)	(14)
<b>Total non-current assets</b>	<b>(A) 4,353,141</b>	<b>4,460,937</b>	<b>(107,796)</b>	
<b>Current assets</b>				
Inventories	12,444	10,313	2,131	(12)
Trade accounts receivable	669,740	684,297	(14,557)	(13)
Current tax assets	6,267	16,306	(10,039)	(32)
Other current assets	70,891	81,352	(10,461)	(14)
Current financial assets	2,387	1,947	440	(15)
Cash and cash equivalents	202,158	137,877	64,281	(16)
<b>Total current assets</b>	<b>(B) 963,887</b>	<b>932,092</b>	<b>31,795</b>	
<b>Total assets</b>	<b>(A+B) 5,317,028</b>	<b>5,393,029</b>	<b>(76,001)</b>	

## Liabilities and Equity

(euro/thousand)		At 12.31.2005	At 12.31.2004	Change	Note
<b>Equity of the Group</b>					
Share capital		248,012	247,539	473	
Additional paid-in capital		441,893	541,845	(99,952)	
Reserve for exchange rate adjustments		(8,259)	(9,075)	816	
Reserve for transition to IAS/IFRS		181,576	(16,874)	198,450	
Reserve for stock options		9,223	3,000	6,223	(23)
Reserve for hedging instruments		(14,262)	-	(14,262)	(21)
Other reserves		(9,995)	3,803	(13,798)	
Income for the year		131,905	79,930	51,975	
<b>Total equity of the Group</b>	<b>(A)</b>	<b>980,093</b>	<b>850,168</b>	<b>129,925</b>	<b>(17)</b>
<b>Minority interests</b>					
Share capital and reserves		12,861	3,659	9,202	
Income for the year		6,756	6,129	627	
<b>Total Minority interests</b>	<b>(B)</b>	<b>19,617</b>	<b>9,788</b>	<b>9,829</b>	<b>(17)</b>
<b>Total equity</b>	<b>(A+B)</b>	<b>999,710</b>	<b>859,956</b>	<b>139,754</b>	
<b>Non-current liabilities</b>					
Non-current financial debts		3,526,689	3,760,501	(233,812)	(19)
Non-current reserves to employees		52,788	52,916	(128)	(22)
Deferred income taxes and non-current tax debts		2,059	10	2,049	(32)
Other non-current liabilities		22,788	22,028	760	(24)
<b>Total non-current liabilities</b>	<b>(C)</b>	<b>3,604,324</b>	<b>3,835,455</b>	<b>(231,131)</b>	
<b>Current liabilities</b>					
Current financial debts		214,301	192,233	22,068	(25)
Trade accounts payable		292,754	274,257	18,497	(27)
Reserve for current risks and charges		50,366	60,890	(10,524)	(26)
Current tax payables		40,958	43,057	(2,099)	(32)
Payables for services to be rendered and other current liabilities		114,615	127,181	(12,566)	(27)
<b>Total current liabilities</b>	<b>(D)</b>	<b>712,994</b>	<b>697,618</b>	<b>15,376</b>	
<b>Total liabilities</b>	<b>(C+D)</b>	<b>4,317,318</b>	<b>4,533,073</b>	<b>(215,755)</b>	
<b>Total liabilities and equity</b>	<b>(A+B+C+D)</b>	<b>5,317,028</b>	<b>5,393,029</b>	<b>(76,001)</b>	



## Statement of Operations

(euro/thousand)	Year 2005	Year 2004	Change		Note
			Absolute	%	
Sales of goods	33,232	32,470	762	2.3	(29)
Rendering of services	1,391,379	1,373,278	18,101	1.3	(29)
<b>Revenues from sales and services</b>	<b>1,424,611</b>	<b>1,405,748</b>	<b>18,863</b>	<b>1.3</b>	<b>(29)</b>
Other income and revenues	5,969	4,352	1,617	37.2	(30)
<b>Total revenues</b>	<b>1,430,580</b>	<b>1,410,100</b>	<b>20,480</b>	<b>1.5</b>	
Raw materials	(68,211)	(73,057) (*)	4,846	6.6	(30)
External services	(450,785)	(445,039) (*)	(5,746)	(1.3)	(30)
Salaries, wages and employees benefits	(219,128)	(209,216) (*)	(9,912)	(4.7)	(30)
Other valuation adjustments	(40,771)	(37,965)	(2,806)	(7.4)	(13)
Provisions to reserves for risks and charges, net	(19,888)	(26,688)	6,800	25.5	(24-26)
Other operating expenses	(5,237)	(3,753)	(1,484)	(39.5)	
<b>Operating income before amortisation, depreciation, non-recurring and restructuring costs, net</b>	<b>626,560</b>	<b>614,382</b>	<b>12,178</b>	<b>2.0</b>	
Amortisation, depreciation and write-downs	(194,458)	(199,044)	4,586	2.3	(8-9)
Non-recurring costs, net	(11,144)	(31,321)	20,177	64.4	(30)
Restructuring costs, net	(764)	(4,645)	3,881	83.6	
<b>Operating income</b>	<b>420,194</b>	<b>379,372</b>	<b>40,822</b>	<b>10.8</b>	
Interest expenses	(284,753)	(259,937)	(24,816)		(31)
Interest income	24,185	8,978	15,207		(31)
Gains (losses) on investments accounted for at equity	45	(1,824)	1,869		(10)
Gains (losses) on disposal of equity investments	4,198	8,400	(4,202)		
<b>Income before income taxes, discontinued operations and Minority interests</b>	<b>163,869</b>	<b>134,989</b>	<b>28,880</b>		
Income taxes	(25,383)	(48,930)	23,547		(32)
Income from discontinued operations	175	-	175		
<b>Income before Minority interests</b>	<b>138,661</b>	<b>86,059</b>	<b>52,602</b>		
Minority interests	(6,756)	(6,129)	(627)		
<b>Income for the year</b>	<b>131,905</b>	<b>79,930</b>	<b>51,975</b>		

(\*) Reclassified figures compared to the figures published in the section "transition to IAS/IFRS" to make them consistent to 2005.

SEAT Pagine Gialle Shares	8,267,065,482	8,251,290,482		
- ordinary	8,130,990,696	8,115,215,696		
- saving	136,074,786	136,074,786		
Income (loss) per share (in euro)	0.01601	0.00971		
Diluted income (loss) per share	0.01600	0.00971		

## ➤ Cash Flow Statement

(euro/thousand)		Year 2005	Year 2004	Change
<b>Cash inflow from operating activities</b>				
Income for the year before Minority interests		138,661	86,059	52,602
Amortisation, depreciation and write-downs		194,458	199,044	(4,586)
Interest expenses, net (*)		259,781	250,169	9,612
Cost for stock options		7,907	3,005	4,902
Income taxes for the year		25,383	48,340	(22,957)
(Gains) losses on disposal of non-current assets		(4,104)	(10,790)	6,686
(Write-up) write-down of assets		(220)	864	(1,084)
Change in operating working capital		13,026	73,581	(60,555)
Change in non-operating working capital		(28,885)	(207,034)	178,149
Change in non-current operating liabilities		1,708	532	1,176
Change in non-current non-operating liabilities		(2,121)	(2,173)	52
Exchange rate adjustments and other movements		(4,047)	41,734	(45,781)
<b>Cash inflow from operating activities</b>	<b>(A)</b>	<b>601,547</b>	<b>483,331</b>	<b>(118,216)</b>
<b>Cash outflow for investments</b>				
Purchase of intangible assets with indefinite useful life		(7,587)	(10,034)	2,447
Purchase of intangible assets with finite useful life		(25,838)	(18,959)	(6,879)
Purchase of property, plant and equipment		(20,199)	(10,912)	(9,287)
Other investments		(40)	(366)	326
Proceeds from disposal of non-current assets		9,806	22,075	(12,269)
Change in scope of consolidation		(7,884)	-	(7,884)
<b>Cash outflow for investments</b>	<b>(B)</b>	<b>(51,742)</b>	<b>(18,196)</b>	<b>(33,546)</b>
<b>Cash outflow for financing</b>				
Proceeds of non-current loans		-	4,159,079	(4,159,079)
Repayment of non-current loans		(234,064)	(217,586)	(16,478)
Proceeds of current loans		40,000	-	40,000
Repayment of current loans		(40,000)	(528,375)	488,375
Paid interest expenses, net		(236,150)	(224,844)	(11,306)
Payment of transaction costs on loans		(26,052)	(129,309)	103,257
Change in financial assets and financial debts		(1,006)	12,519	(13,525)
Increase in share capital from exercised stock options		5,576	118	5,458
Paid dividends		(158)	(3,578,373)	3,578,215
Exchange rate adjustments and change in the scope of consolidation		6,330	4,811	1,519
<b>Cash outflow for financing</b>	<b>(C)</b>	<b>(485,524)</b>	<b>(501,960)</b>	<b>16,436</b>
<b>Increase (decrease) in cash and cash equivalents in the year</b>	<b>(A+B+C)</b>	<b>64,281</b>	<b>(36,825)</b>	<b>101,106</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>137,877</b>	<b>174,702</b>	<b>(36,825)</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>202,158</b>	<b>137,877</b>	<b>64,281</b>

(\*) Less actuarial gains (losses) on operating assets/liabilities.

## ➤ Changes in Shareholders' Equity

(euro/thousand)	Equity of the Group					Minority interests			Total equity
	Share capital	Additional paid-in capital	Other reserves	Income (loss) for the year	Total	Share capital and reserves	Income (loss) for the year	Total	
<b>At 12.31.2003 (ITA GAAP)</b>	247,539	4,189,537	(35,450)	(32,454)	4,369,172	4,462	889	5,351	4,374,523
Adjustments for IAS/IFRS adoption			(16,470)		(16,470)	304		304	(16,166)
<b>At 12.31.2003 (IAS/IFRS GAAP)</b>	247,539	4,189,537	(51,920)	(32,454)	4,352,702	4,766	889	5,655	4,358,357
Changes during the year									
- Allocation of previous year result		(41,154)	8,700	32,454		889	(889)		
- Paid dividends		(3,578,238)			(3,578,238)	(135)		(135)	(3,578,373)
- Allocation of additional paid-in capital to legal reserve and to reserve for grants		(28,300)	28,300						
- Reversal to statement of operations of reserve for exchange rate adjustments			(7,380)		(7,380)	(1,738)		(1,738)	(9,118)
- Exchange rate adjustments, change in scope of consolidation and other movements			980		980	(271)		(271)	709
- Income (loss) for the year				(119,516)	(119,516)		6,569	6,569	(112,947)
- Adjustments for IAS/IFRS adoption			2,174	199,446	201,620	148	(440)	(292)	201,328
<b>At 12.31.2004</b>	247,539	541,845	(19,146)	79,930	850,168	3,659	6,129	9,788	859,956
Changes during the year									
- Allocation of previous year result		(106,299)	(13,217)	119,516		6,129	(6,129)		
- Allocation of 2004 adjustments for IAS/IFRS adoption			199,446	(199,446)					
- Paid dividends						(158)		(158)	(158)
- Exercised stock options	473	4,796	307		5,576				5,576
- Reversal of reserve for early depreciation		1,551	(1,551)						
- Opening balance adjustments from adoption of IAS 39			(2,499)		(2,499)				(2,499)
- Fair value of hedging instruments			(14,261)		(14,261)				(14,261)
- Fair value of stock option plans (IFRS 2)			7,726		7,726				7,726
- Change in the scope of consolidation						3,186		3,186	3,186
- Exchange rate adjustments and other movements			1,478		1,478	45	(50)	(5)	1,473
- Income for the year				131,905	131,905		6,806	6,806	138,711
<b>At 12.31.2005</b>	248,012	441,893	158,283	131,905	980,093	12,861	6,756	19,617	999,710

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## ➤ Accounting principles and notes

### 1. Corporate information

SEAT Pagine Gialle group operates on the Italian and UK market of local advertising for small and medium-sized enterprises. Its publishing and advertising sales activities are mainly focused on telephone directories and information services. The Group operates in the Directory Assistance market in Germany, Spain, France and Italy and in the Business Information market and the promotional items market in Italy. SEAT Pagine Gialle S.p.A. has its registered office in Milan, Via Grosio 10/8. The share capital is € 248,012 thousand. The main businesses of the SEAT Pagine Gialle group are described in the Report on Operations, section "Economic and financial performance of Business Areas".

### 2. Preparation criteria

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

Following the entry into force of European Regulation No. 1606 of July 19, 2002, as of January 1, 2005, the SEAT Pagine Gialle group has adopted the IAS/IFRS. In this context, it is specified that the accounting standards applied are in compliance with those adopted when preparing the IAS/IFRS-compliant opening balance sheet at January 1, 2004, as well as the statement of operations for 2004 and the balance sheet at December 31, 2004, as restated in compliance with IAS/IFRS and published in the Annex attached. The above-mentioned annex reports the reconciliation between the results for the year and equity in accordance with the previous accounting standards (Italian accounting standards) and the result for the year and equity in accordance with IAS/IFRS for the previous periods presented for comparative purposes, as required by IFRS – First-Time Adoption of IAS/IFRS, as well as the related notes.

The consolidated financial statements have been prepared on the basis of the historic cost principle, except for hedging derivative financial instruments and financial assets held for sale, which are stated at fair value.

The financial statements are denominated in euro and all the values are rounded to thousands of euro unless otherwise indicated.

#### 2.1. Consolidation procedures

The consolidated financial statements include the financial statements of SEAT Pagine Gialle S.p.A. and its subsidiaries. Where necessary, these financial statements have been adjusted to make them consistent with the accounting standards adopted by the Parent Company.

The subsidiaries are consolidated on a line-by-line basis starting from the date of acquisition, namely the date on which the Group acquired control, and cease to be consolidated from the date on which control is transferred outside the Group.

Moreover, the following consolidation steps are taken:

- assets, liabilities, costs and revenues are taken into account in their total amount, regardless of the stake held in the subsidiaries and recognising to Minority its share of equity and its result for the year;
- intra-group receivables and payables, as well as intra-group costs and revenues, are eliminated in full;
- intra-group dividends are eliminated.

Unrealised intra-group income is not eliminated when its amount is not significant.

Associates are consolidated using the equity method.

The acquisition of the new subsidiaries during 2005 has been accounted for using the purchase method, with the consequent allocation of the business combination cost at fair value of the assets, liabilities and contingent liabilities acquired at the acquisition date. The consolidated financial statements include the result of these companies for the period between the date of acquisition and the year-end. The Minority interests represent the portion of the statement of operations and net assets of the company not held by the Group. They are shown separately from the Group's interest in the consolidated statement of operations and equity.

## 2.2. Change in accounting principles

The IAS/IFRS accounting principles adopted are the same as those adopted for preparing the balance sheet as at December 31, 2004 and the statement of operations for 2004, under section "Transition to IAS/IFRS" included as an annex to this report. It should be noted that IAS 32 and 39 have only been applied as of January 1, 2005, the date they entered into force.

## 2.3. Management assumptions and estimates

The preparation of the financial statements and related notes applying the IAS/IFRS standards requires Management to make estimates and assumptions that have an effect on the values of the balance sheet assets and liabilities and on the reporting of potential assets and liabilities at the balance sheet date. The future results may differ from such estimates.

The estimates are used to recognise provisions for doubtful receivables and claims for mistakes in the printed editions, depreciation and amortisation, write-downs of assets, employees benefits, taxes, restructuring reserves, other provisions and reserves.

The estimates and assumptions are reviewed periodically and the effects of any changes are recognised immediately in the statement of operations.

## 3. Accounting policies

### Intangible assets

Intangible assets acquired separately are initially capitalised at cost, whilst those acquired through business combination operations are capitalised at fair value on the acquisition date. After initial recording, intangible assets are recognised at cost net of amortisation and any cumulative impairment values. Intangible assets produced internally, except for development costs, are not capitalised and are shown in the statement of operations for the year in which they were incurred. The useful life of the intangible assets is defined as finite or indefinite.

**Intangible assets with finite useful life** are amortised over their useful life and are subject to an impairment test whenever there are indications of a possible loss in value. The period and method of amortisation applied to the assets is reviewed at the end of each financial year or more frequently if necessary.

More specifically, the following amortisation criteria are applied:

- *industrial patents and intellectual property rights* are amortised over their estimated useful life. Intangible asset "Customer Data Base", recognised following the partial allocation of goodwill arising from mergers is amortised, on a straight-line basis, over a six-year period, based on the estimated useful life of this asset;
- *concessions, licenses, trademarks and similar rights* are amortised over their estimated useful life;
- *software* is amortised on a three-year basis;
- *other capitalised costs* are amortised over a period of three to five years.

Gains and losses resulting from the disposal of an intangible asset are calculated as the difference between the asset's disposal value and carrying value and are shown in the statement of operations at the time of disposal.

*Research costs* are charged against income at the time they are sustained.

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The *development costs*, incurred for a specific project, are capitalised only when the Group can demonstrate that it is technically feasible to complete the intangible asset so that it is available for use or sale, that it intends to complete such asset so that it can be used or sold, the ways in which it will generate likely future economic benefits, the availability of technical, financial and other resources to complete the development and its ability to calculate reliably the cost attributable to the asset whilst it is being developed. After the initial recording, development costs are valued at cost less any amortisation or loss accrued. Any capitalised development costs are amortised with reference to the period in which it is expected that the related project will generate revenues for the Group.

The book value of the development costs is reviewed annually so that any impairment value can be stated, when the asset is not yet in use or more frequently when there are indications of a possible loss of value during the year.

**Intangible assets with indefinite useful life** refer to goodwill and goodwill on consolidation. Goodwill arising from an acquisition or a merger represents the excess of the purchase cost over the relevant share of the fair value of identifiable actual and potential assets and liabilities acquired.

After initial recognition, goodwill is valued at cost, reduced by accumulated impairment losses, and annually tested (or more frequently if specific events or changed circumstances indicate that there may have been an impairment loss), in order to identify any reductions in value as requested by IAS 36 "Impairment of assets".

On the date of its first recognition, goodwill is allocated to each of the cash-generating units that are expected to benefit from the synergies of the acquisition. Impairment losses are identified testing the capability of each cash-generating unit to generate adequate cash inflows to recover the portion of goodwill allocated thereto.

The relevant impairment loss is recognised if the carrying amount of the asset exceeds its recoverable amount. If goodwill is attributed to a cash-generating unit whose assets are partially disposed, goodwill associated with the disposed asset is taken into account to measure the gains (losses) arising from the disposal. In these circumstances goodwill is written off for an amount proportional to the disposed asset and the assets still held by the cash-generating unit.

When IAS/IFRS were first adopted, the SEAT Pagine Gialle group decided not to apply IFRS 3 – Business combinations – retroactively to business acquisitions prior to January 1, 2004. As a result, goodwill acquired in a business combination before the transition date to IAS/IFRS has been accounted for at the previous value determined on the basis of the Italian accounting principles, after having verified that no impairment loss exists.

### Property, plant and equipment

Property, plant and equipment are recognised at purchase cost inclusive of directly chargeable accessory costs and are shown net of depreciation and any cumulative impairment losses.

Costs incurred after purchase are capitalised only if they increase the future economic benefits that related property, plant and equipment can produce. All the other costs are recognised in the statement of operations when they are incurred.

Repair and maintenance costs are expensed in the period they are incurred.

Land, including that associated with buildings, is not depreciated.

Depreciation is measured systematically using rates considered to be suitable for allocating the carrying value of the tangible assets in relation to their residual useful life.

With regard to assets sold during the period, depreciation is recognised pro-rata for the period in which these assets were available, with the exception of assets purchased in the year.

### Impairment loss of assets

At every reporting date, the Group checks whether there are any indicators of impairment of assets. If there is an indication, or if an annual impairment test is required, the Group carries out an estimate of the recoverable value. The *recoverable value* is the higher of the fair value of an asset or cash-generating unit net of the selling costs and its usage value. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from those generated by other assets or groups of assets. If the book value of an asset is higher than its recoverable value this asset has suffered an impairment loss and it is hence written down to the recoverable value. When estimating the value in use of an asset, the SEAT Pagine Gialle group discounts to the current value the estimated future cash flows using a pre-tax discounting rate that reflects the market valuations on the time value of cash and the specific risks of the asset. The impairment losses suffered by assets in use are shown in the statement of operations in the categories of cost consistent with the function of the asset showing the impairment loss.

At every reporting date, the Group also checks for any indications that an impairment loss previously recognised for an asset no longer exists or has decreased. If such indications exist, it will estimate the recoverable value. The value of an asset other than goodwill previously written down may be restored only if there have been changes in the estimates used to determine the asset's recoverable value after the last statement of impairment. In this case the carrying value of the asset is re-determined to the recoverable value, but the increased value may not, however, exceed the carrying value which would have been determined, net of depreciation, if no impairment loss had been recognised in prior years. Reversals of impairment losses are recognised as income in the statement of operations, unless the asset is stated at a revalued amount, in which case the restored value is treated as a revaluation. After the asset has been restated, the depreciation for the asset is adjusted in future periods, so that the altered carrying value, net of any residual values, is apportioned at constant rates throughout the remaining useful life.

### Investments

The Group's equity investments in associates are valued using the equity method. Associates are companies over which the Group exerts a significant influence and which are not classifiable as subsidiaries or joint ventures.

The equity method requires the shareholding in an associate to be recognised in the balance sheet at cost, increased by the changes (after the acquisition) in the Group's share of the associate's net assets. Goodwill relating to an associate is included in the carrying value of the investment and is not subject to amortisation. After the equity method has been applied, the Group decides whether it is necessary to recognise any additional impairment losses with reference to the Group's net investment in the associate. The statement of operations reflects the Group's share of the associate's result for the year. If an associate charges adjustments directly to equity, the Group states its share and recognises it, where applicable, in the statement of changes in equity.

The reporting date of the associates is aligned with that of the Group; the accounting principles used conform to those used by the Group, for transactions and events of the same kind and in similar circumstances.

### Effects of foreign currency translation

The financial statements of subsidiaries denominated in foreign currencies not belonging to the Euro-zone are translated in euros by applying year-end exchange rates (current exchange rate method) to each item on the balance sheet and the average exchange rates for the year to each item on the statement of operations. Differences arising from the translation of equity at the beginning of the year and of the result for the year to year-end exchange rates are recognised as an item of the equity up to the disposal of the investment. The consolidated cash flow statement is prepared by applying average exchange rates for the year to cash flows of foreign subsidiaries.

The SEAT Pagine Gialle group decided not to make use of the option (provided by IFRS 1 to companies using IAS/IFRS for the first time) to apply IAS 21 prospectively. As a consequence, at the transition date the Group recognised cumulative net exchange differences arising from the translation in euros of financial statements of foreign subsidiaries.

Foreign currency transactions are recognised initially at the exchange rate (relating to the functional currency) of the transaction date. Monetary assets and liabilities, denominated in foreign currency, are translated back to the functional currency at the exchange rate applying

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at the reporting date. All exchange differences are recognised in the statement of operations, apart from differences arising from foreign currency loans taken out to cover a net investment in a foreign company. These are recognised directly in equity up to the disposal of the net investment, when it is then recognised in the statement of operations. Non-monetary items valued at historic cost in foreign currency are converted using the exchange rates applying on the date the transaction is first recorded. Non-monetary items recognised at fair value in foreign currency are translated using the exchange rate at the date when the fair value is determined.

The exchange rates used are as follows:

Currency/euro	Average exchange rate for the year 2005	Exchange rate at December 31, 2005	Average exchange rate for the year 2004	Exchange rate at December 31, 2004
Pound sterling	1.4624	1.4592	1.4734	1.4184
US dollar	0.8038	0.8477	0.8039	0.7342

### Financial assets

IAS 39 provides for the following types of financial instruments: financial assets at fair value, through the statement of operations, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Initially, all financial assets are recorded at fair value, and, where applicable, this value is increased by accessory charges.

The SEAT Pagine Gialle group decides on the classification of its financial assets after initial recording and, where appropriate and permitted, reviews this classification at the close of each accounting period.

All regular way purchases and sales of financial assets (i.e. transactions with delivery of the assets within the period generally established by regulation and conventions in the marketplace) are recognised at the trade date, that is the date on which the Group committed itself to purchase the assets.

Financial assets include:

- *held-to-maturity investments*, which are non-derivative financial assets with fixed or determinable payments or due dates, classified under this heading when there is the intention to hold them until maturity. They are recognised at fair value and subsequently accounted for at the amortised cost, using the effective rate method. Gains and losses are recognised in the statement of operations when the investment is derecognised or when an impairment loss becomes evident as well as through the amortisation process;
- *financing and loans*, which are non-derivative financial assets with fixed or determinable payments and are not listed on an active market. These assets are accounted for at the amortised cost, using the effective rate method. Gains and losses are recognised in the statement of operations when the investment is derecognised or when an impairment loss becomes evident as well as through the amortisation process. These assets are included in the *net financial position*;
- *held-for-trading financial assets*, which include financial assets purchased for short-term disposal. These are accounted for at fair value. Gains and losses on assets held for sale are recognised in the statement of operations. These assets are included in the *net financial position*;
- *available-for-sale financial assets*, which are non-derivative financial assets that have been designated as such or are not classified under any of the previous categories. They include, in particular, the equity investments in companies other than subsidiaries, associates and joint-venture companies. They are accounted for at fair value and the gains and losses are recognised as a separate item in equity until the relevant assets are derecognised or it is concluded that they have suffered a permanent loss of value. In these cases the gains or losses that have been accumulated up to that moment in equity are recognised in the statement of operations.

They are tested regularly in order to identify an indication that a financial asset or a group of assets is to be impaired. If an indication is found, the impairment loss is recognised as a cost in the statement of operations for the year.



### Cash and cash equivalents

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

### Financial debts

Financial debts are accounted for at the amortised cost.

Non-current loans are shown in the balance sheet net of the transactions costs, if any.

### Derivatives

Derivatives agreements are entered into by the SEAT Pagine Gialle group only for hedging purposes to reduce the risk of fluctuations in interest and exchange rates.

In compliance with the requirements of IAS 39, derivatives are accounted for as hedging instruments only when, at the inception of the hedge, they are designated as hedging instruments, the hedging is expected to be highly effective and such effectiveness is reliably measurable. Such derivative instruments are valued at market value.

When the derivatives have the requirements to be accounted for as hedging instruments, the following accounting treatment is applied:

- *fair value hedge* - if a financial instrument is designated to hedge fluctuations in the current value of an asset or liability arising from certain risks that may have an impact on the statement of operations, gains or losses resulting from the subsequent valuations of this instrument at fair value are recognised in the statement of operations. The carrying value of the hedged asset (liability) is increased or decreased to reflect gains or losses arising from the hedged risk with a corresponding entry in the statement of operations;
- *cash flow hedge* - if a financial instrument is designated to hedge fluctuations in the cash flows of an asset or liability recognised in the balance sheet or on a transaction deemed as more than highly likely and that could have an effect on the statement of operations, the effective portion of gains or losses on the financial instrument is recognised in a specific equity reserve. The cumulative gains or losses are reversed from equity and recognised in the statement of operations in the same period in which the hedged transaction is recognised. The gains or losses arising from the hedging or the portion of the hedging that become ineffective are immediately recognised in the statement of operations.

The SEAT Pagine Gialle group has accounted for financial instruments in compliance with IAS 39 from the date it entered into force (January 1, 2005), and has not therefore restated the 2004 values.

### Inventories

Inventories are valued for at the lower of their purchase or production cost and their net realisable value.

In particular they include:

- *raw materials*, which are valued at purchase cost, including any directly attributable costs, using the method of progressive weighted average cost;
- *works in progress*, which are valued at direct cost, including any auxiliary production costs and depreciation of the assets that are used;
- *works in progress on contract*, which involve services that have not been finished at the end of the period, relating to contracts for indivisible services that are scheduled to be completed within one year and are valued at production cost;
- *finished goods*, which are made up of telephone directories, and are valued and accounted for at production cost. They are adjusted where necessary through write-downs in relation to the period of publication;
- *merchandise and products for resale*, which are valued at purchase cost.

### Trade and other receivables

Trade receivables, arising from the sale of goods or services produced or distributed by the Group, are included in current assets, even if they fall due after twelve months. They are recognised at the original amount less any allowance for doubtful amounts, which is accrued based on the estimated risk of irrecoverable debts at the year end.

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## Reserves for risks and charges

These reserves are recognised when, in the presence of a legal or constructive obligation as a result of a past event, it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

Any changes in estimates are reflected in the statement of operations in the period in which they have occurred.

In the case of reserves for future risks – over more than 12 months – significant liability is discounted at a rate, before tax, that reflects the current market valuation of the cost of money in relation to time. The increase of the reserves over time is shown as a financial expense.

Reserves for risks and charges comprise:

- *reserve for tax liabilities*: the amount of this reserve depends on a prudential evaluation of tax charges;
- *reserve for sales agents' termination indemnities*: based on the Collective Economic Agreement presently in force, it represents the liabilities at year-end with regard to active sales agents for the indemnity due to them if the agency relationship should cease;
- *reserve for commercial risks, contractual risks and other charges*: this reserve is recognised mainly for risks arising from the execution of contractual commitments that have been undertaken, as well as any litigation or other contingent liabilities; and
- *reserve for risks and charges on equity investments*: this reserve is recognised for equity deficits of investments exceeding the write-down of their carrying value. It is also recognised for risks and contingent liabilities arising from the restructuring of equity investments when their disposal or liquidation has already been planned.

## Employee benefits

### Pension plans

The SEAT Pagine Gialle group recognises different forms of defined benefit and defined contribution pension plans, in line with the local conditions and practices of the countries in which it operates. The defined benefit pension plans are based on the working life of employees and on the remuneration received by the employee during a defined period of service.

The assets designated to finance the funds for defined benefit pension plans and the annual cost of these plans recognised in the statement of operations are valued by an independent actuary using the projected unit credit method. The portion of the net cumulative actuarial gains and losses exceeding the higher of 10% of the present value of the defined benefit obligation and 10% of the fair value of the assets serving the plan at the previous year-end is amortised over the average remaining working life of the employees ("corridor approach").

With regard to the first time adoption of IAS/IFRS, the SEAT Pagine Gialle group decided to recognise all the cumulative actuarial gains and losses as at January 1, 2004, despite using the corridor approach for subsequent actuarial gains and losses.

Amounts due are recorded net of the assets that will finance their future payment.

Payments relating to defined contribution plans are recognised in the statement of operations as costs when incurred.

### Reserve for severance indemnities

The reserve for severance indemnities of Italian companies is considered and accounted for as a defined benefit pension plan.

### Share-based payments

SEAT Pagine Gialle S.p.A. awards additional benefits to certain categories of its employees and employees of its subsidiaries which are considered to be "key" in terms of responsibility and/or skills. It does this through stock option plans. In accordance with IFRS 2 – Share-based payments – the total amount of the stock option fair value at the date of grant is recognised as a cost in the statement of operations during the vesting period, at every reporting date, with a corresponding increase in a specific equity reserve. The fair value is determined by an independent expert using a binomial model without taking into account any conditions related to achievement of objectives (performance), but taking into account conditions influencing the price of SEAT Pagine Gialle S.p.A. shares ("market conditions"): further details on this matter are provided in Note 23. Changes in the fair value after the grant date have no effect on the initial valuation. Cumulated costs at each reporting date are based on the best available estimate of the number of options which will be effectively vested on maturity. The cost for the year in the statement of operations represents the change in total costs recognised at the beginning and end of the year. The dilution effect of options not yet exercised is reflected in the calculation of dilution of earnings per share.

The SEAT Pagine Gialle group has applied the transitional provisions according to IFRS 2 and has hence applied the standard to all the stock option plans granted after December 7, 2002 and not yet matured on the date IFRS 2 came into force (January 1, 2005).

## Leasing

Financial leasing contracts, which substantially transfer to the SEAT Pagine Gialle group all the risks and benefits relating to leased assets, are capitalised at the initial lease date at the fair value of the leased asset or, if less, at the actual value of the lease payments. Lease payments are split pro rata between capital and interest payments so as to achieve the application of a constant interest rate on the residual debt. Financial expense is recognised directly to the statement of operations.

Capitalised assets are amortised on the shorter of the estimated useful life of the asset and the duration of the leasing contract if there is no reasonable certainty that the Group will obtain ownership of the asset at the end of the contract.

Operating lease payments are recognised in the statement of operations as costs, on a straight-line basis over the duration of the contract.

## Revenue recognition

Revenues are recognised to the extent that it is probable that economic benefits will flow to the Group and the relevant amount can be reliably estimated. The following criteria must be met for revenues to be recognised in the statement of operations:

- *sale of goods*: revenue is recognised when the company has transferred to the purchaser all the significant risks and benefits related to ownership of the goods;
- *rendering of services*: revenue is recognised when the service is rendered. Consequently the amount of advertising services already invoiced and which will be completed at a later date following the year end is shown in liabilities in the balance sheet under the item "other liabilities";
- *interest*: it is recognised as financial income following calculation of interest receivable for the period, using the effective interest method;
- *dividends*: revenues are recognised when shareholders have the right to receive payment.

## Grants

Grants are recognised when there is reasonable certainty that they will be received and all the relevant conditions are met. When grants are related to cost items, they are recognised as income but are systematically allocated between periods so that they are related to the costs which they are to offset. When grants are related to assets, their fair value is shown in the balance sheet as an adjustment to the carrying value of the asset.

## Income taxes

### Current taxes

Current income taxes are calculated on the tax rates and regulations in force when the financial statements are prepared in the various countries in which the SEAT Pagine Gialle group operates. Income taxes on items accounted for directly in equity are recognised directly in equity and not in the statement of operations.

Other taxes not related to income, such as taxes on property and capital gains, are included in the "other operating expenses".

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## Deferred taxes

Deferred income taxes are provided applying the liability method on timing differences at the balance sheet date between the tax bases of assets and liabilities and their carrying value.

*Deferred tax liabilities* are recognised based on all the tax timing differences existing at the balance sheet date between the tax bases of assets and liabilities and their balance sheet values.

*Deferred tax assets* are recognised based on all deductible timing differences and tax assets and liabilities carried forward to the extent to which it is probable that there will be future taxable amounts against which they may be offset. Exceptions include:

- deferred taxes arising from initial accounting for goodwill or an asset or liability in transactions that is not a business combination which has no impact either on the net income for the year recognised in the financial statements or on the net taxable income for the year; and
- taxable timing differences relating to equity investments in subsidiaries and associates where the reversal of such differences can be controlled and it is probable that will not happen in the foreseeable future.

The value of deferred tax assets is reviewed at each reporting date and is reduced to the extent that the possibility of utilisation of such asset in the future is no longer probable. Unrecognised deferred tax assets are reviewed annually and recognised to the extent that their future utilisation has become probable.

Deferred tax assets and liabilities are calculated with the tax rates expected to be applicable in the different countries in which the SEAT Pagine Gialle group operates, in the years in which the timing differences will be realised or written off.

Current and deferred tax assets and liabilities are offset where there is a legal right to offset assets for current taxes with liabilities for current taxes and deferred taxes refer to the same tax entity and same tax authority.

## Value Added Tax

Costs, revenues and assets are stated net of value added tax except when:

- such tax applied to the purchase of goods or services is not recoverable from the taxation authority, in which case it is shown as part of the purchase cost of the asset or part of the cost items recognised in the statement of operations;
- trade receivables and payables are recognised including the tax value.

The net amount of indirect taxes on sales which can be recovered from or paid to the tax authorities is recognised in the balance sheet under tax receivables or payables depending on the balance.

## Earnings per share

Earnings per share are calculated by dividing "income (loss) for the year" of the Group attributable to ordinary shares outstanding during the year. Diluted earnings per share are calculated by using the weighted average of the ordinary shares outstanding in the year, adjusted by assuming the subscription of all the potential shares deriving from the exercise of options that have a dilutive effect, pursuant to IAS 33.

#### 4. Adoption of IAS/IFRS in the year 2005

As of January 1, 2005, the SEAT Pagine Gialle group adopted IAS 32 and IAS 39 without recalculating the amounts relating to financial year 2004. The adoption of these standards reduced the opening equity at January 1, 2005 by € 23.6 million, net of fiscal effects, as detailed in the following table

(euro/mln)	At 12.31.2004	Adjustments IAS 32-39	At 01.01.2005
<b>Non-current assets</b>	<b>4,460.9</b>	<b>7.9</b>	<b>4,468.8</b>
Intangible assets	4,342.7		4,342.7
- Intangible assets with indefinite useful life	3,565.0		3,565.0
- Intangible assets with finite useful life	777.7		777.7
Property, plant and equipment	35.7		35.7
Equity investments	0.2		0.2
Other financial assets	4.9	(3.7)	1.2
Other non-current assets	1.4		1.4
Deferred tax assets	76.0	11.6	87.6
<b>Current assets</b>	<b>932.1</b>		<b>932.1</b>
Inventories	10.3		10.3
Trade accounts receivable	684.3		684.3
Current tax assets	16.3		16.3
Other current assets	81.4		81.4
Current financial assets	1.9		1.9
Cash and cash equivalents	137.9		137.9
<b>TOTAL ASSETS</b>	<b>5,393.0</b>	<b>7.9</b>	<b>5,400.9</b>
<b>Non-current liabilities</b>	<b>3,835.4</b>		<b>3,835.4</b>
Non-current reserves to employees	52.9		52.9
Other non-current liabilities	22.0		22.0
Non-current financial debts	3,760.5		3,760.5
<b>Current liabilities</b>	<b>697.6</b>	<b>31.5</b>	<b>729.1</b>
Current financial debts	192.2	31.5	223.7
Reserve for current risks and charges	60.9		60.9
Trade accounts payable	274.2		274.2
Current tax payables	43.1		43.1
Payables for services to be rendered and other current liabilities	127.2		127.2
<b>Minority interests</b>	<b>9.8</b>		<b>9.8</b>
<b>Equity of the Group</b>	<b>850.2</b>	<b>(23.6)</b>	<b>826.6</b>
Share capital and reserves	793.2		793.2
Reserve for stock options	3.0		3.0
Reserve for transition to IAS/IFRS	(16.9)	(2.5)	(19.4)
Reserve for hedging instruments		(21.1)	(21.1)
Reserve for exchange rate adjustments	(9.0)		(9.0)
Income (loss) for the year	79.9		79.9
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,393.0</b>	<b>7.9</b>	<b>5,400.9</b>

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## 5. Business combinations

In 2005, the SEAT Pagine Gialle group acquired the control of the following companies:

- Uno Uno Ocho Cinco Cero Guías S.L., now held 100%;
- Le 118000 Sas, now held 100%;
- Cipi S.p.A., now held 51%.

The fair value at the acquisition date of identifiable assets and liabilities of those companies was as follows

(euro/thousand)	Fair value at the acquisition date
Non-current assets	9,736
Non-current liabilities	(3,066)
Working capital	34
<b>Net invested capital</b>	<b>6,704</b>
Equity of the Group	4,208
Minority interests	3,186
Financial debts	4,603
Financial assets, cash and cash equivalents	(5,293)
<b>Total</b>	<b>6,704</b>

The overall cost of the business combinations was € 11,795 thousand, inclusive of costs directly attributable.

Goodwill recognised at the date of acquisition amounts to € 7,587 thousand.

From the date of acquisition to year-end the above companies contributed € 14,673 thousand to the Group's revenues from sales and services and affected the result of the year negatively for € 4,246 thousand. If the business combinations had taken place as at January 1, 2005, consolidated revenues (€ 1,424,611 thousand) would have been € 1,430,912 thousand and consolidated net income for 2005 would have been substantially unchanged.

## 6. Intangible assets with indefinite useful life

Intangible assets with indefinite useful life amounted to € 3,574,260 thousand at December 31, 2005 (€ 3,565,020 thousand at December 31, 2004) and are detailed as follows

(euro/thousand)	Year 2005			Year 2004
	Goodwill	Goodwill on consolidation	Total	Total
<b>Opening value</b>	<b>3,180,174</b>	<b>384,846</b>	<b>3,565,020</b>	<b>3,602,831</b>
Acquisition of subsidiaries		7,587	7,587	10,034
Exchange rate effect		6,094	6,094	(60)
Disposal of consolidated companies		(4,429)	(4,429)	(40,768)
Depreciation and write-downs				(6,685)
Change in the scope of consolidation and other movements	2,610	(2,622)	(12)	(332)
<b>Ending value</b>	<b>3,182,784</b>	<b>391,476</b>	<b>3,574,260</b>	<b>3,565,020</b>

These comprise the following:

- *goodwill* amounting to € 3,182,784 thousand, of which € 3,169,868 thousand relating to goodwill arising on mergers carried out in prior years;
- *goodwill on consolidation* amounting to € 391,476 thousand (€ 384,846 thousand at December 31, 2004) and consisting of the difference between the acquisition value of fully consolidated investments and the value of the corresponding portion of equity at the time of acquisition.

*Acquisition of subsidiaries* for the year amounted to € 7,587 thousand and refer for € 5,012 thousand to the acquisition of a 51% interest in Cipi S.p.A., and for € 2,411 thousand to the acquisition of a 100% interest in Le 118000 Sas.

*Disposal of consolidated companies* for 2005 amounted to € 4,429 thousand and is attributable to the deconsolidation of Pubblibaby S.p.A., in October 2005.

For the purposes of the impairment test valuation, intangible assets with indefinite useful life have been allocated to the respective cash generating units (CGU). In particular, it should be noted that goodwill (€ 3,169,868 thousand, equal to 89.9% of the total value of the intangible assets with indefinite useful life) is wholly allocated to the "Italian Directories" CGU.

## 7. Impairment test of intangible assets with indefinite useful life

Goodwill acquired through business combinations has been allocated – at the date of acquisition – to the respective businesses acquired. These represent separate Cash Generating Units (CGU) for purposes of testing for any impairment loss.

The valuations in question have been carried out at year-end comparing the book value of each CGU with the respective *recoverable value*. This is the higher of the fair value of the asset, when this exists, and its value in use (the present value of expected future cash flows, which it is assumed will result from the permanent use and disposal of an asset at the end of its useful life). The equity value has been considered as the value in use, namely the difference between the enterprise value and the value of the initial net financial position.

Goodwill recognised in SEAT Pagine Gialle S.p.A., after the merger operations concluded in prior years, was not allocated to distinct CGUs within the Company, since they are not identified. For this reason such goodwill is referred to the Company as a whole.

The *value in use* has been estimated for each CGU as the present value of the operating cash flows expected, in relation to two time periods, the first defined by the time horizon of the latest industrial plan approved by management and the second by the *terminal value*. For this purpose reference has been made, for each CGU, to the operating result, net of taxes, *increased* by amortisation, depreciation and write-downs and *reduced* to reflect operating investments and the generation/use of cash arising from the change in operating working capital. Cash flows resulting from extraordinary operations have not been taken into consideration. The terminal value has been estimated using the perpetuity method.

The operating cash flow determined in this manner has been discounted using a discounting rate that enables the weighted opportunity cost of all the capital sources to be reflected (*Weighted Average Capital Cost - WACC*), on the basis of a target financial structure. The cost of borrowing has been estimated using the average cost estimated for the SEAT Pagine Gialle S.p.A. debt, since the Parent Company performs a centralised Treasury role and is the only party to be in a debt position towards third parties. The rate used for non-risk investments is the quoted euro and pound sterling 20-year swap curve rate on the day. The equity beta reflects the debt/equity financial structure taken as a reference point and has been estimated, like the risk rate, using analysts' reports as a benchmark. The "specific" risk has been calculated on the basis of the intrinsic risk factor of the business of the CGU and of the market in which it operates.

## 8. Intangible assets with finite useful life

Intangible assets with finite useful life amounted to € 624,703 thousand at December 31, 2005 (€ 777,654 thousand at December 31, 2004) and may be detailed as follows

	Year 2005				Year 2004	
	Customer Data Base	Software	Industrial patents, trademarks, concessions and licenses	Other intangible assets	Total	Total
<b>(euro/thousand)</b>						
<i>Cost</i>	972,400	93,981	2,411	21,422	1,090,214	1,120,184
<i>Accumulated amortisation</i>	(229,595)	(71,620)	(1,411)	(9,934)	(312,560)	(180,563)
<b>Net opening value</b>	<b>742,805</b>	<b>22,361</b>	<b>1,000</b>	<b>11,488</b>	<b>777,654</b>	<b>939,621</b>
- Investments		11,183	551	14,104	25,838	18,959
- Disposals		(21)			(21)	(2,835)
- Amortisation and write-downs	(162,067)	(14,924)	(434)	(3,315)	(180,740)	(177,778)
- Exchange rate adjustment and other movements		2,501	844	(1,372)	1,973	(313)
<i>Cost</i>	972,400	103,343	6,363	31,339	1,113,445	1,090,214
<i>Accumulated amortisation</i>	(391,662)	(82,243)	(4,403)	(10,434)	(488,742)	(312,560)
<b>Net ending value</b>	<b>580,738</b>	<b>21,100</b>	<b>1,960</b>	<b>20,905</b>	<b>624,703</b>	<b>777,654</b>

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Intangible assets with finite useful life include:

- *Customer Data Base*, amounted to € 580,738 thousand at December 31, 2005 (€ 742,805 thousand at December 31, 2004). The *Customer Data Base* is the information and relationship asset relating to the customer, built over time by Seat S.p.A.. It is an indivisible set of organised data and information, processing and taxonomy models and specific trade and marketing know-how intended to support the Company's strategic decisions relating to customer development and retention. The value of this intangible asset was increased, also on the basis of an independent expert opinion, by the allocation of part of the goodwill arising from the mergers effected in December 2003 (€ 972,400 thousand). The Customer Data Base is amortised over 6 years: the amortisation charge for the year was € 162,067 thousand;
- *software*, amounted to € 21,100 thousand at December 31, 2005 (€ 22,361 thousand at December 31, 2004). It includes costs for purchases from third parties and in-house production of proprietary and licensed software programmes used in particular in the commercial, publishing and administrative functions;
- *other intangible assets*, amounted to € 20,905 thousand at December 31, 2005 (€ 11,488 thousand at December 31, 2004). € 14,213 thousand refer to intangible assets under development, in particular to software projects under development.

*Investments* for the year, amounting to € 25,838 thousand (€ 18,959 thousand at December 31, 2004), relate to:

- € 21,225 thousand for the following projects for the Parent Company:
  - "Nuova SEAT" with the release of a new support system for the sales network called Evolution, which has integrated and further enhanced a series of existing systems in a single platform;
  - a complete update of the Multimedia Publishing Information System (SEM system), the first prototype of which was released at the end of 2005. The most innovative aspects consist of an automatic normalisation system, which converts to standard formats the shared content of the diverse range of advertisements produced by the same customer from a multi-media editorial database, which supports the processing within a "customer-centric" vision, and an automatic system for constructing the individual advertisements in relation to the specific features of the medium used;
  - development of existing products and launch of new products;
  - update of the database to meet new regulatory requirements (i.e. Universal Data Base). In August 2005, the Brescia edition was published. This is the first directory produced with graphic display, using specific pictograms, of the consent obtained from subscribers regarding willingness to receive promotional-advertising material or sales contacts;
  - reinforcement of the telephone sales channel;
  - development of the customer portal designed to improve the corporate image and enhance customer relationships;
- € 1,760 thousand in Consodata S.p.A., designed to update the data in databases owned, in the context of the stringent privacy regulations;
- € 1,594 thousand in development of the existing database and the creation of the new corporate website for the Telegate group.

## 9. Property, plant and equipment

Property, plant and equipment amounted to € 49,648 thousand at December 31, 2005 (€ 35,697 thousand at December 31, 2004). These are accounted for net of accumulated depreciation amounting to € 100,973 thousand at the year-end, for a ratio to gross value of 67.04% (72.03% at December 31, 2004). This item includes

(euro/thousand)	Year 2005				Year 2004
	Property	Machineries and equipment	Other fixed assets	Total	Total
<i>Cost</i>	15,857	41,739	70,013	127,609	146,995
<i>Accumulated depreciation</i>	(4,438)	(33,805)	(53,669)	(91,912)	(102,018)
<b>Net opening value</b>	<b>11,419</b>	<b>7,934</b>	<b>16,344</b>	<b>35,697</b>	<b>44,977</b>
- Investments	711	9,625	9,863	20,199	10,912
- Disposals		(22)	(189)	(211)	(5,958)
- Depreciation and write-downs	(833)	(4,637)	(8,248)	(13,718)	(14,579)
- Other movements	6,786	1,026	(131)	7,681	345
<i>Cost</i>	24,184	52,795	73,642	150,621	127,609
<i>Accumulated depreciation</i>	(6,101)	(38,869)	(56,003)	(100,973)	(91,912)
<b>Net ending value</b>	<b>18,083</b>	<b>13,926</b>	<b>17,639</b>	<b>49,648</b>	<b>35,697</b>



Property, plant and equipment include:

- *property*, of € 18,083 thousand at December 31, 2005 (€ 11,419 thousand at December 31, 2004). It increased by € 6,664 thousand during the year due to the consolidation of Cipi S.p.A., owner of land and buildings in Milan and Catania (€ 5,944 thousand at December 31, 2005). This item also includes the value of the property in which the Thomson group carries out its business, for a value of € 10,380 thousand at December 31, 2005;
- *machineries and equipment*, of € 13,926 thousand at December 31, 2005 (€ 7,934 thousand at December 31, 2004). Investments during the year, of € 9,625 thousand, were aimed, in particular, to strengthen and update the technological equipment of the call centers in Germany as well as the opening of the call center at Livorno in Italy (€ 1,162 thousand);
- *other fixed assets*, of € 17,639 thousand at December 31, 2005, referred for € 10,651 thousand to IT equipment and systems. Investments during the year amounted to € 9,863 thousand, of which € 6,723 thousand related to EDP systems and for € 2,468 thousand to furniture.

The accumulated depreciation (€ 100,973 thousand) is deemed adequate to cover the depreciation of all types of assets, based on their estimated residual life. The following table shows a summary of the depreciation rates used

	Year 2005	Year 2004
Property	3%	3%
Machineries and equipment	10-25%	10-25%
Other fixed assets	10-25%	10-25%

## 10. Equity investments

The SEAT Pagine Gialle group holds a 25% interest in the Luxembourg company Lighthouse International Company S.A., which in 2004 had provided SEAT Pagine Gialle S.p.A. with the cash arising from a debenture loan, issued by this company and guaranteed by SEAT Pagine Gialle S.p.A..

Below are the main balance sheet figures of the associate at December 31, 2005 and 2004

(euro/thousand)	At 12.31.2005	At 12.31.2004
Assets	1,317,726	1,317,859
Liabilities	1,317,530	1,317,785
Equity	196	74
<i>of which income for the year</i>	122	58

## 11. Other non-current financial assets

Other non-current financial assets, of € 1,330 thousand at December 31, 2005 (€ 4,917 thousand at December 31, 2004), include:

- loans to employees of € 1,160 thousand, issued at market rates for transactions of this type;
- a 2.2% interest in share capital of Emittenti Titoli S.p.A. for € 110 thousand.

The other non-current financial assets at December 31, 2004 include charges incurred in 2004 (€ 3,729 thousand) for establishing Interest Rate Collar derivative contracts. These charges, in accordance with the current relevant accounting standards, were deferred pending the start of the contract (December 2006).

On January 1, 2005, under the provisions of IAS 39, this prepayment was written off with a corresponding movement in the equity account "Reserve for the adoption of IAS/IFRS", net of the related tax effect.

## 12. Inventories

This item is detailed as follows

	At 12.31.2004	Change during the year			At 12.31.2005
		Increases (decreases)	Provision/ reversal	Change in the scope of consolidation and exchange rate adjustments	
<b>(euro/thousand)</b>					
Raw materials, suppliers and consumable items	7,330	(278)		(109)	6,943
Merchandising products		(2,114)	94	5,277	3,257
- Merchandising products (gross value)		(2,114)		5,817	3,703
- Allowance for merchandising products			94	(540)	(446)
Work in progress and semi-finished goods	2,277	(519)		8	1,766
Finished goods	706	(174)	(54)	(228)	478
- Finished goods (gross value)	787	(175)		(175)	612
- Allowance for finished goods	(81)	1	(54)	(53)	(134)
<b>Total inventories</b>	<b>10,313</b>	<b>(3,085)</b>	<b>40</b>	<b>5,176</b>	<b>2,131</b>

## 13. Trade accounts receivable

This item is detailed as follows

	Year 2005			Year 2004
	Trade accounts receivable	Allowance for doubtful trade accounts receivable	Net value	Net value
<b>(euro/thousand)</b>				
<b>Opening value</b>	<b>815,165</b>	<b>(130,868)</b>	<b>684,297</b>	<b>754,904</b>
Provision to allowance for doubtful trade accounts receivable		(40,799)	(40,799)	(35,025)
Non-recurring provision to allowance for doubtful trade accounts receivable				(25,405)
Utilisation of allowance for doubtful trade accounts receivable		47,502	47,502	36,855
Other movements	(21,425)	165	(21,260)	(47,032)
<b>Ending value</b>	<b>793,740</b>	<b>(124,000)</b>	<b>669,740</b>	<b>684,297</b>

This item amounted to € 669,740 thousand (net of the allowance of € 124,000 thousand), of which € 2,397 thousand is due after more than 12 months. It included receivables from services yet to be rendered for € 90,379 thousand (€ 104,314 thousand at December 31, 2004) and the reduction is caused by different invoice timing.

The allowance for doubtful trade accounts receivable of € 124,000 thousand at December 31, 2005 is considered adequate to cover estimated losses. This has been used during the year for € 47,502 thousand (€ 36,855 thousand in 2004) and supplemented by an ordinary provision of € 40,799 thousand (in 2004, ordinary provision was € 35,025 thousand and non-recurring provision was € 25,405 thousand). The increased ordinary provision of € 5,774 thousand compared to 2004, booked by the Parent Company, ensures a greater coverage of the oldest portion of receivables, arising in prior years, which were characterized by a low level of customer credit rating.

All trade receivables fall due within 5 years.

## 14. Other assets (current and non-current)

This item is detailed as follows

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change
Other current assets			
- <i>Advanced sales commissions and other operating receivables from agents</i>	52,334	63,210	(10,876)
- <i>Advances to suppliers</i>	5,475	5,349	126
- <i>Prepaid expenses</i>	7,716	7,010	706
- <i>Other current receivables</i>	5,366	5,783	(417)
<b>Total other current assets</b>	<b>70,891</b>	<b>81,352</b>	<b>(10,461)</b>
<b>Total other non-current assets</b>	<b>1,126</b>	<b>1,413</b>	<b>(287)</b>

In particular:

- *advanced sales commissions and other operating receivables from agents*, of € 52,334 thousand at December 31, 2005, are accounted for net of the related allowance for doubtful accounts of € 3,121 thousand at December 31, 2005 (€ 3,400 thousand at December 31, 2004). The item includes € 3,876 thousand of receivables with due dates of more than 12 months, classified among other current assets since they fall within the normal business operating cycle. These receivables have been discounted to present value using the average market interest rate for receivables of this due date;
- *advances to suppliers*, of € 5,475 thousand at December 31, 2005, are substantially unchanged compared to December 31, 2004 and include advances paid to the printer Ilte S.p.A. for € 4,023 thousand (€ 4,039 thousand at December 31, 2004).

Other non-current assets amounted to € 1,126 thousand at December 31, 2005, and included € 845 thousand of tax receivables from Tax Authorities for advance payments on the reserve for termination severance indemnities.

## 15. Current financial assets

Current financial assets of € 2,387 thousand at December 31, 2005, relate for € 2,128 thousand to the fair value of derivative contracts at December 31, 2005.

These contracts have been recognised in the balance sheet as of January 1, 2005, in compliance with IAS 39. In detail, this item includes € 1,380 thousand for Forward Rate Agreements (F.R.A.) to hedge interest rate risks.

## 16. Cash and cash equivalents

They increased by € 64,281 thousand compared to December 31, 2004 and include

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change
Bank deposits	200,071	136,810	63,261
Postal deposits	2,003	1,046	957
Cash	84	21	63
<b>Total cash and cash equivalents</b>	<b>202,158</b>	<b>137,877</b>	<b>64,281</b>

## 17. Equity

Equity is detailed as follows

	At 12.31.2004	Change during the year					At 12.31.2005
		Loss coverage/ allocation of previous year result	Reversal of reserve for early depreciation	Opening balance adjustments (IAS 39)	Exercised stock option	Other changes	
<b>(euro/thousand)</b>							
Share capital	247,539				473	473	248,012
- <i>ordinary shares</i>	243,457				473	473	243,930
- <i>saving shares</i>	4,082						4,082
Additional paid-in capital	541,845	(106,299)	1,551		4,796	(99,952)	441,893
Other reserves	62,869	(13,217)	(1,551)		307	(14,461)	48,408
Reserve for retaining earning	(67,719)						(67,719)
Loss for the year 2004	(119,516)	119,516				119,516	
Income for 2004 due to IAS/IFRS adoption	199,446	(199,446)				(199,446)	
Reserve for transition to IAS/IFRS	(16,874)	199,446	(2,499)	1,503		198,450	181,576
Exchange rate adjustments for IAS/IFRS adoption	(422)					1,479	1,057
Reserve for hedging instruments			(21,133)		6,871	(14,262)	(14,262)
Reserve for stock options	3,000				(1,503)	7,726	9,223
Income for the year 2005						131,905	131,905
<b>Equity of the Group</b>	<b>850,168</b>		<b>(23,632)</b>	<b>5,576</b>	<b>147,981</b>	<b>129,925</b>	<b>980,093</b>
Other reserves	9,894					3,041	12,935
Reserve for transition to IAS/IFRS	334	(440)				32	(74)
Loss for the year 2004 due to the transition to IAS/IFRS	(440)	440				440	
Income for the year 2005						6,756	6,756
<b>Minority interests</b>	<b>9,788</b>					<b>3,073</b>	<b>19,617</b>
<b>Total equity</b>	<b>859,956</b>		<b>(23,632)</b>	<b>5,576</b>	<b>151,054</b>	<b>132,998</b>	<b>999,710 (*)</b>

(\*) At December 31, 2005 € 226,449 thousand are subjected to tax imposition in case of distribution.

### Share capital

Share capital amounted to € 248,012 thousand at December 31, 2005 (€ 247,539 thousand at December 31, 2004).

The share capital is composed of No. 8,130,990,696 ordinary shares and No. 136,074,786 savings shares, all of which have a par value of € 0.03 each. Share capital increased in 2005 by € 473 thousand through the issue of No. 15,775,000 ordinary shares following the exercise of the same number of options by the beneficiaries of the "2004 Stock Option Plan for Employees", which became exercisable as of September 30, 2005.

At March 21, 2006, the date of this report, the share capital amounted to € 248,544 thousand after the further issue of No. 17,727,500 ordinary shares, following the exercise of the same number of options by the beneficiaries of the "2004 Stock Option Plan for Employees".

It must be noted that in terms of share capital, the amount of € 13,741 thousand is pending taxation. With regard to this amount, deferred tax liabilities have not been calculated as the Company is not planning to pay off the capital.

### Additional paid-in capital

This item amounted to € 441,893 thousand at December 31, 2005 (€ 541,845 thousand at December 31, 2004). It decreased by € 99,952 thousand compared to December 31, 2004, as a result of the following movements:

- € 106,299 thousand used to cover the Parent Company loss in 2004;
- € 1,551 thousand as increase due to the derecognition of the "Reserve for early depreciation" following the resolution of the Shareholders Meeting of April 28, 2005 as a result of the introduction of the so-called "doppio binario";
- € 4,796 thousand as increase due to exercise of No. 15,775,000 options relating to the "2004 Stock Option Plan for Employees", occurring in the last quarter of 2005.

SEAT Pagine Gialle S.p.A., utilising the procedure set out in section II of chapter I of Law. 342/2000, Art. 14 (the terms of which were reopened by Law 266/2005), has proceeded to align the value of the *Customer Data Base* for financial statement purposes with its value for tax purposes. Through such alignment € 142,760 thousand of the additional paid-in capital is pending taxation. With regard to this amount, deferred tax liabilities have not been calculated as the Company is not planning to pay off it.

### Other reserves

Other reserves amounted to € 158,283 thousand at December 31, 2005 (negative for € 19,146 thousand at December 31, 2004). This item is detailed as follows

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change
Reserve for transition to IAS/IFRS	181,576	(16,874)	198,450
Reserve for stock options	9,223	3,000	6,223
Reserve for hedging instruments	(14,262)	-	(14,262)
Reserve for exchange rate adjustments	(8,259)	(9,075)	816
Other reserves	(9,995)	3,803	(13,798)
<b>Total other reserves</b>	<b>158,283</b>	<b>(19,146)</b>	<b>64,281</b>

In particular:

- the *reserve for transition to IAS/IFRS* amounted to € 181,576 thousand at December 31, 2005 (negative for € 16,874 thousand at December 31, 2004) and comprises:
  - € 203,585 thousand, representing the positive effect for the derecognition of goodwill amortisation accounted for in 2004 (IAS 36);
  - € 14,473 thousand, representing the negative effect of the valuation and accounting for the pension funds and reserve for employee termination indemnities in compliance with IAS 19;
  - € 2,072 thousand, representing the positive effect arising from discounting to present value of non-current assets and liabilities in compliance with IAS 37;
  - € 2,499 thousand, representing the negative effect of the application of IAS 39 at January 1, 2006 to premium on derivative contracts hedging the risk of interest rate fluctuations (Collar);
  - € 7,109 thousand, representing the negative effect of other minor adjustments arising from the adoption of the IAS/IFRS standards, of which € 6,077 thousand relates to the reversal of prepayment costs of sales personnel. This cost is no longer deferred on the basis of accrual of the relevant income in compliance with IAS 2;
- the *reserve for stock options* amounted to € 9,223 thousand at December 31, 2005 (€ 3,000 thousand at December 31, 2004) and includes:
  - € 5,744 thousand for 2004 stock option plans;
  - € 3,479 thousand for 2005 stock option plans;
- the *reserve for hedging instruments* was recognised on January 1, 2005 for the negative amount of € 21,133 thousand following the adoption of IAS 39 and 32. At December 31, 2005 it shows a negative net balance of € 14,262 thousand due to the valuation of hedging contracts on interest rate risks at fair value, net of the relevant tax effects.

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## 18. Earning per share

The earning per share is based on the following data

Number of shares of SEAT Pagine Gialle S.p.A. at December 31, 2005		8,267,065,482
- <i>ordinary</i>		8,130,990,696
- <i>saving</i>		136,074,786
Par value per share	euro	0.030
Income of the Group for the year	euro/thousand	131,905
Earning per share	euro	0.01601
Diluted earning per share	euro	0.01600

The difference between the earning per share and the diluted earning per share is minimal since the effect of outstanding options is not material.

## 19. Non-current financial debts

This item is detailed as follows

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change
Debts due to The Royal Bank of Scotland Plc Milan Branch ( <i>gross value</i> )	2,349,100	2,576,684	(227,584)
<i>less transaction costs</i>	(75,371)	(63,712)	(11,659)
Debts due to The Royal Bank of Scotland Plc Milan Branch ( <i>net value</i> )	2,273,729	2,512,972	(239,243)
Debts due to Lighthouse International Company S.A. ( <i>gross value</i> )	1,300,000	1,300,000	-
<i>less transaction costs</i>	(47,103)	(52,569)	5,466
Debts due to Lighthouse International Company S.A. ( <i>net value</i> )	1,252,897	1,247,431	5,466
Debts due to other lenders	63	98	(35)
<b>Total non-current financial debts</b>	<b>3,526,689</b>	<b>3,760,501</b>	<b>(233,812)</b>
<b>Current portion of non-current financial debts</b>	<b>171,112</b>	<b>171,222</b>	<b>(110)</b>

- The *Term and Revolving Facilities Agreement* with The Royal Bank of Scotland Plc Milan Branch at December 31, 2005 amounted to € 2,349,100 thousand (€ 2,576,684 thousand at December 31, 2004). It is recognised in the balance sheet net of € 75,371 thousand of transaction costs not yet amortised. This loan was drawn in 2004 and refinanced in the first half of 2005 for a total amount of € 2,530.1 million.

This loan, which saw BNP Paribas in the role of Arranger and The Royal Bank of Scotland Plc Milan Branch as Lender, is now organised as follows:

- tranche A, for € 1,930.1 million, repayable in accordance with the amortisation plan, with six month installments, from June 2006 to June 2012, and bearing interest at a floating interest rate p.a. equal to Euribor plus 1.91%;
- tranche B, for € 600 million, repayable in a lump-sum repayment in June 2013 and bearing interest at a floating interest rate p.a. equal to Euribor plus 2.41%. An amount of € 10 million was repaid early in October and so the exposure on tranche B at December 2005 amounted to € 590 million;
- tranche C, for € 90 million, designed to cover any working capital requirements of SEAT Pagine Gialle S.p.A. or its subsidiaries, in the form of a *revolving credit line*, available up to May 2012, bearing interest at a floating interest rate p.a. equal to Euribor plus 1.91%, if drawn. A non-usage fee of 0.56% p.a. is charged on the temporary amounts not taken down relating to these credit lines. € 40 million of this credit line has been taken down, also for payment of the transaction costs (€ 26,052 thousand), and was subsequently repaid in August 2005.

The average life of the "Senior" debt increased from about 5.2 to about 5.9 years as a result of the refinancing.

The cost of the "Senior" debt was significantly reduced. Its average weighted rate decreased by about 81 base points, representing a saving of approximately € 13 million in the period June-December 2005.

The above-mentioned refinancing agreement requires SEAT Pagine Gialle S.p.A. to observe specific covenants, which are checked on a quarterly basis. These covenants refer to the observance of specific ratios between: *i*) net debt and EBITDA; *ii*) EBITDA and interest on debt; *iii*) cash flow and debt service (including interest and quotas of principal payable in each period referred to). The result of the test carried out on these *covenants* at December 31, 2005 (this reporting date) was positive.

Transaction costs (€ 25,875 thousand of fees to banks and legal costs) are offset against the total debt as at December 31, 2005, as well as, transaction costs on the financing agreement, capitalised in 2004 and not yet amortised at the refinancing date. The amortisation for the year was € 14,216 thousand.

The loan repayment plan provides for € 171,000 thousand to be repaid in 2006. Of this amount, € 85,5 million was repaid early at the beginning of February 2006 together with € 15 million against tranche B, originally due in 2013, as a result of the Group's cash generating capacity.

- "Non-current financial debt due to Lighthouse International Company S.A." amounted to € 1,300,000 thousand at December 31, 2005. This is recognised in the balance sheet net of € 47,103 thousand of transaction costs not yet amortised. The amortisation for the year was € 5,643 thousand. The ten-year loan with a fixed interest rate of 8% p.a. falls due in 2014. At December 31, 2005 € 17,375 thousand of interest accrued and not yet paid are recognised as current financial liabilities.

The total annual average cost of the financial debts of the SEAT Pagine Gialle group was 6.2% in 2005.

## 20. Guarantees provided, main commitments and contractual rights

The "Senior Credit Agreement" with The Royal Bank of Scotland Plc Milan Branch has requested SEAT Pagine Gialle S.p.A. to issue the following main guarantees, that are standard for transactions of this type:

- a pledge on its main trademarks;
- a pledge on the shares of its major subsidiaries;
- a special privilege on SEAT Pagine Gialle S.p.A.'s tangible assets with a net carrying value equal to or higher than € 25,000.

It should also be noted that SEAT Pagine Gialle S.p.A. issued guarantees for € 350,000 thousand to cover any additional charges relating to the bond issued by Lighthouse International Company S.A.

Summary of the repayment plan for loans in place at year-end

	Expiration year						Total
	2006	2007	2008	2009	2010	beyond 5 years	
<b>(euro/thousand)</b>							
Debts due to The Royal Bank of Scotland Plc Milan Branch	171,000 (*)	176,900	182,700	245,000	259,000	1,485,500 (**)	2,520,100
Debts due to Lighthouse International Company S.A.						1,300,000	1,300,000
Debts due to other lenders	112	63					175
<b>Total non-current financial debts (gross value)</b>	<b>171,112</b>	<b>176,963</b>	<b>182,700</b>	<b>245,000</b>	<b>259,000</b>	<b>2,785,500</b>	<b>3,820,275</b>

(\*) This amount is included in current financial debts and € 85,500 thousand was repaid early at the beginning of February 2006.

(\*\*) € 15,000 thousand was repaid early at the beginning of February 2006.

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## 21. Information on financial risks

The Group is exposed to financial risks connected with its operations:

- market risks, primarily relating to interest and exchange rates;
- credit risks, in relation to normal commercial transactions with customers.

In the normal course of business, the SEAT Pagine Gialle group is subject to risks of fluctuations in interest and exchange rates. These market risks relate mainly to the loan with The Royal Bank of Scotland Plc Milan Branch, as well as foreign currency receivables and payables (sterling in particular).

The SEAT Pagine Gialle group monitors continually the financial risks to which it is exposed, in order to assess any potential negative effects and take the appropriate mitigating actions. These risks are managed through the use of derivative financial instruments, as provided in its own risk management policies. According to these policies derivatives are used only to reduce the risk exposure on interest rates and foreign exchange rates referred to cash flows and assets and liabilities.

No speculative activity is allowed.

The Company has credit risk in connection to its customers. In the last years, the Company had implemented sophisticated customers' creditworthiness assessments systems. These systems will complete at the end of 2006 with the installation of "Credit Scoring Software" created by Experian S.r.l, already used by main companies operating in consumer credit and bank market.

### The market risk policy of the SEAT Pagine Gialle group

This policy consists of:

- monitoring on a regular basis the level of the current market risk exposure on interest and foreign exchange rates and determining the maximum level of interest rate and foreign exchange rate risk to which we should be exposed;
- use of derivative financial instruments to hedge the risks as discussed below, but not for speculative purposes;
- continual evaluation of the credit quality of counterparties to minimize the risk of non-performance. All derivative financial instruments are entered into with major banks and financial institutions. If the counterparty is a subsidiary, the transaction is carried out at market rates.

### Liabilities relating to interest rate hedging financial instruments

The "Senior" debt with The Royal Bank of Scotland Plc Milan Branch bears a floating interest rate per annum equal to Euribor plus certain margins. In order to reduce the exposure to risks on floating-rate debt, SEAT Pagine Gialle entered into the following hedging agreements with major international financial counterparties (Interest Rate Swaps – IRSs –, Collars and Forward Rate Agreements – FRAs).

To determine the market value of these derivative instruments, we rely on third parties (banks and financial institutions).

The market value of IRSs reflects the present value difference between the fixed rate to be paid/received and the interest rate assessed on the basis of the market trend having the same expiry dates as the swap.

IRSs involve or may involve the exchange of flows of interest calculated on the applicable notional amount at the agreed fixed or floating rates at the specified maturity date with the counterparties. The notional amount does not represent the amount exchanged between the parties and therefore does not constitute a measure of exposure to credit risk, which is instead limited to the amount of interest differentials to be received at the interest payment date.



The market value of collars is the difference between the market price for the purchase of the Interest Rate Floor previously sold and the market price for the sale of the Interest Rate Cap previously purchased.

The price of these options is calculated based on the interest rates' expected levels at the relevant maturity dates, the strike prices at each maturity date and the volatility of interest rates.

As at December 31, 2005, the hedging financial agreements were as follows:

- a) two *Interest Rate Swaps (IRSs)*, restructured in December 2005 to make them consistent with the quarterly due dates of the "Senior" debt interest. This restructuring allowed the floating Euribor rate to be replaced with a fixed rate at approximately 3.26% to hedge the risk exposure of about 55% of the financial debt expected to be outstanding until December 2006 and approximately 25% of the financial debt expected to be outstanding until June 2007;
- b) three *Interest Rate Collars*, entered into in July 2004 to enhance the previous hedging instruments. One of these collars was restructured in September 2005, in order to improve the overall hedging profile of the floating rate financial debt. Through these hedging agreements a variable band of the floating six-month Euribor was fixed with maximum (in a range between 4.30% and 5.08%) and minimum threshold (in a range between 2.59% and 3.42%);
- c) *Forward Rate Agreements (FRAs)*, entered starting from June 2005, through which an average Euribor rate was fixed at about 2.1% on a notional amount of € 1,040 million with different maturity dates (from December 2005 to December 2006). At the end of 2005, SEAT Pagine Gialle decided to cease some of these agreements (for a notional amount of € 690 million), recognising a positive result of € 1.8 million equal to a 0.5% rate on Euribor which was paid in the first two quarters of 2006.

Notional amount and fair value of the financial instruments at December 31, 2005 were as follows

(euro/mln)	Notional amount	Fair value
Interest Rate Swaps	1,305.50	(6.41)
Interest Rate Collars	1,214.52	(18.15)
Forward Rate Agreements	350.00	1.38

In February and March 2006 in order to further enhance the previous hedging instruments new IRSs were entered into with major financial institutions, in relation to the "Senior" debt expected to be outstanding in the period from December 2009 to June 2012, through which the floating six-month Euribor was swapped for a fixed rate of some 3.75% on a notional amount of € 325 million.

The derivatives entered into by SEAT Pagine Gialle allowed an overall coverage of about 83% of the financial exposure in 2006, of about 86% during 2007-2009 and of about 80% during 2010-2011.

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As of January 1, 2005, the SEAT Pagine Gialle group adopted IAS 39. As a consequence, the above-mentioned hedging instruments have been valued at their fair value and recognised in a corresponding specific reserve in the equity, net of the relevant tax impact, since they are cash flow hedging instruments.

In the case of FRAs closed in the year, the related income has been accounted for in the statement of operations on an accruals basis, according to the duration of the relevant hedge period.

*Liabilities relating to hedging instruments* amounted to € 24,558 thousand at December 31, 2005 and are detailed as follows:

- a) *Interest Rate Swaps*: € 6,413 thousand (€ 19,185 thousand at January 1, 2005);  
b) *Interest Rate Collars*: € 18,145 thousand (€ 12,350 thousand at January 1, 2005).

## 22. Non-current reserves to employees

This item is detailed as follows

	Year 2005				Year 2004	
	Reserve for defined benefit pension plans	Reserve for severance indemnities	Reserve for defined contribution pension plans	Reserve for termination indemnities	Total	Total
<b>(euro/thousand)</b>						
<b>Opening value</b>	<b>21,783</b>	<b>30,691</b>		<b>442</b>	<b>52,916</b>	<b>55,601</b>
Provisions	3,740	2,713	955	610	8,018	8,145
Repayments	(7,274)			(1,199)	(8,473)	(5,635)
Utilisations		(3,354)	(963)		(4,317)	(5,583)
Actuarial (gains) losses	(151)	1,152			1,001	1,495
Change in the scope of consolidation, exchange rate adjustments and other movements	1,837	1,071	8	727	3,643	(1,107)
<b>Ending value</b>	<b>19,935</b>	<b>32,273</b>		<b>580</b>	<b>52,788</b>	<b>52,916</b>

### Reserve for defined benefit pension plans

It is referred to a reserve for defined benefit pension plans in existence in the TDL Infomedia group.

The amounts relating to the plan assets, liabilities to employees and the related income statement costs have been determined on the basis of valuations carried out by an independent expert, using the Projected Unit Method and on the basis of the working assumptions set out below. The future results may differ from such estimates.

(euro/thousand)	12.31.2005	12.31.2004
<b>A. Change in benefits obligation</b>		
1. Benefits obligation at the beginning of the year	76,139	66,943
2. Current service cost	3,466	3,376
3. Interest expenses	4,251	3,751
4. Plan participants' contributions	1,293	1,238
5. Actuarial (gains) losses	6,021	2,151
6. Benefits paid from plan/company	(1,459)	(894)
7. Exchange rate adjustments	2,159	(425)
Benefits obligation at the end of the year	91,869	76,139
<b>B. Change in plan assets</b>		
1. Fair value of plan assets at the beginning of the year	54,226	43,462
2. Expected return on plan assets	4,402	3,490
3. Actuarial (gains) losses	6,903	1,907
4. Employer contributions	5,728	5,485
5. Member contributions	1,293	1,238
6. Benefits paid from plan/company	(1,459)	(894)
7. Exchange rate adjustments	1,522	(462)
Fair value of plan assets at the end of the year	72,613	54,226
<b>C. Account recognised in the balance sheet</b>		
1. Present value of funded obligations	91,869	76,139
2. Fair value of plan assets	(72,613)	(54,226)
Deficit (surplus) for funded plans	19,256	21,913
3. Unrecognised actuarial (gains) losses	637	(245)
Net liability (asset) recognised in the balance sheet	19,893	21,669
<b>D. Components of pension cost</b>		
<i>Amounts recognised in the statement of operations</i>		
1. Current service cost	3,466	3,376
2. Interest expenses	4,251	3,751
3. Expected return on plan assets	(4,402)	(3,490)
Total pension cost recognised in the statement of operations	3,315	3,636
<i>Actual return on plan assets</i>		
Actual return on plan assets	11,304	5,397
<b>E. Principal actuarial assumptions</b>		
<i>Weighted-average assumptions to determine benefits obligation</i>		
1. Discount rate	4.75%	5.30%
2. Rate of compensation increase	4.13%	4.40%
3. Rate of price inflation	2.63%	2.90%
<i>Weighted-average assumptions to determine net pension cost</i>		
1. Discount rate	5.30%	5.40%
2. Expected rate of return on plan assets	7.49%	7.74%
3. Expected rate of compensation increase	4.40%	4.40%
4. Rate of price inflation	2.90%	2.90%
<b>F. History of experience gains and losses</b>		
1. Difference between expected and actual return on plan assets		
a. Amount	(6,903)	(1,907)
b. Percentage of present value of plan assets	(10%)	(4%)
2. Experience (gains) and losses on plan liabilities		
a. Amount	6,021	2,151
b. Percentage of present value of plan liabilities	7%	3%
<b>G. Plan assets</b>		
<i>Assets categories (*)</i>	Percentage of assets categories on total	Expected rate of return on plan assets
1. Shares	75.0%	7.50%
2. Bonds	5.0%	4.75%
3. Investment property		7.50%
4. Other	20.0%	4.10%
<b>Total</b>	<b>100.0%</b>	<b>6.7%</b>

(\*) Figures referred to 2005.

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## Reserve for termination indemnities

The *reserve for termination indemnities*, of € 32,273 thousand at December 31, 2005, has been valued (since it is considered a defined benefit pension plan) in compliance with IAS 19. At the date of the first time IAS/IFRS adoption, all the accumulated actuarial gains and losses were recognised. Following that date, it was decided to adopt the corridor approach: consequently, € 631 thousand corresponding to the net actuarial losses at December 31, 2005 were not recognised.

(euro/thousand)	12.31.2005	12.31.2004
<b>A. Change in benefits obligation</b>		
1. Benefits obligation at the beginning of the year	30,157	31,069
2. Current service cost	2,713	3,011
3. Interest expenses	1,152	1,234
4. Actuarial (gains) losses	1,165	(534)
5. Benefits paid from plan/company	(3,354)	(4,546)
6. Other movements	1,029	(77)
Benefits obligation at the end of the year	32,862	30,157
<b>B. Account recognised in the balance sheet</b>		
<i>Plans that are wholly unfunded and plans that are wholly or partly funded</i>		
1. Present value of funded obligations	32,862	30,157
2. Unrecognised actuarial (gains) losses	(631)	534
3. Other movements	42	
Net liability (asset) recognised in the balance sheet	32,273	30,691
<i>Amounts in the balance sheet</i>		
1. Liabilities	32,273	30,691
2. Assets		
<b>C. Components of pension cost</b>		
<i>Amounts recognised in the statement of operations</i>		
1. Current service cost	2,713	3,011
2. Interest expenses	1,152	1,234
Total pension cost recognised in the statement of operations	3,865	4,245
<b>D. Principal actuarial assumptions</b>		
<i>Weighted-average assumptions to determine benefits obligation</i>		
1. Discount rate	4.00%	4.50%
2. Rate of compensation increase	4.00%	4.00%
3. Rate of price inflation	2.00%	2.00%
<i>Weighted-average assumptions to determine net pension cost</i>		
1. Discount rate	4.50%	4.75%
2. Expected rate of compensation increase	4.00%	4.00%
3. Rate of price inflation	2.00%	2.00%
<b>E. History of experience gains and losses</b>		
a. Amount	1,165	(534)
b. Percentage of present value of plan liabilities	4%	(2%)

## 23. Share-based payments

The stock option plans in existence at December 31, 2005 established by SEAT Pagine Gialle S.p.A. are described in the section "Report on Operations – Human Resources". These plans are accounted in the financial statements in compliance with IFRS 2. Since this accounting principle is applicable to stock option plans with grant dates after November 7, 2002, the "2000-2002 Plans" and the "Key People Plan" have not been so valued.

The valuation of the stock option plans established by SEAT Pagine Gialle S.p.A has been determined by an independent expert, using the binomial method ("lattice model") recommended by the IASB and based on the following assumptions:

- the current price of the share is the share price at the grant date;
- the historic volatility of the SEAT Pagine Gialle share price (calculated from August 1, 2003) was considered indicative of the expected volatility;
- dividend yield = 0. The history of the SEAT Pagine Gialle group is very brief and it has not yet obtained shareholder approval for the distribution of ordinary dividends;
- risk-free interest rates: Italian State bonds with remaining term equal to the exercise period of the option were taken as a reference;
- strike price: it is assumed that employees will exercise options throughout the exercise period proportionally to the rise in value of the share.

The valuation of the stock option plan established by Telegate A.G. is based on similar assumptions to those set out above.

They refer, however, to Telegate A.G. shares, which are listed on the German market.

	Grant date	Number of granted options	Number of expired options	First vesting date	Strike price (euro)	Number of exercised options	Number of outstanding options at 12.31.2005	Fair value (euro/ thousand)	of which accrued in the year 2005
<b>2004 stock option plan</b>									
Employees of SEAT Pagine Gialle S.p.A.	06-07-2004	59,265,000	(450,000)	09-30-2005	0.3341	(14,995,000)	43,820,000	5,590	3,161
Employees of subsidiaries	06-30-2004	14,900,000	(1,425,000)	09-30-2005	0.3341	(1,700,000)	11,775,000	1,322	794
Managing Director	11-25-2004	5,000,000		09-30-2005	0.3341		5,000,000	400	354
<b>2005 stock option plan</b>									
Employees of SEAT Pagine Gialle S.p.A.	04-08-2005	62,500,000	(50,000)	09-30-2006	0.3221		62,450,000	5,374	2,657
Employees of SEAT Pagine Gialle S.p.A.	11-04-2005	1,600,000		09-30-2006	0.3915		1,600,000	200	36
Employees of subsidiaries	04-08-2005	14,235,000		09-30-2006	0.3221		14,235,000	1,225	355
Managing Director	04-08-2005	5,000,000		09-30-2006	0.3221		5,000,000	498	246
<b>Total</b>		<b>162,500,000</b>	<b>(1,925,000)</b>			<b>(16,695,000)</b>	<b>143,880,000</b>	<b>14,609</b>	<b>7,603</b>
<b>2005 Telegate stock option plan</b>									
Employees of Telegate A.G.	05-12-2005	293,000	(4,000)	05-12-2007	14.28		289,000	548	179
Employees of Telegate A.G.	07-29-2005	7,000		07-29-2007	17.22		7,000	16	5
<b>Total</b>		<b>300,000</b>	<b>(4,000)</b>				<b>296,000</b>	<b>564</b>	<b>184</b>
<b>Total SEAT Pagine Gialle group</b>		<b>162,800,000</b>	<b>(1,929,000)</b>			<b>(16,695,000)</b>	<b>144,176,000</b>	<b>15,173</b>	<b>7,787(*)</b>

(\*) This amount doesn't include contribution charges paid by Thomson Directories Limited (€ 120 thousand).

Stock option costs of € 7,907 thousand relating to 2005 (€ 3,005 thousand relating to 2004), are included in the statement of operations under non-recurring costs.

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## 24. Other non-current liabilities

Other non-current liabilities amounted to € 22,788 thousand at December 31, 2005 (€ 22,028 thousand at December 31, 2004) and are detailed as follows

(euro/thousand)	Year 2005				Total	Year 2004
	Reserve for sale agents' termination indemnities	Reserve for restructuring expenses	Reserve for operating risks and charges	Other non-operating liabilities		Total
<b>Opening value</b>	<b>17,861</b>	<b>2,148</b>	<b>2,019</b>		<b>22,028</b>	<b>20,792</b>
Provisions	4,003	6	450	27	4,486	4,333
Utilisations	(2,518)	(592)	(659)		(3,769)	(3,189)
Reversal to statement of operations		(16)			(16)	
Actuarial (gains) losses	119		(60)		59	(35)
Other movements						127
<b>Ending value</b>	<b>19,465</b>	<b>1,546</b>	<b>1,750</b>	<b>27</b>	<b>22,788</b>	<b>22,028</b>

In particular, it should be noted that the *reserve for sale agents' termination indemnities* of € 19,465 thousand at December 31, 2005, increased in the year by € 1,604 thousand and represent the accrued liability at year-end to active sales agents for the indemnity due to them under current regulations if the agency relationship will be interrupted.

The balances at December 31, 2005 of non-current reserves, in view of expected and future cash flows, have been discounted to present value using the pre-tax discount rate which reflects the current market valuation of the cost of money over time. The increase due to the passage of time and to variations in the discount rate applied have been accounted for as financial expense (€ 59 thousand).

## 25. Current financial debts

Current financial debts amounted to € 214,301 thousand at December 31, 2005 (€ 192,233 thousand at December 31, 2004) and refer to:

- € 171,112 thousand for the current portion of non-current financial debts, of which € 171,000 thousand relate to the refinancing with The Royal Bank of Scotland Plc Milan Branch, with repayment in June and December 2006 and paid in advance for € 85,500 thousand in February 2006;
- € 17,375 thousand for the liability for interest due, but not yet paid, on the Lighthouse International Company S.A. loan (€ 19,306 thousand at December 31, 2004);
- € 24,558 thousand for the liabilities relating to hedging financial instruments which are discussed in paragraph 21;
- € 1,256 thousand for payables to banks and other current financial payables.

## 26. Reserves for current risks and charges

This item is detailed as follows

(euro/thousand)	Year 2005			Total	Year 2004
	Reserve for commercial risks	Reserve for contractual risks and other operating risks	Reserve for current restructuring expenses		Total
<b>Opening value</b>	<b>17,303</b>	<b>33,392</b>	<b>10,195</b>	<b>60,890</b>	<b>66,952</b>
Provisions	16,300	5,234	9	21,543	32,934
Utilisations	(17,459)	(3,831)	(4,303)	(25,593)	(49,580)
Reversal to statement of operations		(5,318)	(1,939)	(7,257)	(300)
Other movements			783	783	10,884
<b>Ending value</b>	<b>16,144</b>	<b>29,477</b>	<b>4,745</b>	<b>50,366</b>	<b>60,890</b>

In particular:

- the *reserve for commercial risks*, of € 16,144 thousand at December 31, 2005, relates to cover the claims for publishing errors on PAGINEGIALLE®, PAGINEBIANCHE® and Annuari;
- the *reserve for contractual risks and other operating risks* amounted to € 29,477 thousand at December 31, 2005 (€ 33,392 thousand at December 31, 2004), and included *i)* € 15,805 thousand for lawsuits with sale agents and employees: the accrual for the year to this reserve has been reduced by € 4,339 thousand compared to 2004 and *ii)* € 7,053 thousand by the reserve established in Telegate for expenses incurred with Deutsche Telekom for the supply of subscribers data. These costs, which had been prudently recognised in the past as "cost of services", have been contested and will only be paid if the pending legal proceedings have a negative judgment;
- the *reserve for current restructuring expenses*, of € 4,745 thousand at December 31, 2005, should be considered together with the non-current portion (€ 1,546 thousand at December 31, 2005) and has been established to provide for future charges expected under the corporate restructuring plan. This reserve was utilised during the year for € 4,303 thousand of which *i)* € 2,029 thousand for the plan to reorganise and downsize human resources, established by the Parent Company with effect from last year; *ii)* € 1,306 thousand for ending the process of closing the call centers, in particular in the USA, in the Telegate group. The provisions for the year to the restructuring reserves amounted to € 15 thousand in 2005 (€ 4,114 thousand in 2004); it is included in the statement of operations under the item "net restructuring costs", net of the reversals.

## 27. Trade accounts payable and other current liabilities

Trade accounts payable amounted to € 292,754 thousand at December 31, 2005 and are detailed as follows

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change
Payables due to suppliers	186,890	164,181	22,709
Payables due to sale agents	63,330	73,313	(9,983)
Payables due to employees	28,479	24,001	4,478
Payables due to social security institutions	12,374	11,021	1,353
Payables due to directors and statutory auditors	1,681	1,351	330
Payables due to associates		390	(390)
<b>Total trade accounts payable</b>	<b>292,754</b>	<b>274,257</b>	<b>18,497</b>

All trade accounts payable at December 31, 2005 are due within 12 months.

Payables due to sale agents amounted to € 63,330 thousand at December 31, 2005 (€ 73,313 thousand at December 31, 2004) are to be matched with the item "Advanced sale commissions" included in "Other current assets" of € 52,334 thousand at December 31, 2005, net of the relevant allowance (€ 63,210 thousand at December 31, 2004).

Trade accounts payable are higher by € 18,497 thousand compared to December 31, 2004 principally due to the start-up of new activities in France by Le 118000 SAS and Telegate France and to the opening of the new call center in Livorno managed by Telegate Italia S.r.l..

Payables for services to be rendered and other current liabilities amounted to € 114,615 thousand at December 31, 2005 and are detailed as follows

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change
Payables for services to be rendered	101,370	116,365	(14,995)
Advances from customers	3,752	5,252	(1,500)
Deferred income	6,544	3,994	2,550
Other current liabilities	2,949	1,570	1,379
<b>Total payables for services to be rendered and other current liabilities</b>	<b>114,615</b>	<b>127,181</b>	<b>(12,566)</b>

Payables for services to be rendered and other current liabilities include € 99 thousand of payables due beyond 12 months (€ 135 thousand at December 31, 2004).

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This item includes, in particular, payables for services to be rendered, of € 101,370 thousand at December 31, 2005. These refer to amounts invoiced in advance for advertising and include amounts already received at year-end for € 14,065 thousand (€ 20,045 thousand at December 31, 2004).

The reduction of € 14,995 thousand compared to December 31, 2004 is a result of different invoicing timings.

## 28. Information by Business Area

The primary segmental reporting of the SEAT Pagine Gialle group is made by business area, given that the risks and profitability of the Group are related primarily to the differing products and services offered. Secondary presentation is by geographical areas. The operating activities of the Group are organised and managed separately based on the nature of the products and services supplied, and each area represents a strategic business unit that offers different products and services to different markets.

Transfer prices between business areas are set on the same conditions which apply to third party transactions. Revenues, costs and results by business area include transfers between areas which, by contrast, are eliminated in consolidated statements.

The geographic areas of the Group are determined on the basis of the location of the Group's activities and are substantially in line with the legal entities operating in each business area.

Figures and notes for business areas are available in the section entitled "Economic and financial performance of the Business Area", with focus on trend in operating revenues and costs and to which the reader is referred.

## 29. Revenues from sales and services

Revenues from sales and services in 2005 amounted to € 1,424,611 thousand, with an increase on the previous year (€ 1,405,748 thousand). The revenues by Business Area are detailed as follows

(euro/thousand)	Year 2005	Year 2004	Change	
			Absolute	%
Italian Directories	1,061,813	1,059,674	2,139	0.2
UK Directories	175,559	169,977	5,582	3.3
Directory Assistance	159,417	149,979	9,438	6.3
Other activities	67,641	55,466	12,175	22.0
Eliminations	(39,819)	(29,348)	(10,471)	35.7
<b>Total revenues from sales and services</b>	<b>1,424,611</b>	<b>1,405,748</b>	<b>18,863</b>	<b>1.3</b>

The Report on Operations provides a more detailed analysis of the revenues by Business Area.

## 30. Other revenues and operating costs

### 30.1. Other income and revenues

Other income and revenues amounted to € 5,969 thousand in 2005 (€ 4,352 thousand in 2004), of which € 4,042 thousand referred to repayments of costs (€ 3,392 thousand in 2004).



### 30.2. Raw materials

Raw materials amounted to € 68,211 thousand (€ 73,057 thousand in 2004), a decrease of € 4,846 thousand compared to the prior year. € 55,536 thousand refers to paper costs, a reduction of 2.5% compared to 2004 because of the fall in the number of signature marks.

### 30.3. External services

External services amounted to € 450,785 thousand in 2005 (€ 445,039 thousand in 2004), an increase of € 5,746 thousand compared to the previous year. The reduction in *industrial costs* (- 3.3% to € 111,961 thousand) and in *commercial costs* (- € 13,481 thousand to € 116,200 thousand through the impact, in Italy, of the lower volume of advertising revenues, of the reversal of commission costs in previous years no longer due and of the sales force convention in Italy, postponed to the first half of 2006) has been absorbed by the strong increase in advertising investments, increased by € 18,628 thousand, equal to 33.5%, compared to 2004. Also significant, in particular, are the increased investments made by the Parent Company (+ € 14,167 thousand compared to 2004, including those for the launch of the 12.40 Pronto PAGINEBIANCHE® service, in the final quarter) and by the Telegate group (+ € 2,715 thousand compared to 2004).

### 30.4. Salaries, wages and employees benefits

Salaries, wages and employees benefits amounted to € 219,128 thousand (€ 209,216 thousand in 2004) and is detailed as follows

(euro/thousand)	Year 2005	Year 2004	Change	
			Absolute	%
Wages and salaries	166,246	156,970	9,276	5.9
Social security contributions	37,503	35,960	1,543	4.3
Other costs to employees	1,243	1,272	(29)	(2.3)
Costs to directors and project workers	6,118	6,869	(751)	(10.9)
Provision to reserve for defined benefit plans	3,740	3,495	245	7.0
Provision to reserve for severance indemnities	3,668	3,889	(221)	(5.7)
Provision to reserve for termination indemnities	610	761	(151)	(19.8)
<b>Total salaries, wages and employee benefits</b>	<b>219,128</b>	<b>209,216</b>	<b>9,912</b>	<b>4.7</b>

Salaries, wages and employees benefits increased by € 9,912 thousand, equal to 4.7% compared to 2004. This change is due primarily to the consolidation of Cipi S.p.A. from the fourth quarter (€ 3,063 thousand) and to the increase of personnel in the call centers of the Telegate group (in relation to the acquisition of the numbers 118000 in France, 11850 in Spain and 1818 in Switzerland, in the second half of the year) and of Prontoseat S.r.l..

In the Thomson group also, salaries, wages and employees benefits increased by € 1,611 thousand, from € 63,540 thousand in 2004 to € 65,151 thousand in 2005, as a consequence of business growth.

The Group workforce was 6,105 units (including non-executive Directors, project-based workers and interns) at December 31, 2005 (5,338 at December 31, 2004).

The average workforce (FTE for foreign companies) was 4,759.9 in 2005 (4,352.6 in 2004).

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### 30.5. Non-recurring costs, net

Non-recurring costs, net amounted to € 11,144 thousand and are detailed as follows

(euro/thousand)	Year 2005	Year 2004	Change	
			Absolute	%
Stock options	7,907	3,005	4,902	n.s.
Other non-recurring costs	3,247	26,126	(22,879)	(87.6)
Provision to reserve for non-operating risks and charges		2,190	(2,190)	(100.0)
Reversal to reserve for non-operating risks and charges	(10)		(10)	n.s.
<b>Total non-recurring costs, net</b>	<b>11,144</b>	<b>31,321</b>	<b>(20,177)</b>	<b>(64.4)</b>

*Non-recurring costs, net* include € 2,256 thousand for expenses, in the Thomson group, relating to the inquiry on the competitiveness and competition level in the UK directories market conducted by the Office of Fair Trading and the Competition Commission and € 894 thousand for consultancy costs involving to corporate structure of the Group.

Comments on *stock option costs* are included in paragraph 23.

## 31. Interest income and expenses

### 31.1. Interest expenses

Interest expenses, of € 284,753 thousand (€ 259,937 thousand in 2004), are detailed as follows

(euro/thousand)	Year 2005	Year 2004	Change	
			Absolute	%
Interest expenses on the loan to The Royal Bank of Scotland Plc Milan Branch	150,596	119,712	30,884	25.8
Interest expenses on the loan to Lighthouse International Company S.A.	113,754	83,551	30,203	36.1
Other financial expenses	7,658	31,572	(23,914)	(75.7)
Interest expenses on bonds		18,220	(18,220)	(100.0)
Exchange rate expenses	12,745	6,882	5,863	85.2
<b>Total interest expenses</b>	<b>284,753</b>	<b>259,937</b>	<b>24,816</b>	<b>9.5</b>

*Interest expenses*, of € 284,753 thousand in 2005, are mainly due to debt incurred by SEAT Pagine Gialle at the end of April 2004 in relation to the payment of an extraordinary dividend. This item rose by € 24,816 thousand compared to the previous year, in which the impact was for 8 months. In particular, interest expenses relate to:

- € 150,596 thousand (€ 119,712 thousand in 2004) on the "Senior Credit Agreement" between SEAT Pagine Gialle S.p.A. and The Royal Bank of Scotland Plc Milan Branch, which was refinanced on June 8, 2005.

This amount includes *i*) € 15,361 thousand for net expenses on the two Interest Rate Swaps entered into to partially hedge the interest rate risks and *ii*) € 14,216 thousand for the amortisation of the transaction costs incurred at the acquisition and refinancing dates;

- € 113,754 thousand (€ 83,551 thousand in 2004) for the "Subordinated" loan with Lighthouse International Company S.A., which in 2004 had made available to SEAT Pagine Gialle S.p.A. the fund generated through a bond debt of € 1,300 million issued on the same date. This item includes for € 5,643 thousand the amortisation of the transaction costs incurred at the financing dates;
- € 7,658 thousand for other interest expenses, including € 5,521 thousand of interest expenses on the discounting to present value of non-current assets and liabilities (€ 1,234 thousand in 2004) and € 866 thousand (€ 5,550 thousand in 2004) of commitment fees for unused credit line facilities made available to SEAT Pagine Gialle S.p.A. by The Royal Bank of Scotland Plc Milan Branch under the existing financing contracts. In 2004, this item included € 18,220 thousand for interest expenses on bond debts repaid in advance in October 2004 and € 8,037 thousand for interest expenses relating to the loan of SEAT Pagine Gialle S.p.A. by The Royal Bank of Scotland Plc Milan Branch, repaid early in April 2004;
- € 12,745 thousand for exchange rate expenses, recognised as a consequence of hedging instruments on the euro/sterling exchange rate risks and offset by exchange rate income, as described in the following item.

### 31.2. Interest income

Interest income is detailed as follows

(euro/thousand)	Year 2005	Year 2004	Change	
			Absolute	%
Interest income from bank accounts	2,595	3,570	(975)	(27,3)
Other interest income	5,127	1,228	3,899	n.s.
Exchange rate income	16,463	4,180	12,283	n.s.
<b>Total interest income</b>	<b>24,185</b>	<b>8,978</b>	<b>15,207</b>	<b>n.s.</b>

Interest income of € 24,185 thousand (€ 8,978 thousand in 2004) relates to:

- € 16,463 thousand of exchange rate income (€ 4,180 thousand in 2004) recognised as a consequence of hedging instruments on the euro/sterling exchange risk, partially offset by exchange rate expenses (€ 12,745 thousand in 2005). This item includes € 748 thousand of income arising from the recognition in assets of the market value of the Forex contracts at December 31, 2005, in compliance with IAS 39;
- € 2,595 thousand of interest income (€ 3,570 thousand in 2004) arising from the use of short term cash deposits with banks at rates in line with the Euribor. The decrease compared to the previous year reflects the reduction in the amount of average deposits;
- € 5,127 thousand of other interest income, including for € 4,734 thousand interest income on the discounting to present value of non-current assets and liabilities.

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## 32. Income taxes

Income taxes for the years ended on December 31, 2005 and 2004 are detailed as follows

(euro/thousand)	Year 2005	Year 2004	Change	
			Absolute	%
Current income taxes	24,008	17,180	6,828	39.7
Deferred tax assets	(21,771)	(35,368)	13,597	(38.4)
Deferred tax liabilities	65,355	66,982	(1,627)	(2.4)
Reversal of deferred tax liabilities	(60,370)		(60,370)	n.s.
Upfront tax on Customer Data Base	19,448		19,448	n.s.
Income taxes referred to previous years	(1,287)	136	(1,423)	n.s.
<b>Total income taxes</b>	<b>25,383</b>	<b>48,930</b>	<b>(23,547)</b>	<b>(48.1)</b>

SEAT Pagine Gialle S.p.A., according to the Law. 342/2000 - chapter I, section II, Art. 14 - (the terms of which were reopened by Law No. 266/2005), has proceeded to align the tax value of the *Customer Data Base* to its book value. This alignment of € 162,067 thousand resulted in the reversal to the statement of operations of deferred tax liabilities of € 60,370 thousand (as indicated above) and the payment (within the due date of the payment of 2005 income taxes) of an upfront tax of € 19,448 thousand, accounted for as tax payables at December 31, 2005.

The **reconciliation** between effective income taxes and theoretical income taxes calculated by applying Italian tax rates for the years 2005 and 2004 to the income before taxes is as follows

(euro/thousand)	Year 2005	Year 2004
<b>Income before income taxes</b>	<b>163,869</b>	<b>134,989</b>
<b>Current income taxes calculated with the theoretical tax rate (37.25%)</b>	<b>(61,041)</b>	<b>(50,283)</b>
Fiscal effect on non-deductible expenses for IRAP purposes (personnel expenses, interest income and expenses, etc.)	(15,139)	(14,692)
Customer Data Base fiscal alignment	60,370	
Upfront tax on Customer Data Base	(19,448)	
Benefits on non-recognised tax losses referred to previous years	10,123	
Non-recognised tax losses for the year	(2,905)	(1,254)
Effects of different tax rates in foreign countries	1,568	2,377
Income taxes referred to previous years	1,287	
Non-deductible goodwill amortisation	117	(2,092)
Permanent differences	(315)	17,008
<b>Income taxes for the year</b>	<b>(25,383)</b>	<b>(48,936)</b>

### Deferred tax assets and deferred tax liabilities

Deferred tax assets, net of deferred tax liabilities, amounted to € 99,761 thousand at December 31, 2005 (€ 76,027 thousand at December 31, 2004) and are detailed as follows

(euro/thousand)	At 12.31.2004	Income taxes accounted for in Statement of Operations	Income taxes accounted for in Equity	Other movements	At 12.31.2005
<b>Deferred tax liabilities</b>					
Customer Data Base	(60,370)	(**)			(60,370)
Goodwill amortisation	(8,363)	(5,106)			(13,469)
Other	(1,273)	121	(597)	(1,874)	(3,623)
<b>Total deferred tax liabilities</b>	<b>(70,006)</b>	<b>(4,985)</b>	<b>(597)</b>	<b>(1,874)</b>	<b>(77,462)</b>
<b>Deferred tax assets</b>					
Tax losses	45,331	44,351			89,682
Allowance for doubtful trade accounts receivable	39,581	(2,529)		28	37,080
Reserves for contractual risks	20,737	(6,905)			13,832
Equity investments' write-downs	22,937	(9,550)			13,387
Fair value of cash flow hedge instruments			7,621		7,621
Reserves to employees	6,243	(952)		45	5,336
Work in progress	2,528	(2,606)		78	
Other	8,676	(38)	1,257	390	10,285
<b>Total deferred tax assets</b>	<b>146,033</b>	<b>21,771</b>	<b>8,878</b>	<b>541</b>	<b>177,223</b>
<b>Net deferred tax assets</b>	<b>76,027</b>	<b>16,786</b>	<b>8,281</b>	<b>(1,333)</b>	<b>99,761 (*)</b>

(\*) Net deferred tax assets are accounted for € 101,820 thousand in the item "Deferred tax assets" and for € 2,059 thousand in the item "Deferred income taxes and non-current tax debts".

(\*\*) Deferred tax liabilities of the year are balanced from the reversal of deferred tax liabilities related to *Customer Data Base* fiscal alignment of € 60,370 thousand.

### Current tax assets

Current tax assets amounted to € 6,267 thousand at December 31, 2005 (€ 16,306 thousand at December 31, 2004) and are detailed as follows

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change
Direct tax receivables	3,733	15,432	(11,699)
Indirect tax receivables	2,534	874	1,660
<b>Total current tax assets</b>	<b>6,267</b>	<b>16,306</b>	<b>(10,039)</b>

### Current tax payables

Current tax payables amounted to € 40,958 thousand at December 31, 2005 (€ 43,057 thousand at December 31, 2004) and are detailed as follows

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change
Income tax payables	23,486	16,796	6,690
Other tax payables	17,472	26,261	(8,789)
<b>Total current tax payables</b>	<b>40,958</b>	<b>43,057</b>	<b>(2,099)</b>

*Income tax payables* include € 19,448 thousand for upfront tax arising from the alignment of the book value of the *Customer Data Base* with its tax value.

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### 33. Related party transactions

In compliance with IAS 24 and with article 2, paragraph h of the Regulations for Issuers of CONSOB No. 11971/1999 (as modified with CONSOB resolution no. 14990 of 4/14/2005), the table below set out the economic and financial effects of transactions with related parties on the consolidated financial statements for 2005 of the SEAT Pagine Gialle group.

In the consolidated statements, the economic and financial effects arising from intra-group operations have been eliminated.

All the transactions that the Group companies entered into with related parties, including intra-group operations, are ordinary operations regulated at market conditions in accordance with specific regulatory provisions. There were no atypical and/or unusual transactions or transactions that may represent a conflict of interest.

(euro/thousand)	From/to subsidiaries and associates	Descriptions
External services	26	they refer to Seat Corporate University S.c.a.r.l.
Interest expenses	113,754	they refer to interest expenses on the long-term "Subordinated" loan to Lighthouse International Company S.A.
Other current assets	19	they refer to Seat Corporate University S.c.a.r.l.
Non-current financial debts	1,252,897	they refer to € 1,300 million for the "Subordinated" loan with Lighthouse International Company S.A., net of € 47,103 thousand for transaction costs incurred at the inception of the loan and not yet amortised at December 31, 2005.
Current financial debts	17,416	they refer to € 17,375 thousand for financial debts to Lighthouse International Company S.A. arising from interest expenses and to € 41 thousand for cash deposits from Seat Corporate University S.c.a.r.l.
Payables for services to be rendered and other current liabilities	83	they refer to liabilities to Lighthouse International Company S.A. arising from capitalised costs on the "Subordinated" loan.
Transaction costs	131	they refer to transaction costs incurred by SEAT Pagine Gialle S.p.A. through Lighthouse International Company S.A. related to "Subordinated" loan.

## Annex 1

### List of equity investments consolidated on a line-by-line basis

Company (business)	Registered office	Share capital		Ordinary shares held		% held by SEAT Pagine Gialle S.p.A.
				%	by	
CIPI S.p.A. (custom-made series of promotional objects)	Milan	Euro	1,200,000	51.00	SEAT Pagine Gialle S.p.A.	51.00
CONSODATA S.p.A. (direct marketing services; data base design, management and distribution)	Rome	Euro	2,446,330	100.00	SEAT Pagine Gialle S.p.A.	100.00
CONSODATA GROUP Ltd. (in liquidation)	London (United Kingdom)	GBP	25,146,140	100.00	SEAT Pagine Gialle S.p.A.	100.00
EUREDIT S.A. (production, promotion and marketing of the directory "Europages")	Paris (France)	Euro	2,800,000	93.562	SEAT Pagine Gialle S.p.A.	93.562
PRONTOSEAT S.r.l. (call center services)	Turin	Euro	10,500	100.00	SEAT Pagine Gialle S.p.A.	100.00
SEAT CORPORATE UNIVERSITY S.c.a.r.l. (personnel training especially in advertising communications to SME)	Turin	Euro	10,000	95.00 5.00	SEAT Pagine Gialle S.p.A. PRONTOSEAT S.r.l.	100.00
TDL INFOMEDIA Ltd. (holding)	Hampshire (United Kingdom)	GBP	139,524.78	100.00	SEAT Pagine Gialle S.p.A.	100.00
TDL INFOMEDIA FINANCE Ltd. (in liquidation) (holding)	Hampshire (United Kingdom)	GBP	9,734.09	100.00	TDL INFOMEDIA Ltd.	100.00
TDL INFOMEDIA HOLDINGS Plc (in liquidation) (holding)	Hampshire (United Kingdom)	GBP	397,126.43	100.00	TDL INFOMEDIA Ltd.	100.00
TDL INFOMEDIA GROUP Plc (in liquidation) (holding)	Hampshire (United Kingdom)	GBP	624,576.64	100.00	TDL INFOMEDIA Ltd.	100.00
TDL GROUP Ltd. (in liquidation) (holding)	Hampshire (United Kingdom)	GBP	89,864.25	100.00	TDL INFOMEDIA Ltd.	100.00
THOMSON DIRECTORIES Ltd. (publishing and distribution of trade directories)	Hampshire (United Kingdom)	GBP	1,340,000	100.00	TDL INFOMEDIA Ltd.	100.00
THOMSON DIRECTORIES PENSION COMPANY Ltd. (administration of Thomson Directories Pension Fund)	Hampshire (United Kingdom)	GBP	2	100.00	THOMSON DIRECTORIES Ltd.	100.00
TELEGATE HOLDING GmbH (holding)	Martinsried - Munich (Germany)	Euro	26,100	100.00	SEAT Pagine Gialle S.p.A.	100.00
TELEGATE A.G. (call center services)	Martinsried - Munich (Germany)	Euro	20,987,045	16.43 61.85	SEAT Pagine Gialle S.p.A. TELEGATE HOLDING GmbH	78.28
DATAGATE GmbH (call center services)	Martinsried - Munich (Germany)	Euro	60,000	100.00	TELEGATE A.G.	78.28
11880.COM GmbH (call center services)	Martinsried - Munich (Germany)	Euro	25,000	100.00	DATAGATE GmbH	78.28
MOBILSAFE A.G. (internet services)	Martinsried - Munich (Germany)	Euro	150,000	100.00	DATAGATE GmbH	78.28
TELEGATE AKADEMIE GmbH (training of call center personnel)	Rostock (Germany)	Euro	25,000	100.00	TELEGATE A.G.	78.28
11811 NUEVA INFORMACION TELEFONICA S.A.U. (call center services)	Las Matas - Madrid (Spain)	Euro	222,000	100.00	TELEGATE A.G.	78.28
11880 TELEGATE GmbH (call center services)	Wien (Austria)	Euro	35,000	100.00	TELEGATE A.G.	78.28
TELEGATE ITALIA S.r.l. (call center services)	Turin	Euro	129,000	100.00	TELEGATE A.G.	78.28
TELEGATE FRANCE Sarl (call center services)	Paris (France)	Euro	1	100.00	TELEGATE A.G.	78.28
Le 118000 SAS (call center services)	Paris (France)	Euro	87,000	100.00	TELEGATE FRANCE Sarl	78.28
UNO UNO OCHO CINCO CERO GUIAS S.L. (call center services)	Madrid (Spain)	Euro	3,100	100.00	TELEGATE A.G.	78.28
1818 AUSKUNFT A.G. (call center services)	Zurich (Switzerland)	CHF	200,000	100.00	TELEGATE A.G.	78.28

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## Annex 2

### List of equity investments accounted for using the equity method

Company (business)	Registered office	Share capital	Ordinary shares held		% held by SEAT Pagine Gialle S.p.A.	
			%	by		
<b>Associates</b>						
LIGHTHOUSE INTERNATIONAL COMPANY S.A. (holding)	Luxembourg	Euro	31,000	25.00	SEAT Pagine Gialle S.p.A.	25.00
INDIRECT S.P.R.L. (in liquidation) (supply of services)	Brussels (Belgium)	BEF	6,000,000	27.00	TDL INFOMEDIA Ltd.	27.00
TDL BELGIUM S.A. (in liquidation) (publishing and distribution of directories)	Brussels (Belgium)	BEF	750,087,200	49.60	TDL INFOMEDIA Ltd.	49.60



INDEPENDENT AUDITORS' REPORT  
pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58  
(Translation from the original Italian text)

To the Shareholders of  
SEAT Pagine Gialle S.p.A.

1. We have audited the consolidated financial statements of SEAT Pagine Gialle S.p.A. and its subsidiaries (the "SEAT Pagine Gialle Group") as of and for the year ended December 31, 2005, comprising the consolidated balance sheet, the consolidated statements of operations, changes in shareholders' equity and cash flows and the related explanatory notes. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. These consolidated financial statements represent the first consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.
2. We conducted our audit in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For comparative purposes, the consolidated financial statements include the corresponding information for the prior year prepared in accordance with consistent accounting principles, except for the effects of IAS 32 and IAS 39 which have been applied from January 1, 2005 in accordance with the exemption allowed by IFRS 1. In addition, the explanatory note "Transition to International Accounting Standards IAS/IFRS" explains the effects of transition to IFRS as adopted by the European Union and includes the reconciliation statements required by IFRS 1, which were previously approved by the Board of Directors and published as an attachment to the half-year interim financial statements, and which have been audited by us. Reference should be made to our audit report dated September 12, 2005.

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■ **Reconta Ernst & Young S.p.A.**  
 Corso Vittorio Emanuele II, 83  
 10128 Torino

■ Tel. (+39) 011 5161611  
 Fax (+39) 011 5612554  
 www.ey.com

3. In our opinion, the consolidated financial statements of SEAT Pagine Gialle S.p.A. present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholders' equity and the cash flows of the SEAT Pagine Gialle Group as of December 31, 2005, and for the year then ended in accordance with IFRS as adopted by the European Union.

Turin, April 11, 2006

Reconta Ernst & Young S.p.A.  
 Signed by: Mario Lamprati, partner

■ Reconta Ernst & Young S.p.A.  
 Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A  
 Capitale Sociale € 1.259.500,00 i.v.  
 Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma  
 Codice fiscale e numero di iscrizione 00434000584  
 P.I. 00891231003  
 (vecchio numero R.I. 6697/89 - numero R.E.A. 250904)





## ➤ Balance Sheet

### Assets

	At 12.31.2005	At 12.31.2004	Change	Note
<b>(euro/thousand)</b>				
<b>Non-current assets</b>				
Intangible assets with indefinite useful life	3,187,161	3,187,161		(5)
Intangible assets with finite useful life	615,782	770,844	(155,062)	(7)
Property, plant and equipment	10,864	10,009	855	(8)
Equity investments	386,561	265,502	121,059	(9)
Other non-current financial assets	110,718	172,243	(61,525)	(10)
Deferred tax assets	80,743	52,268	28,475	(30)
Other non-current assets	927	1,308	(381)	(13)
<b>Total non-current assets</b>	<b>(A) 4,392,756</b>	<b>4,459,335</b>	<b>(66,579)</b>	
<b>Current assets</b>				
Inventories	8,398	8,807	(409)	(11)
Trade accounts receivable	588,480	617,618	(29,138)	(12)
Current tax assets	1,853	14,963	(13,110)	(30)
Other current assets	62,058	73,435	(11,377)	(13)
Current financial assets	5,382	71,088	(65,706)	(14)
Cash and cash equivalents	158,403	107,859	50,544	(15)
<b>Total current assets</b>	<b>(B) 824,574</b>	<b>893,770</b>	<b>(69,196)</b>	
<b>Total assets</b>	<b>(A + B) 5,217,330</b>	<b>5,353,105</b>	<b>(135,775)</b>	

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## Liabilities and Equity

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change	Note
<b>Equity</b>				
Share capital	248,012	247,539	473	(16)
Additional paid-in capital	441,893	541,845	(99,952)	(16)
Reserve for transition to IAS/IFRS	161,750	11,598	150,152	(16)
Reserve for stock option	7,552	2,476	5,076	(16)
Reserve for hedging instruments	(14,262)		(14,262)	(16)
Other reserves	49,927	62,869	(12,942)	(16)
Income for the year	84,715	33,316	51,399	
<b>Total equity</b>	<b>(A) 979,587</b>	<b>899,643</b>	<b>79,944</b>	
<b>Non-current liabilities</b>				
Non-current financial debts	3,526,626	3,760,403	(233,777)	(18)
Non-current reserves to employees	29,293	28,717	576	(22)
Other non-current liabilities	19,465	17,861	1,604	(24)
<b>Total non-current liabilities</b>	<b>(B) 3,575,384</b>	<b>3,806,981</b>	<b>(231,597)</b>	
<b>Current liabilities</b>				
Current financial debts	261,949	232,525	29,424	(21)
Trade accounts payable	231,643	231,338	305	(26)
Payables for services to be rendered and other current liabilities	97,040	113,505	(16,465)	(26)
Reserve for current risk and charges	35,644	40,535	(4,891)	(25)
Current tax payables	36,083	28,578	7,505	(30)
<b>Total current liabilities</b>	<b>(C) 662,359</b>	<b>646,481</b>	<b>15,878</b>	
<b>Total liabilities</b>	<b>(B+C) 4,237,743</b>	<b>4,453,462</b>	<b>(215,719)</b>	
<b>Total liabilities and equity</b>	<b>(A+B+C) 5,217,330</b>	<b>5,353,105</b>	<b>(135,775)</b>	

## ➤ Statement of Operations

(euro/thousand)	Year 2005	Year 2004	Change		Note
			Absolute	%	
Sales of goods	22,328	27,099	(4,771)	(17.6)	(27)
Rendering of services	1,039,485	1,032,575	6,910	0.7	(27)
<b>Revenues from sales and services</b>	<b>1,061,813</b>	<b>1,059,674</b>	<b>2,139</b>	<b>0.2</b>	<b>(27)</b>
Other income and revenues	6,229	5,018	1,211	24.1	(28)
<b>Total revenues</b>	<b>1,068,042</b>	<b>1,064,692</b>	<b>3,350</b>	<b>0.3</b>	
Raw materials	(56,516)	(60,592) (*)	4,076	6.7	(28)
External services	(337,728)	(332,705) (*)	(5,023)	(1.5)	(28)
Salaries, wages and employees benefits	(85,213)	(85,239) (*)	26	0.03	(28)
Other valuation adjustments	(31,987)	(28,511)	(3,476)	(12.2)	(12)
Provision to reserves for risks and charges, net	(18,041)	(23,922)	5,881	24.6	(25)
Other operating expenses	(3,347)	(2,878)	(469)	(16.3)	(28)
<b>Operating income before amortisation, depreciation, non-recurring and restructuring costs, net</b>	<b>535,210</b>	<b>530,845</b>	<b>4,365</b>	<b>0.8</b>	
Amortisation, depreciation and write-downs	(181,379)	(179,402)	(1,977)	(1.1)	(5-8)
Non-recurring costs, net	(7,348)	(27,622)	20,274	73.4	(28)
Restructuring costs, net	(2,659)	(2,769)	110	4.0	(28)
<b>Operating income</b>	<b>343,824</b>	<b>321,052</b>	<b>22,772</b>	<b>7.1</b>	
Interest expenses	(281,738)	(238,401)	(43,337)		(29)
Interest income	33,667	21,571	12,096		(29)
Write-up (write-down) of equity investments	447	(31,484)	31,931		(9)
Gains (losses) on disposal of equity investments	(432)	4,541	(4,973)		(9)
<b>Income before income taxes</b>	<b>95,768</b>	<b>77,279</b>	<b>18,489</b>		
Income taxes	(11,053)	(43,963)	32,910		(30)
<b>Income for the year</b>	<b>84,715</b>	<b>33,316</b>	<b>51,399</b>		

(\*) Reclassified figures compared to the figures published in the section "transition to IAS/IFRS" to make them consistent to 2005.

SEAT Pagine Gialle shares	8,267,065,482	8,251,290,482
- ordinary	8,130,990,696	8,115,215,696
- saving	136,074,786	136,074,786
Income (loss) per share (euro)	0.01029	0.00406
Diluted income (loss) per share	0.01028	0.00406



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## ➤ Cash Flow Statement

(euro/thousand)		Year 2005	Year 2004	Change
<b>Cash inflow from operating activities</b>				
Income for the year		84,715	33,316	51,399
Amortisation, depreciation and write-downs		181,379	179,402	1,977
Interest expenses, net (*)		247,073	215,979	31,094
Cost for stock options		6,454	2,476	3,978
Income taxes for the year		11,053	43,963	(32,910)
(Gains) losses on disposal of non-current assets		502	(4,567)	5,069
(Write-up) write-down of non-current assets		(447)	30,125	(30,572)
Changes in operating working capital		20,377	64,129	(43,752)
Changes in non-operating working capital		(10,893)	(181,549)	170,656
Changes in non-current operating liabilities		2,180	2,619	(439)
Other changes		68	(47)	115
<b>Cash inflow from operating activities</b>	<b>(A)</b>	<b>542,461</b>	<b>385,846</b>	<b>156,615</b>
<b>Cash outflow for investments</b>				
Purchase of intangible assets with finite useful life		(21,224)	(15,078)	(6,146)
Purchase of property, plant and equipment		(6,367)	(5,493)	(874)
Equity investments		(18,354)	(40,531)	22,177
Other investments		(23)	(136)	113
Proceeds from disposal of non-current assets		26,758	13,755	13,003
<b>Cash outflow for investments</b>	<b>(B)</b>	<b>(19,210)</b>	<b>(47,483)</b>	<b>28,273</b>
<b>Cash outflow for financing</b>				
Proceeds of non-current loans			4,159,075	(4,159,075)
Repayment of non-current loans		(230,364)	(108,474)	(121,890)
Proceeds of current loans		40,000		40,000
Repayment of current loans		(40,000)	(528,375)	488,375
Paid interest expenses, net		(228,533)	(189,363)	(39,170)
Payment of transaction costs on loans		(26,052)	(129,309)	103,257
Changes in current financial assets		5,698	131,372	(125,674)
Changes in non-current financial assets		(4,161)	(175,417)	171,256
Changes in current financial liabilities		5,129	57,985	(52,856)
Increase in share capital from exercised stock option		5,576		5,576
Paid dividends			(3,578,238)	3,578,238
<b>Cash outflow for financing</b>	<b>(C)</b>	<b>(472,707)</b>	<b>(360,744)</b>	<b>(111,963)</b>
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>(A+B+C)</b>	<b>50,544</b>	<b>(22,381)</b>	<b>72,925</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>107,859</b>	<b>130,240</b>	<b>(22,381)</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>158,403</b>	<b>107,859</b>	<b>50,544</b>

(\*) Less actuarial gains (losses) on operating assets/liabilities.



## ➤ Changes in Shareholders' Equity

(euro/thousand)	Share capital	Additional paid-in capital	Other reserves	Income (loss) for the year	Total
<b>At 12.31.2003 (ITA GAAP)</b>	247,539	4,189,537	34,569	(41,154)	4,430,491
Adjustments for IAS/IFRS adoption			11,598		11,598
<b>At 12.31.2003 (IAS/IFRS GAAP)</b>	247,539	4,189,537	46,167	(41,154)	4,442,089
Changes during the year					
- Allocation of previous year result		(41,154)		41,154	
- Paid dividends		(3,578,238)			(3,578,238)
- Allocation of additional paid-in capital to legal reserve and to reserve for grants		(28,300)	28,300		
- Loss for the year				(117,997)	(117,997)
- Adjustments for IAS/IFRS adoption			2,476	151,313	153,789
<b>At 12.31.2004</b>	247,539	541,845	76,943	33,316	899,643
Changes during the year					
- Allocation of previous year result		(106,299)	(11,698)	117,997	
- Allocation of 2004 adjustments for adoption IAS/IFRS			151,313	(151,313)	
- Reversal of reserve for early depreciation		1,551	(1,551)		
- Exercised stock options	473	4,796	307		5,576
- Opening balance adjustments for adoption IAS 39			(2,499)		(2,499)
- Fair value of hedging instruments			(14,262)		(14,262)
- Fair value of stock option plans (IFRS 2)			6,414		6,414
- Income for the year				84,715	84,715
<b>At 12.31.2005</b>	248,012	441,893	204,967	84,715	979,587

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## ➤ Accounting principles and notes

### 1. Corporate information

SEAT Pagine Gialle S.p.A. is a joint stock company listed on the Milan Stock Exchange. It operates on the Italian market of local advertising for small and medium-sized enterprises. Its publishing and advertising sales activities are mainly focused on telephone directories and information services.

The company has its registered office in Milan, Via Grosio 10/8. The share capital is € 248,012 thousand.

The main businesses of SEAT Pagine Gialle S.p.A. are described in the Report on Operations.

### 2. Preparation criteria

The financial statements of SEAT Pagine Gialle S.p.A. have been prepared in accordance with the provisions of Legislative Decree No. 38 of February 28, 2005 applying the IAS/IFRS issued by the International Accounting Standards Board and approved by the European Union, including all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

Following the entry into force of European Regulation No. 1606 of July 19, 2002, as of January 1, 2005, SEAT Pagine Gialle S.p.A. has adopted the IAS/IFRS. In this context, it is specified that the accounting standards applied are in accordance with those adopted when preparing the IAS/IFRS-compliant opening balance sheet at January 1, 2004, as well as the statement of operations for 2004 and the balance sheet at December 31, 2004, as restated in accordance with IAS/IFRS and published in the Appendix attached. The above-mentioned appendix reports the reconciliation between the results for the year and equity in accordance with the previous accounting standards (Italian accounting standards) and the result for the year and equity in accordance with IAS/IFRS for the previous periods presented for comparison purposes, as required by IFRS 1 — First-Time Adoption of IAS/IFRS, as well as the related notes.

The financial statements have been prepared on the basis of the historic cost principle, except for hedging derivative financial instruments and financial assets held for sale, which are stated at fair value.

The financial statements are denominated in euro and all the values are rounded to thousands of euro, unless otherwise indicated.

#### 2.1. Change in accounting principles

The IAS/IFRS accounting principles adopted are the same as those adopted for preparing the balance sheet as at December 31, 2004 and the statement of operations for 2004, under section "Transition to IAS/IFRS" included as an annex to this report.

It should be noted that IAS 32 and 39 have only been applied as of January 1, 2005, the date they entered into force.

## 2.2. Management assumptions and estimates

The preparation of the annual (and interim) financial statements and related notes applying the IAS/IFRS standards requires Management to make estimates and assumptions that have an effect on the values of the balance sheet assets and liabilities and on the reporting of potential assets and liabilities at the balance sheet date. The future results may differ from such estimates.

The estimates are used to recognise provisions for doubtful receivables and claims for mistakes in the printed editions, depreciation and amortisation, write-downs of assets, employees benefits, taxes, restructuring reserves, other provisions and reserves.

The estimates and assumptions are reviewed periodically and the effects of any changes are recognised immediately in the statement of operations.

## 3. Accounting criteria

For a summary of the accounting principles adopted, reference is made to the corresponding section of the consolidated financial statements of the SEAT Pagine Gialle group as at December 31, 2005, except from the valuation criteria for "Equity investments", illustrated below.

### Equity investments

Equity investments in subsidiaries and associates are valued at purchase cost, pursuant to the provisions of IAS 27.

Positive acquisition differences between the carrying value of investments in these companies and the corresponding portion of shareholders' equity at current values are included in the value of these investments and are assessed at least once a year to check for any impairment loss. These write-downs (which cannot be restored in subsequent years) are recognised in the statement of operations in "Write-up (write-down) of equity investments".

If these investments have higher losses pertaining to the Company than their carrying value, the latter is reduced to zero and the portion of the additional losses is shown in the "Reserve for risks and charges on investments", if the Company is required to cover them.

The carrying value of foreign equity investments is translated in euro at their historic acquisition or subscription exchange rates.

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#### 4. Adoption of IAS/IFRS in the year 2005

As of January 1, 2005, SEAT Pagine Gialle S.p.A. adopted IAS 32 and IAS 39, without recalculating the amounts relating to financial year 2004. At January 1, 2005, the adoption of these standards resulted in a negative change of € 23.6 million in equity compared to December 31, 2004, net of fiscal effects, as detailed in the following table

(euro/mln)	At 12.31.2004	Adjustments IAS 32-39	At 01.01.2005
<b>Non-current assets</b>	<b>4,459.3</b>	<b>7.9</b>	<b>4,467.2</b>
Intangible assets	3,957.9		3,957.9
- Intangible assets with indefinite useful life	3,187.1		3,187.1
- Intangible assets with finite useful life	770.8		770.8
Property, plant and equipment	10.0		10.0
Equity investments	265.5		265.5
Other financial assets	172.3	(3.7)	168.6
Other non-current assets	1.3		1.3
Deferred tax assets	52.3	11.6	63.9
<b>Current assets</b>	<b>893.8</b>		<b>893.8</b>
Inventories	8.8		8.8
Trade accounts receivable	617.6		617.6
Current tax assets	15.0		15.0
Other current assets	73.4		73.4
Current financial assets	71.1		71.1
Cash and cash equivalents	107.9		107.9
<b>TOTAL ASSETS</b>	<b>5,353.1</b>	<b>7.9</b>	<b>5,361.0</b>
<b>Non-current liabilities</b>	<b>3,807.0</b>		<b>3,807.0</b>
Non-current reserve to employees	28.7		28.7
Other non-current liabilities	17.9		17.9
Non-current financial debts	3,760.4		3,760.4
<b>Current liabilities</b>	<b>646.4</b>	<b>31.5</b>	<b>677.9</b>
Current financial liabilities	232.5	31.5	264.0
Reserve for current risks and charges	40.5		40.5
Trade accounts payable	231.3		231.3
Current tax payables	28.6		28.6
Payables for services to be rendered and other current liabilities	113.5		113.5
<b>Equity</b>	<b>899.7</b>	<b>(23.6)</b>	<b>876.1</b>
Share capital and reserves	852.3		852.3
Reserve for stock option	2.5		2.5
Reserve for transition to IAS/IFRS	11.6	(2.5)	9.1
Reserve for hedging instruments		(21.1)	(21.1)
Income for the year	33.3		33.3
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,353.1</b>	<b>7.9</b>	<b>5,361.0</b>

## 5. Intangible assets with indefinite useful life

This item amounted to € 3,187,161 thousand at December 31, 2005 and refers to goodwill arising on mergers carried out in prior years.

## 6. Impairment test of intangible assets with indefinite useful life

The impairment test for goodwill, recorded in the balance sheet, was carried out at the year-end.

The test result was positive and so no write-down of these assets was required.

The test methods are described in note 7 to the consolidated financial statements of the SEAT Pagine Gialle group.

## 7. Intangible assets with finite useful life

	Year 2005					Year 2004
	Customer Data Base	Software	Other intangible assets	Work in progress	Total	Total
<b>(euro/thousand)</b>						
<i>Cost</i>	972,400	81,001	10,422	4,023	1,067,846	1,057,368
<i>Accumulated amortisation</i>	(229,595)	(62,066)	(5,341)		(297,002)	(127,736)
<b>Net opening value</b>	<b>742,805</b>	<b>18,935</b>	<b>5,081</b>	<b>4,023</b>	<b>770,844</b>	<b>929,632</b>
- Investments		9,321	332	11,571	21,224	15,078
- Amortisation and write-downs	(162,067)	(12,253)	(1,966)		(176,286)	(173,771)
- Other movements		1,931		(1,931)		(95)
<i>Cost</i>	972,400	87,578	10,755	13,663	1,084,396	1,067,846
<i>Accumulated amortisation</i>	(391,662)	(69,644)	(7,308)		(468,614)	(297,002)
<b>Net ending value</b>	<b>580,738</b>	<b>17,934</b>	<b>3,447</b>	<b>13,663</b>	<b>615,782</b>	<b>770,844</b>

Intangible assets with finite useful life include:

- *Customer Data Base*, with a value of € 580,738 thousand at December 31, 2005 (€ 742,805 thousand at December 31, 2004).

The Customer Data Base is the information and relationship asset relating to the customers, built over time by Seat S.p.A.. It is an indivisible set of organised data and information, processing and taxonomy models and specific trade and marketing know-how intended to support the Company's strategic decisions relating to customer development and retention.

The value of this intangible asset was increased, also on the basis of an independent expert opinion, by the allocation of part of the goodwill arising from the mergers effected in December 2003 (€ 972,400 thousand). The Customer Data Base is amortised over 6 years;

- *software*, of € 17,934 thousand at December 31, 2005 (€ 18,935 thousand at December 31, 2004). The software includes costs for purchases from third parties and internal production of proprietary and licensed software programs used in particular in the commercial, publishing and administrative functions;
- *work in progress*, of € 13,663 thousand (€ 4,023 thousand at December 31, 2004). This amount refers mainly to software projects in progress.

*Investments* for the year of € 21,224 thousand (€ 15,078 thousand for 2004) concerned, in particular, the following areas of activity:

- implementation of the "Nuova SEAT" project, which has resulted in the release of a new support system for the sales network, called Evolution. This involves the further development and integration of a number of existing systems into a single platform;
- a complete update of the Multimedia Publishing Information System (SEM system), the first prototype of which was released at the end of 2005;
- update of the database to meet new regulatory requirements (i.e. Universal Data Base).

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## 8. Property, plant and equipment

(euro/thousand)	Year 2005				Year 2004
	Property	Machineries and equipment	Other fixed assets	Total	Total
<i>Cost</i>	1,328	4,793	45,293	51,414	50,410
<i>Accumulated depreciation</i>	(588)	(3,890)	(36,927)	(41,405)	(40,122)
<b>Net opening value</b>	<b>740</b>	<b>903</b>	<b>8,366</b>	<b>10,009</b>	<b>10,288</b>
- Investments	417	647	5,303	6,367	5,493
- Disposals			(419)	(419)	(128)
- Depreciation and write-downs	(349)	(274)	(4,470)	(5,093)	(5,631)
- Other movements	481	20	(501)		(13)
<i>Cost</i>	2,196	5,460	45,090	52,746	51,414
<i>Accumulated depreciation</i>	(907)	(4,164)	(36,811)	(41,882)	(41,405)
<b>Net ending value</b>	<b>1,289</b>	<b>1,296</b>	<b>8,279</b>	<b>10,864</b>	<b>10,009</b>

Property, plant and equipment amounted to € 10,864 thousand at December 31, 2005 (€ 10,009 thousand at December 31, 2004) and are stated net of accumulated depreciation amounting to € 41,882 thousand (€ 41,405 thousand at December 31, 2004).

*Other fixed assets*, in particular, amounted to € 8,279 thousand at December 31, 2005 (€ 8,366 thousand at December 31, 2004) and include € 7,577 thousand for EDP systems (€ 7,363 thousand at December 31, 2004).

*Investments* for the year, of € 6,367 thousand (€ 5,493 thousand at December 31, 2004), include € 4,825 thousand for the purchase of EDP systems, particularly servers and other IT equipment.

Depreciation provisions represent 79% of the gross value of property, plant and equipment (80% at December 31, 2004).

The following table shows a summary of the depreciation rates used

	Year 2005	Year 2004
Property	3%	3%
Machineries and equipment	10-25%	10-25%
Other fixed assets	10-25%	10-25%

*Depreciation rates of property, plant and equipment were reduced by 50% in the first year of life, depending on their technical use.*

## 9. Equity investments

Equity investments in subsidiaries and associates at December 31, 2005 amounted to € 386,561 thousand (€ 265,502 thousand at December 31, 2004) and are made up as follows:

- investments in subsidiaries (€ 386,352 thousand);
- investments in associates (€ 209 thousand).

This item is analysed in annexes 1 and 2.

They show a net increase for the year of € 121,059 thousand, mainly as the result of:

- capital contributions of € 102,995 thousand, made to TDL Infomedia Ltd. in July 2005 by converting into capital current financial receivables of € 36,674 thousand and non-current receivables of € 66,321 thousand;
- capital contributions of € 26,004 thousand, made to Telegate GmbH in November 2005 by converting financial receivables into capital;
- subscription of € 10 thousand of the whole share capital of Seat Corporate University S.c.a.r.l.;
- repayment of an excess of € 16,456 thousand of capital shares, to the subsidiary Consodata Group Ltd.;
- acquisition for € 8,328 thousand of 51% of the share capital of Cipi S.p.A., transaction concluded in September 2005;
- acquisition for € 10,016 thousand of 100% interest in Publibaby S.p.A. by the subsidiary Consodata S.p.A.; this transaction was made in June 2005 and finalised to the subsequent disposal of the Company to RCS group for the same amount in October 2005.

## 10. Other financial assets

Other financial assets, amounted to € 110,718 thousand at December 31, 2005 (€ 172,243 thousand at December 31, 2004), include:

- financial receivables from the subsidiary TDL Infomedia Ltd. of € 109,441 thousand;
- loans to employees of € 1,159 thousand, issued at market rates for transactions of this type;
- a 2.2% interest in Emittenti Titoli S.p.A. for € 110 thousand.

These decreased during the year by € 61,525 thousand mainly due to the conversion into capital of receivables due from the subsidiary TDL Infomedia Ltd. (€ 66,321 thousand).

Other financial assets at December 31, 2004 included charges incurred in 2004 (€ 3,729 thousand) to enter the Interest Rate Collar hedge contracts. These charges, in accordance with the relevant accounting standards at the time, were deferred to the moment when the hedging will start (December 2006).

On January 1, 2005, pursuant the provisions of IAS 39, this deferred cost was written off with a corresponding entry in the equity account "Reserve for the transition to IAS/IFRS", net of the relevant tax effect.

## 11. Inventories

This item is detailed as follows

	At 12.31.2004	Change during the year			At 12.31.2005
		Increases (Decreases)	Provisions	Total	
<b>(euro/thousand)</b>					
Raw materials, suppliers and consumable items	5,826	339		339	6,165
Work in progress and semi-finished goods	2,277	(521)		(521)	1,756
Finished goods	704	(173)	(54)	(227)	477
- <i>Finished goods (gross value)</i>	780	(173)		(173)	607
- <i>Allowance for finished goods</i>	(76)		(54)	(54)	(130)
<b>Total inventories</b>	<b>8,807</b>	<b>(355)</b>	<b>(54)</b>	<b>(409)</b>	<b>8,398</b>

Evaluation at the average weighted cost of the raw materials in stock is essentially in line with their current values.

## 12. Trade accounts receivable

This item is detailed as follows

	Year 2005				Year 2004
	Trade accounts receivable	Trade accounts receivable from subsidiaries	Allowance for doubtful trade accounts receivable	Net value	Net value
<b>(euro/thousand)</b>					
<b>Opening value</b>	<b>728,372</b>	<b>12,357</b>	<b>(123,111)</b>	<b>617,618</b>	<b>675,465</b>
Provision to allowance for doubtful trade accounts receivable			(31,500)	(31,500)	(25,000)
Non-recurring provision to allowance for doubtful trade accounts receivable					(25,000)
Utilisations of allowance for doubtful trade accounts receivable			39,642	39,642	27,474
Other movements	(41,373)	4,093		(37,280)	(35,321)
<b>Ending value</b>	<b>686,999</b>	<b>16,450</b>	<b>(114,969)</b>	<b>588,480</b>	<b>617,618</b>

These amounted to € 588,480 thousand (net of an allowance for doubtful trade accounts receivable of € 114,969 thousand) and include receivables for services to be rendered amounting to € 90,379 thousand, gross of VAT (€ 104,314 at December 31, 2004).

The allowance for doubtful trade accounts receivable of € 114,969 thousand at December 31, 2005 is considered adequate to cover estimated losses. This has been utilised during the year for € 39,642 thousand (€ 27,474 thousand in 2004) and increased by an ordinary provision of € 31,500 thousand (€ 25,000 thousand in 2004).

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The increased ordinary provision of € 6,500 thousand compared to 2004 is intended to ensure a greater coverage of the oldest portion of receivables, arising in prior years, which were characterized by a low level of customer selectivity in terms of creditworthiness. All trade receivables fall due within 5 years.

### 13. Other assets (current and non-current)

This item is detailed as follows

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change
Other current assets			
- <i>Advanced sales commissions and other operating receivables from agents</i>	52,334	63,210	(10,876)
- <i>Advances to suppliers</i>	5,165	5,160	5
- <i>Other operating receivables from subsidiaries</i>	989	1,471	(482)
- <i>Prepaid expenses</i>	1,697	1,153	544
- <i>Other current operating receivables</i>	1,873	2,441	(568)
<b>Total current assets</b>	<b>62,058</b>	<b>73,435</b>	<b>(11,377)</b>
<b>Total non-current assets</b>	<b>927</b>	<b>1,308</b>	<b>(381)</b>

In particular:

- *advanced sales commissions and other operating receivables from agents*, of € 52,334 thousand at December 31, 2005, are shown net of the related allowance for doubtful accounts of € 3,121 thousand at December 31, 2005 (€ 3,400 thousand at December 31, 2004). They included € 3,876 thousand of receivables due beyond 12 months, classified among other current assets since they fall within the normal business operating cycle. These receivables have been discounted to present value using the average market interest rate for receivables with the same due date;
- *advances to suppliers*, of € 5,165 thousand at December 31, 2005 (€ 5,160 thousand at December 31, 2004), include € 4,023 thousand for advances paid to the printer Ilte S.p.A. (€ 4,039 thousand at December 31, 2004).

*Non-current assets* amounted to € 927 thousand at December 31, 2005 and related for € 845 thousand to advance tax payments on severance indemnity.

### 14. Current financial assets

Current financial assets amounted to € 5,382 thousand at December 31, 2005 (€ 71,088 thousand at December 31, 2004) and include:

- € 3,033 thousand of financial receivables from subsidiaries (€ 69,224 thousand at December 31, 2004) arising from current account with Parent Company. They also include the receivable of € 2,454 thousand from Cipi S.p.A. The amount has decreased by € 66,191 thousand compared to the previous year mainly due to the conversion into capital of the receivables from the subsidiary TDL Infomedia Ltd. of € 36,674 thousand and from the subsidiary Telegate GmbH of € 26,004 thousand;
- € 2,128 thousand of the fair value of the derivative contracts at December 31, 2005. These contracts have been recognised in the balance sheet as of January 1, 2005, in compliance with IAS 39.

In detail, this item includes € 1,380 thousand for Forward Rate Agreements (F.R.A.) to hedge interest rate risks.

### 15. Cash and cash equivalents

This item increased by € 50,544 thousand compared to December 31, 2004 and includes

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change
Bank deposits	156,392	106,829	49,563
Postal deposits	1,995	1,028	967
Cash	16	2	14
<b>Total cash and cash equivalents</b>	<b>158,403</b>	<b>107,859</b>	<b>50,544</b>



## 16. Equity

Equity is detailed as follows

	At 12.31.2004		Change during the year				At 12.31.2005
		Allocation of previous year result	Reversal of reserve for early depreciation	Opening balance adjustments (IAS 39)	Exercise of stock options	Other movements	
<b>(euro/thousand)</b>							
Share capital	247,539			473		473	248,012
- ordinary shares	243,457			473		473	243,930
- saving shares	4,082						4,082
Additional paid-in capital	541,845	(106,299)	1,551		4,796	(99,952)	441,893
Legal reserve	49,508						49,508
Reserve for grants to research	80						80
Reserve for grants to equity	32						32
Revaluation reserve	11,698	(11,698)				(11,698)	
Reserve for early depreciation	1,551		(1,551)			(1,551)	
Other reserves					307	307	307
Loss for the year 2004	(117,997)	117,997				117,997	
<b>Total equity</b>							
<b>(Italian GAAP)</b>	<b>734,256</b>						
Reserve for transition to IAS/IFRS	11,598	151,313		(2,499)	1,338	150,152	161,750
Reserve for hedging instruments				(21,133)		6,871	(14,262)
Reserve for stock option	2,476				(1,338)	6,414	5,076
Income for the year 2004 due to the transition to IAS/IFRS	151,313	(151,313)				(151,313)	
Income for the year 2005						84,715	84,715
<b>Total equity</b>	<b>899,643</b>			<b>(23,632)</b>	<b>5,576</b>	<b>98,000</b>	<b>79,944</b>
							<b>979,587(*)</b>

(\*) of which € 226,449 thousand subject to tax imposition in case of distribution.

### Share capital

The share capital amounted to € 248,012 thousand at December 31, 2005 (€ 247,539 thousand at December 31, 2004).

The share capital consisted of No. 8,130,990,696 ordinary shares and No. 136,074,786 saving shares, all of which have a par value of € 0.03 each. Share capital increased in 2005 by € 473 thousand through the issue of No. 15,775,000 ordinary shares, with a par value of € 0.03, following the exercise of the same number of options by the beneficiaries of the "2004 Stock Option Plan for Employees", which became exercisable as of September 30, 2005.

At the reporting date, the share capital amounted to € 248,544 thousand due to the issue in 2006 of No. 17,727,500 ordinary shares, following the exercise of the same number of options by the beneficiaries of the "2004 Stock Option Plan for Employees".

It must be noted that in terms of share capital, the amount of € 13,741 thousand is pending taxation. With regard to this amount, deferred tax liabilities have not been calculated as the Company is not planning to pay off the capital.

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### Additional paid-in capital

The additional paid-in capital amounted to € 441,893 thousand at December 31, 2005 (€ 541,845 thousand at December 31, 2004). It decreased by € 99,952 thousand compared to December 31, 2004, as a result of the following movements:

- a decrease of € 106,299 thousand used for the coverage of the 2004 loss;
- an increase of € 1,551 thousand due to the derecognition of the "Reserve for early depreciation", following the resolution of the Shareholders' Meeting of April 28, 2005 as a result of the introduction of the so-called "doppio binario";
- an increase of € 4,796 thousand due to the exercise of No. 15,775,000 options relating to the "2004 Stock Option Plan for Employees" at the price of € 0.3341 per share.

SEAT Pagine Gialle S.p.A., utilising the procedure set out in section II of chapter I of Law 342/2000, Art. 14 (the terms of which were reopened by Law 266/2005), has proceeded to align the value of the *Customer Data Base* for financial statement purposes with its value for tax purposes. Through such alignment € 142,760 thousand of the additional paid-in capital is pending taxation. With regard to this amount, deferred tax liabilities have not been calculated as the Company is not planning to pay off it.

### Revaluation reserve

This reserve amounted € 11,698 thousand at December 31, 2004. They were fully utilised during the year to cover the 2004 loss, in accordance with the resolution of the Shareholders' Meeting of April 28, 2005.

### Reserve for the transition to IAS/IFRS

This item amounted to € 161,750 thousand at December 31, 2005 (€ 11,598 thousand at December 31, 2004) and is made up as follows:

- € 162,749 thousand, for the positive effect arising from the derecognition of goodwill amortisation accounted for in 2004 (IAS 36);
- € 2,193 thousand, for the positive net effect arising from discounting to present value non-current assets and liabilities (IAS 37);
- € 3,192 thousand for the negative net effect of other minor adjustments following the adoption of the IAS/IFRS.

### Reserve for hedging instruments

This was set up on January 1, 2005 for € 21,133 thousand following the adoption of IAS 39 and 32 on the evaluation and recognition of cash flow hedge instruments. At December 31, 2005, this reserve shows a negative net balance of € 14,262 thousand resulting from the evaluation of the interest rate risk hedge instruments at their fair value, net of the relevant tax effects.

### Reserve for stock options

The reserve for stock options amounted to € 7,552 thousand at December 31, 2005 (€ 2,476 thousand at December 31, 2004) and includes:

- € 4,612 thousand for the 2004 stock option plans;
- € 2,940 thousand for the 2005 stock option plans.

## 17. Earning per share

The earning per share is based on the following data

Number of SEAT Pagine Gialle S.p.A. shares at December 31, 2005		8,267,065,482
- <i>ordinary</i>		8,130,990,696
- <i>saving</i>		136,074,786
Par value per share	euro	0.030
Income of SEAT Pagine Gialle S.p.A. for the year	euro/thousand	84,715
Earning per share	euro	0.01029
Diluted earning per share	euro	0.01028

## 18. Non-current financial debts

This item is made up as follows

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change
Debts due to The Royal Bank of Scotland Plc Milan Branch ( <i>gross value</i> )	2,349,100	2,576,684	(227,584)
<i>less transaction costs</i>	(75,371)	(63,712)	(11,659)
Debts due to The Royal Bank of Scotland Plc Milan Branch ( <i>net value</i> )	2,273,729	2,512,972	(239,243)
Debts due to Lighthouse International Company S.A. ( <i>gross value</i> )	1,300,000	1,300,000	
<i>less transaction costs</i>	(47,103)	(52,569)	5,466
Debts due to Lighthouse International Company S.A. ( <i>net value</i> )	1,252,897	1,247,431	5,466
<b>Total non-current financial debts</b>	<b>3,526,626</b>	<b>3,760,403</b>	<b>(233,777)</b>
<b>Current portion of non-current financial debts due to The Royal Bank of Scotland Plc Milan Branch</b>	<b>171,000</b>	<b>171,222</b>	<b>(222)</b>

- *Debts due to The Royal Bank of Scotland Plc Milan Branch* amounted to € 2,349,100 thousand at December 31, 2005 and are recognised in the balance sheet net of the transaction costs of € 75,371 thousand not yet amortised at December 31, 2005;
- *debts due to Lighthouse International Company S.A.* amounted to € 1,300,000 thousand at December 31, 2005 and are recognised in the balance sheet net of the transaction costs of € 47,103 thousand not yet amortised at December 31, 2005.

Loans at the year-end are described in note 19 of the consolidated financial statements of the SEAT Pagine Gialle group at December 31, 2005.

## 19. Guarantees provided, main commitments and contractual rights

The financing agreement with The Royal Bank of Scotland Plc Milan Branch has requested SEAT Pagine Gialle S.p.A. to issue the following main guarantees, that are standard for transactions of this type:

- a pledge on its main trademarks;
- a pledge on the shares of its main subsidiaries;
- a special privilege on SEAT Pagine Gialle S.p.A.'s tangible assets that have a net carrying value equivalent to or higher than € 25,000.

It should also be noted that SEAT Pagine Gialle S.p.A. issued guarantees for € 350,000 thousand to cover any additional charges relating to the bond issued by Lighthouse International Company S.A..

Summary of the repayment plan for loans contractually in place at the year-end

(euro/thousand)	Expiration year						Total
	2006	2007	2008	2009	2010	beyond 5 years	
Debts due to The Royal Bank of Scotland Plc Milan Branch	171,000 (*)	176,900	182,700	245,000	259,000	1,485,500 (**)	2,520,100
Debts due to Lighthouse International Company S.A.						1,300,000	1,300,000
<b>Total non-current financial debts (gross value)</b>	<b>171,000</b>	<b>176,900</b>	<b>182,700</b>	<b>245,000</b>	<b>259,000</b>	<b>2,785,500</b>	<b>3,820,100</b>

(\*) This amount is included in current financial debts and € 85,500 thousand was repaid early at the beginning of February 2006.

(\*\*) € 15,000 thousand was repaid early at the beginning of February 2006.

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## 20. Information on financial risks

SEAT Pagine Gialle S.p.A. is exposed to financial risks connected with its operations:

- market risks, primarily relating to interest and exchange rates;
- credit risks, in relation to normal commercial transactions with customers.

In the normal course of business, SEAT Pagine Gialle S.p.A. is subject to risks of fluctuations in interest and exchange rates. These market risks relate mainly to the loan with The Royal Bank of Scotland Plc Milan Branch, as well as foreign currency receivables and payables (sterling in particular).

SEAT Pagine Gialle S.p.A. monitors continually the financial risks to which it is exposed, in order to assess any potential negative effects and take the appropriate mitigating actions. These risks are managed through the use of derivative financial instruments, as provided in its own risk management policies. According to these policies derivatives are used only to reduce the risk exposure on interest rates and foreign exchange rates referred to cash flows and assets and liabilities. No speculative activity is allowed.

The Company has credit risk in connection to its customers. In the last years, the Company had implemented sophisticated customers' creditworthiness assessments systems. These systems will complete at the end of 2006 with the installation of the "Credit Scoring Software" created by Experian S.r.l., already used by main companies operating in consumer credit and bank market.

### The market risk policy of SEAT Pagine Gialle S.p.A.

This policy consists of:

- monitoring on a regular basis the level of the current market risk exposure on interest and foreign exchange rates and determining the maximum level of interest rate and foreign exchange rate risk to which we should be exposed;
- use of derivative financial instruments to hedge the risks as discussed below, but not for speculative purposes;
- continual evaluation of the credit quality of counterparties to minimize the risk of non-performance. All derivative financial instruments are entered into with major banks and financial institutions. If the counterparty is a subsidiary, the transaction is carried out at market rates.

### Liabilities relating to interest rate hedge derivative instruments

The "Senior" debt with The Royal Bank of Scotland Plc Milan Branch bears a floating interest rate per annum equal to Euribor plus certain margins. In order to reduce the exposure to risks on floating-rate debt, SEAT Pagine Gialle entered into the following hedging agreements with major international financial counterparties. These are detailed in the Note 21 to the SEAT Pagine Gialle group's financial statements at December 31, 2005.

As of January 1, 2005, SEAT Pagine Gialle S.p.A. adopted IAS 39. As a consequence, the above-mentioned hedging instruments have been valued at their fair value and recognised a corresponding specific reserve in the equity, net of the relevant tax impact, since they are cash flow hedging instruments.

In the case of FRAs closed in the year, the related income has been accounted for in the statement of operations on an accrual basis, according to the duration of the relevant hedge period.

*Liabilities relating to hedging instruments* amounted to € 24,558 thousand at December 31, 2005 and are detailed as follows:

- Interest Rate Swaps*: € 6,413 thousand (€ 19,185 thousand at January 1, 2005);
- Interest Rate Collars*: € 18,145 thousand (€ 12,350 thousand at January 1, 2005).

## 21. Current financial debts

Current financial debts amounted to € 261,949 thousand at December 31, 2005 (€ 232,525 thousand at December 31, 2004) and are detailed as follows

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change
Current portion of the non-current financial debts due to The Royal Bank of Scotland Plc Milan Branch	171,000	171,222	(222)
Current financial debts due to subsidiaries	47,989	40,424	7,565
Current financial debts due to associates	17,375	19,306	(1,931)
Liability on hedging instruments	24,558		24,558
Other current financial debts	1,027	1,585	(558)
Prepaid financial expenses		(12)	12
<b>Total current financial debts</b>	<b>261,949</b>	<b>232,525</b>	<b>29,424</b>

- *Financial debts due to subsidiaries* amounted to € 47,989 thousand at December 31, 2005 and refer to debts due to Telegate A.G. for € 42,213 thousand and to Consodata S.p.A. for € 5,735 thousand. These financial debts are regulated at market rates;
- *financial debts due to associates* of € 17,375 thousand at December 31, 2005 refer to interest payable on the "Subordinated" loan from Lighthouse International Company S.A.

## 22. Non-current reserves to employees

This item is detailed as follows

(euro/thousand)	At 12.31.2004	Change during the year				Total	At 12.31.2005
		Provision	Utilisation/ Repayment	Actuarial (gains) losses	Other movements		
Reserve for severance indemnities	28,275	2,121	(2,877)	1,152	42	438	28,713
Reserve for defined contribution pension plan		955	(963)		8		
Reserve for termination indemnities	442	610	(1,199)		727	138	580
<b>Total non-current reserves to employees</b>	<b>28,717</b>	<b>3,686</b>	<b>(5,039)</b>	<b>1,152</b>	<b>777</b>	<b>576</b>	<b>29,293</b>

The *reserve for severance indemnities*, of € 28,713 thousand at December 31, 2005, has been valued (since it is considered a defined benefit plan) in compliance with IAS 19. At the first-time IAS/IFRS adoption, all the cumulative actuarial gains and losses were recognised.

Following that date, it was decided to adopt the corridor approach: consequently, € 560 thousand corresponding to the net accumulated actuarial losses at December 31, 2005 were not recognised.

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(euro/thousand)	12.31.2005	12.31.2004
<b>A. Change in benefit obligation</b>		
1. Benefit obligation at beginning of the year	27,741	28,719
2. Current service cost	2,121	2,426
3. Interest expenses	1,152	1,234
4. Actuarial (gains) losses	1,094	(534)
5. Benefits paid from plan/company	(2,877)	(4,104)
Benefit obligation at end of the year	29,231	27,741
<b>B. Amounts recognised in the balance sheet</b>		
<i>Plans that are wholly unfunded and plans that are wholly or partly funded</i>		
1. Present value of unfunded obligations	29,231	27,741
2. Unrecognised net actuarial gains (losses)	(560)	534
3. Other movements	42	
Net liability (asset)	28,713	28,275
<i>Amounts in the balance sheet:</i>		
1. Liabilities	28,713	28,275
2. Assets	-	-
<b>C. Components of pension cost</b>		
<i>Amounts recognised in the statement of operations:</i>		
1. Current service cost	2,121	2,426
2. Interest expenses	1,152	1,234
Total pension cost recognised in the statement of operations	3,273	3,660
<b>D. Principal actuarial assumptions</b>		
<i>Weighted-average assumptions to determine benefits obligation</i>		
1. Discount rate	4.00%	4.50%
2. Rate of compensation increase	4.00%	4.00%
3. Rate of price inflation	2.00%	2.00%
<i>Weighted-average assumptions to determine net pension cost</i>		
1. Discount rate	4.50%	4.75%
2. Expected rate of compensation increase	4.00%	4.00%
3. Rate of price inflation	2.00%	2.00%
<b>E. History of experience gains and losses</b>		
a. Amount	1,094	(534)
b. Percentage of present value of plan liabilities	4%	(2%)

## 23. Share-based payments

The stock option plans in existence at December 31, 2005 established by SEAT Pagine Gialle S.p.A. are described in the section "Report on Operations – Human Resources". These plans are accounted for in the financial statements in compliance with IFRS 2. Since this accounting principle is applicable to stock option plans with grant dates after November 7, 2002, the "2000-2002 Plans" and the "Key People Plan" have not been so valued.

The valuation of the stock option plans established by SEAT Pagine Gialle S.p.A has been determined by an independent expert, using the binomial method ("lattice model") recommended by the IASB and based on the following assumptions:

- the current price of the share is the share price at the grant date;
- the historic volatility of the SEAT Pagine Gialle share price (calculated from August 1, 2003) was considered indicative of the expected volatility;
- dividend yield = 0. The history of the SEAT Pagine Gialle Group is very brief and it has not yet obtained shareholder approval for the distribution of ordinary dividends;
- risk-free interest rates: Italian State bonds with remaining term equal to the exercise period of the option were taken as a reference;
- strike price: it is assumed that employees exercise options throughout the exercise period proportionally to the rise in value of the share.

Beneficiaries	Grant date	Number of granted options	Number of expired options	First vesting date	Strike price (euro)	Number of exercised options	Number of outstanding options at 12.31.2005	Fair value (euro/thousand)	Of which accrued in the year 2005 (euro/thousand)
<b>2004 stock option plan</b>									
Employees of SEAT Pagine Gialle S.p.A.	06-07-2004	59,265,000	(450,000)	09-30-2005	0.3341	(14,995,000)	43,820,000	5,590	3,161
Managing Director	11-25-2004	5,000,000		09-30-2005	0.3341		5,000,000	400	354
<b>2005 stock option plan</b>									
Employees of SEAT Pagine Gialle S.p.A.	04-08-2005	62,500,000	(50,000)	09-30-2006	0.3221		62,450,000	5,374	2,657
Employees of SEAT Pagine Gialle S.p.A.	11-04-2005	1,600,000		09-30-2006	0.3915		1,600,000	200	36
Managing Director	04-08-2005	5,000,000		09-30-2006	0.3221		5,000,000	498	246
<b>Total</b>		<b>133,365,000</b>	<b>(500,000)</b>			<b>(14,995,000)</b>	<b>117,870,000</b>	<b>12,063</b>	<b>6,454</b>

Stock option costs of € 6,454 thousand relating to 2005 (€ 2,476 thousand relating to 2004), are included in the statement of operations under non-recurring costs.

## 24. Other non-current liabilities

Other non-current liabilities amounted to € 19,465 thousand at December 31, 2005 (€ 17,861 thousand at December 31, 2004) consist only of the reserve for sales agents' termination indemnities, which shows the following movements

(euro/thousand)	Year 2005	Year 2004	Change
<b>Opening value</b>	<b>17,861</b>	<b>15,127</b>	<b>2,734</b>
Provisions	4,003	3,755	248
Utilisations	(2,518)	(986)	(1,532)
Actuarial (gains) losses	119	(35)	154
<b>Ending value</b>	<b>19,465</b>	<b>17,861</b>	<b>1,604</b>

Sale agents' termination indemnities increased in the year by € 1,604 thousand and represent the accrued liabilities at year-end to active sales agents for the indemnity due to them under current regulations if the agency relationship will be interrupted.

The balance at December 31, 2005 of non-current liabilities, in view of expected and future cash flows, have been discounted to present value using the pre-tax discount rate which reflects the current market valuation of the cost of money over time. The increase due to the passage of time and to variations in the discount rate applied have been accounted for as financial expense (€ 119 thousand).

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## 25. Reserves for current risks and charges

This item is detailed as follows

(euro/thousand)	Year 2005				Total	Year 2004
	Reserve for commercial risks	Reserve for contractual risks and other operating risks	Reserve for current restructuring expenses	Reserve for risks and charges on investments		Total
<b>Opening value</b>	17,303	17,108	5,355	769	40,535	44,277
Provisions	16,300	1,741			18,041	26,391
Utilisations	(17,459)	(2,666)	(2,038)	(769)	(22,932)	(30,133)
<b>Ending value</b>	<b>16,144</b>	<b>16,183</b>	<b>3,317</b>		<b>35,644</b>	<b>40,535</b>

In particular:

- the *reserve for commercial risks*, of € 16,144 thousand at December 31, 2005 relates to cover the claims for publishing errors on PAGINEGIALLE®, PAGINEBIANCHE® and Annuari;
- the *reserve for contractual risks and other operating risks*, of € 16,183 thousand at December 31, 2005, includes € 8,134 thousand to cover pending litigation and € 6,889 thousand for lawsuits with sales agents and employees, and € 1,160 thousand for other current risks and charges;
- the *reserve for current restructuring expenses*, of € 3,317 thousand at December 31, 2005, was used during the year for € 2,038 thousand following the workforce reorganisation and downsizing actions that had started during the previous year.

## 26. Trade accounts payable and other current liabilities

Trade accounts payable, of € 231,643 thousand at December 31, 2005 are detailed as follows

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change
Payables due to suppliers	131,747	126,025	5,722
Payables due to sales agents	63,330	73,313	(9,983)
Payables due to employees	17,285	16,335	950
Payables due to social security institutions	9,215	8,058	1,157
Payables due to subsidiaries	8,404	5,866	2,538
Payables due to directors and statutory auditors	1,662	1,351	311
Payables due to associates		390	(390)
<b>Total trade accounts payable</b>	<b>231,643</b>	<b>231,338</b>	<b>305</b>

All trade accounts payable at December 31, 2005 are due within 12 months.

*Payables due to suppliers* increased by € 5,722 thousand compared to December 31, 2004 mainly due to the higher level of investment and spending on advertising, particularly during the last quarter of 2005 for the launch of the 12.40 Pronto PAGINEBIANCHE® service.

*Payables due to sales agents* of € 63,330 thousand at December 31, 2005 are to be matched with the item "advanced sales commissions" included in "Other current assets" of € 52,334 thousand at December 31, 2005 (€ 63,210 thousand at December 31, 2004), net of the relevant allowance of € 3,121 thousand at December 31, 2005 (€ 3,400 thousand at December 31, 2004).

*Payables due to subsidiaries* amounted to € 8,404 thousand at December 31, 2005, including € 4,704 thousand to Telegate Italia S.r.l., € 1,681 thousand to Cipi S.p.A. and € 1,623 thousand to Consodata S.p.A..



Other current liabilities amounted to € 97,040 thousand at December 31, 2005 (€ 113,505 thousand at December 31, 2004) and are detailed as follows

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change
Payables for services to be rendered	91,885	106,565	(14,680)
Advances from customers	3,752	5,252	(1,500)
Other operating liabilities due to subsidiaries	1	4	(3)
Other operating liabilities due to associates	774	497	277
Other current liabilities	545	1,187	(642)
<b>Total payables for services to be rendered and other current liabilities</b>	<b>97,040</b>	<b>113,505</b>	<b>(16,465)</b>

Payables for services to be rendered and other current liabilities due beyond 12 months amounted to € 99 thousand.

Payables for services to be rendered refer to advertising services invoiced in advance and amounted to € 91,885 thousand at December 31, 2005, of which € 14,065 thousand (€ 20,045 thousand at December 31, 2004) already paid by customers.

## 27. Revenues from sales and services

Revenues from sales and services for 2005 amounted to € 1,061,813 thousand, a slight increase on the previous year (€ 1,059,674 thousand). In particular:

- "print" revenues amounted to € 834,079 thousand in 2005 (€ 859,578 thousand in 2004);
- "online" revenues amounted to € 115,809 thousand in 2005, an increase of 13% compared with 2004;
- "voice" revenues increased by 25.3% to € 68,966 thousand in 2005 (€ 55,028 thousand in 2004), thanks to the positive performance of the 89.24.24 Pronto PAGINEGIALLE® service and the launch of the 12.40 Pronto PAGINEBIANCHE® service.

The Report on Operations, under "Economic Performance by Business Area – Italian Directories" provides a more detailed analysis of revenues.

## 28. Other revenues and operating costs

### 28.1 Other income and revenues

Other revenues and income, of € 6,229 thousand in 2005 (€ 5,018 thousand in 2004), include € 5,138 thousand for repayment of costs.

### 28.2 Raw materials

Raw materials amounted to € 56,516 thousand in 2005, decreased by € 4,076 thousand compared to the prior year. In particular:

- *paper consumption*, of € 43,237 thousand decreased by € 2,377 thousand compared to 2004 as a consequence of the reduction of volumes in terms of signature marks. In 2005, 64,141 tons of paper (67,986 tons in 2004) and 12.1 million of sheets (9.7 million in 2004) were used;
- *purchase of merchandise and finished goods for resale*, amounting to € 11,547 thousand (€ 14,020 thousand for 2004), refers to the purchase of custom-made items used for merchandising activities.

### 28.3 External services

This item amounted to € 337,728 thousand in 2005, a slight increase (+1.5%) over the previous year, including in particular:

- *commissions and other sale agent costs*, of € 116,200 thousand in 2005, decreased by 10.4% compared to the previous year due to the derecognition of sale commissions of previous years that were no longer due and the different mix of advertising revenues;

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- *industrial production costs*, of € 67,239 thousand in 2005, mainly refer to the composition, printing and binding of the PAGINEGIALLE®, PAGINEBIANCHE® and Annuari. They decreased by 3.1% compared to 2004 due to the reduction in the volumes in terms of signature marks;
- *advertising and promotion* amounted to € 34,492 thousand in 2005 increased by 69.7% compared to 2004. They were incurred mainly on the advertising campaign to support the launch of the new 12.40 Pronto PAGINEBIANCHE® service (€ 11,267 thousand) and the 89.24.24 Pronto PAGINEGIALLE® service (€ 10,190 thousand);
- *professional services, consultancy and collaboration costs* amounted to € 29,620 thousand in 2005 (€ 25,849 thousand in 2004) and refer mainly to information technology, legal and administrative services;
- *call center services* of € 16,099 thousand in 2005 increased by 28.8% compared to the previous year due to the increase in call volumes also as a result of the 12.40 Pronto PAGINEBIANCHE® service;
- *training costs* amounted to € 1,131 thousand in the year, increased by 51.1% compared to 2004 due to the intensive training provided to the sales force and employees as part of the Nuova SEAT Project.

#### 28.4 Salaries, wages and employee benefits

This item amounted to € 85,213 thousand in 2005, substantially stable compared to 2004 (€ 85,239 thousand). The reduction in the average workforce, due to the reorganisation that has been started since the second half of 2004, has offset the effects of the increase in the average cost per capita due to a more qualified personnel mix and renewal of the National Collective Labor Contract (CCNL).

Workforce was 1,331 at December 31, 2005 (1,341 employees at December 31, 2004), whilst the average workforce during the year was 1,288 units (1,318 units in 2004).

#### 28.5 Other operating expenses

They amounted to € 3,347 thousand in 2005 (€ 2,878 thousand in 2004), and included € 837 thousand for entertainment costs and € 688 thousand for indirect taxes and duties.

#### 28.6 Non-recurring costs, net

In 2005, this item amounted to € 7,348 thousand. It included € 6,454 thousand for costs for the stock option plans in favour of the Managing Director and "Key People" and € 894 thousand arising from consultancy involving the organisational structure of the Group.

#### 28.7 Restructuring costs, net

Net restructuring costs, of € 2,659 thousand in 2005 (€ 2,769 thousand in 2004), net of the reversal to the statement of operations of the corporate restructuring provisions of € 8 thousand during the year, refer to the costs incurred for the reorganisation of the Commercial Area.

### 29. Interest income and expenses

#### 29.1 Interest expenses

Interest expenses of € 281,738 thousand in 2005 (€ 238,401 thousand in 2004) refer mainly to the charges incurred on the "Senior Credit Agreement" and "Subordinated" loan with The Royal Bank of Scotland Plc Milan Branch and Lighthouse International Company S.A., respectively.

For a more detailed description, reference is made to the "interest expenses" item in the consolidated financial statements of the SEAT Pagine Gialle group.

## 29.2 Interest income

Interest income amounted to € 33,667 thousand in 2005 (€ 21,571 thousand in the previous year) and includes:

- € 16,418 thousand of exchange gains (€ 3,103 thousand in 2004) recognised mainly as a consequence of hedging instruments on the euro/sterling exchange rate risk, partially offset by exchange losses amounting to € 12,527 thousand (€ 6,510 thousand in 2004). This item includes € 748 thousand of income arising from the recognition in assets of the market value of the Forex contracts in force at December 31, 2005, in compliance with IAS 39;
- € 10,915 thousand for interest income from other non-current financial assets (€ 6,424 thousand for interest income on non-current loans to the subsidiary TDL Infomedia Ltd regulated at market rates);
- € 2,292 thousand to dividends from Eurédit S.A.

## 30. Income taxes

Income taxes for the years ended December 31, 2005 and 2004 are detailed as follows

(euro/thousand)	Year 2005	Year 2004	Change	
			Absolute	%
Current income taxes	12,081	12,123	(42)	(0.3)
Deferred income taxes	(26,035)	(34,787)	8,752	(25.2)
Deferred tax liabilities	65,357	66,491	(1,134)	(1.7)
Reversal of deferred tax liabilities	(60,370)		(60,370)	n.s.
Upfront tax on Customer Data Base	19,448		19,448	n.s.
Income taxes referred to previous years	572	136	436	n.s.
<b>Total income taxes</b>	<b>11,053</b>	<b>43,963</b>	<b>(32,910)</b>	<b>(74.9)</b>

SEAT Pagine Gialle S.p.A., according to the Law 342/2000 - chapter I, section II, Art. 14 - (the terms of which were reopened by Law 266/2005), has proceeded to align the tax value of the *Customer Data Base* to its book value. This alignment of € 162,067 thousand resulted in the reversal to the statement of operations of deferred tax liabilities of € 60,370 thousand (as indicated above) and the payment (within the due date of the payment of 2005 income taxes) of an upfront tax of € 19,448 thousand, accounted for as tax payables at December 31, 2005.

The **reconciliation** between effective income taxes and theoretical income taxes calculated by applying Italian tax rates for the years 2004 and 2005 to the income before taxes is as follows

(euro/thousand)	Year 2005	Year 2004
<b>Income before income taxes</b>	<b>95,768</b>	<b>77,279</b>
<b>Current income taxes calculated with the theoretical tax rate (37.25%)</b>	<b>(35,674)</b>	<b>(28,786)</b>
Fiscal effect on non-deductible expenses for IRAP purposes (personnel expenses, interest income and expenses, etc.)	(14,851)	(15,578)
Customer Data Base fiscal alignment	60,370	
Upfront tax on Customer Data Base	(19,448)	
Income taxes referred to previous years	(572)	(136)
Permanent differences	(879)	538
<b>Income taxes for the year</b>	<b>(11,053)</b>	<b>(43,963)</b>

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## Net deferred tax assets

Deferred tax assets, net at December 31, 2005 amounted to € 80,743 thousand (€ 52,268 thousand at December 31, 2004) and are detailed as follows

(euro/thousand)	At 12.31.2004	Income taxes	Income taxes	Group	At 12.31.2005		
		accounted for	accounted for	taxation	Total	of which	of which
		in Statement of	in Equity	agreement		IRES	IRAP
		Operations		effects			
<b>Deferred tax liabilities</b>							
Customer Data Base	(60,370)	(*)			(60,370)	(53,481)	(6,889)
Goodwill amortisation	(7,719)	(5,288)			(13,007)	(11,523)	(1,484)
Other	(1,273)	301	(597)		(1,569)	(1,494)	(75)
<b>Total deferred tax liabilities</b>	<b>(69,362)</b>	<b>(4,987)</b>	<b>(597)</b>		<b>(74,946)</b>	<b>(66,498)</b>	<b>(8,448)</b>
<b>Deferred tax assets</b>							
Allowance for doubtful trade accounts receivable	39,581	(2,646)			36,935	36,935	
Reserves for contractual risks	19,457	(4,658)			14,799	13,232	1,567
Equity investments' write-downs (4/5)	22,937	(9,550)			13,387	13,387	
Net losses carry forwards	37,431	42,858		(828)	79,461	79,461	
Fair value of cash flow hedge instruments			7,621		7,621	7,621	
Other	2,224	31	1,231		3,486	3,163	323
<b>Total deferred tax assets</b>	<b>121,630</b>	<b>26,035</b>	<b>8,852</b>	<b>(828)</b>	<b>155,689</b>	<b>153,799</b>	<b>1,890</b>
<b>Net deferred tax assets</b>	<b>52,268</b>	<b>21,048</b>	<b>8,255</b>	<b>(828)</b>	<b>80,743</b>	<b>87,301</b>	<b>(6,558)</b>

(\*) Deferred tax liabilities of the year (€ 60,370 thousand) are balanced from the reversal of deferred tax liabilities related to *Customer Data Base* fiscal alignment.

## Current tax assets

Current tax assets amounted to € 1,853 thousand at December 31, 2005 (€ 14,963 thousand at December 31, 2004) and are detailed as follows

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change
Direct tax receivables	1,839	14,950	(13,111)
Indirect tax receivables	14	13	1
<b>Total current tax assets</b>	<b>1,853</b>	<b>14,963</b>	<b>(13,110)</b>

## Current tax payables

Current tax payables amounted to € 36,083 thousand at December 31, 2005 (€ 28,578 thousand at December 31, 2004) and are detailed as follows

(euro/thousand)	At 12.31.2005	At 12.31.2004	Change
Income tax payables	20,802	12,123	8,679
Other tax payables	15,281	16,455	(1,174)
<b>Total current tax payables</b>	<b>36,083</b>	<b>28,578</b>	<b>7,505</b>

## 31. Related party transactions

In compliance with IAS 24 and with article 2, paragraph h of the Regulations for Issuers of CONSOB No. 11971/1999 (as modified with CONSOB resolution No. 14990 of 4/14/2005), the table below sets out the economic and financial effects of transactions with related parties on the financial statements of SEAT Pagine Gialle S.p.A. for 2005.

All the transactions that the Company entered into with related parties are ordinary transactions, and they are regulated at market conditions or in accordance with specific regulatory provisions. There were no atypical and/or unusual transactions, or transactions that may represent a conflict of interests.

(euro/thousand)	From/to subsidiaries and associates	Descriptions
Revenues from sales and services	40,136	they include € 33,195 thousand for SEAT Pagine Gialle S.p.A. revenues on 89.24.24 call rebate from Telegate Italia S.r.l. and € 6,450 thousand for royalties to Eurédit S.A. on Europages Directories.
Other income and revenues	1,315	they include € 536 thousand for repayment of costs towards TDL Infomedia Ltd., € 404 thousand for repayment of rental cost towards Prontoseat S.r.l., € 203 thousand for repayment of convention agent costs towards Euredit S.A..
Raw materials and external services	34,003	they refer to call center costs incurred by SEAT Pagine Gialle S.p.A. from Telegate Italia S.r.l. (€ 11,896 thousand) and Prontoseat S.r.l. (€ 3,816 thousand). This item includes also € 10,383 thousand for sale costs from Consodata S.p.a. for direct marketing services.
Other operating expenses	258	they include € 173 thousand for entertainment expenses from Prontoseat S.r.l.
Interest income	15,351	it includes <i>i</i> ) € 10,889 thousand for interest income due to TDL Infomedia Ltd. on non-current financial receivables, <i>ii</i> ) € 2,170 thousand for interest income on bank accounts and current financial receivables towards subsidiaries (of which € 1,358 thousand towards TDL Infomedia Ltd. and € 647 thousand towards Telegate Holding GmbH) and <i>iii</i> ) € 2,292 thousand for dividends received from Eurédit S.A.
Interest expenses	115,313	they include € 113,754 thousand for interest expenses on non-current "Subordinated" loan with Lighthouse International Company S.A. and for € 1,559 thousand for interest expenses on bank deposit (of which € 1,274 thousand from Telegate A.G. and € 254 thousand from Consodata Group Ltd.).
Income taxes	831	they represent the net amount recognised to the Italian subsidiaries which entered into the Italian tax consolidation agreement.
Other non-current financial assets	109,441	they refer to non-current loans in UK£ to TDL Infomedia Ltd.
Current financial assets	3,033	they refer to current accounts receivable towards subsidiaries of which € 2,454 thousand towards Cipi S.p.A., € 267 thousand towards Prontoseat S.r.l., € 249 thousand towards Telegate GmbH.
Trade accounts receivable	16,451	they include € 15,353 thousand to receivables towards Telegate Italia S.r.l. and € 969 thousand towards TDL Infomedia Ltd.
Other current assets	992	they include receivables related to the Italian tax consolidation agreement (€ 295 thousand towards Consodata S.p.A.) and reversal of expenses (€ 182 thousand towards Eurédit S.A. and € 147 towards Prontoseat S.r.l.).
Non-current financial debts	1,252,897	they include € 1,300 million for the "Subordinated" loan with Lighthouse International Company S.A., net of transaction costs not yet amortised of € 47,103 thousand.
Current financial debts	65,364	they include € 42,213 thousand referred to cash deposits towards Telegate A.G., € 17,375 thousand for accrued interest expenses towards Lighthouse International Company S.A., € 5,735 thousand for current account liabilities towards Consodata S.p.A. and € 41 thousand for current account liabilities towards Seat Corporate University S.c.a.r.l.
Trade accounts payable	8,405	they include € 4,704 thousand towards Telegate Italia S.r.l., € 1,623 thousand towards Consodata S.p.A., € 1,681 thousand towards Cipi S.p.A.
Payables for services to be rendered and other current liabilities	858	they represent liabilities referred to Italian tax consolidation agreement towards subsidiaries (€ 593 thousand towards Telegate Italia S.r.l. and € 181 thousand towards Prontoseat S.r.l.).
Investments	131	they represent expenses incurred by SEAT Pagine Gialle S.p.A. through Lighthouse International Company S.A. related to the "Subordinated" loan.
Disposals	261	they include € 179 thousand for disposal of server to Telegate Italia S.r.l. and € 82 thousand for disposal of EDP system to Prontoseat S.r.l.

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## 32. Other information

### Fees paid to Directors and Statutory Auditors

Listed below is the information required by Article 78 of the CONSOB regulations adopted through resolution 11971 of May 14, 1999 and subsequent amendments

Person Surname and Name	Description of Office		Emoluments			
	Position	Office period	Fees	Non-monetary benefits	Bonuses and other incentives	Other fees
GILIBERTI Enrico	Director	01.01.2005 - 12.31.2005	10,000			
	Chairman	01.01.2005 - 12.31.2005 <sup>(1)</sup>	90,000			655,000 <sup>(2)</sup>
MAJOCCHI Luca	Director	01.01.2005 - 12.31.2005 <sup>(3)</sup>	10,000			
	Managing Director	01.01.2005 - 12.31.2005 <sup>(1)</sup>	800,000	4,022	1,050,000 <sup>(4)</sup>	610,500 <sup>(5)</sup>
BENASSI Lino	Director	01.01.2005 - 12.31.2005	10,000			
	Chairman of Internal Audit Committee	01.01.2005 - 12.31.2005	40,000			
COSSUTTA Dario	Director	01.01.2005 - 12.31.2005	10,000			
	Member of the Compensation Committee	01.01.2005 - 12.31.2005 <sup>(6)</sup>	30,000			
GAMUCCI Guido	Director	01.01.2005 - 09.30.2005 <sup>(6)</sup>	7,500			
GROS PIETRO Gian Maria	Director	01.01.2005 - 12.31.2005	10,000			
	Chairman of the Compensation Committee	01.01.2005 - 12.31.2005	40,000			
LANARI Luigi	Director	01.01.2005 - 12.31.2005 <sup>(8)</sup>	10,000			
LUCCHINI Marco	Director	10.11.2005 - 12.31.2005	2,500			
MARINI Michele	Director	01.01.2005 - 12.31.2005	10,000			
MASERA Pietro Giovanni	Director	01.01.2005 - 12.31.2005 <sup>(8)</sup>	10,000			
MAZZOTTI Stefano	Director	01.01.2005 - 12.31.2005 <sup>(8)</sup>	10,000			
QUADRIO CURZIO Stefano	Director	10.11.2005 - 12.31.2005	2,500			
	Member of the Compensation Committee	10.11.2005 - 12.31.2005 <sup>(8)</sup>	7,500			
REBOA Marco	Director	01.01.2005 - 12.31.2005	10,000			
	Chairman of Internal Audit Committee	01.01.2005 - 12.31.2005	30,000			
	Chairman of Supervisor Committee	01.01.2005 - 12.31.2005	10,000			
TAZARTES Alberto	Director	01.01.2005 - 09.30.2005	7,500			
	Member of the Compensation Committee	01.01.2005 - 09.30.2005 <sup>(7) (8)</sup>	22,500			
VOLPI Nicola	Director	01.01.2005 - 12.31.2005	10,000			
	Chairman of Internal Audit Committee	01.01.2005 - 12.31.2005 <sup>(6) (8)</sup>	30,000			
CERVELLERA Enrico	Chairman of Board of Statutory Auditors	01.01.2005 - 12.31.2005	61,975			
VASAPOLLI Andrea	Acting Auditor	01.01.2005 - 12.31.2005	41,317			
CIRUZZI Vincenzo	Acting Auditor	01.01.2005 - 12.31.2005	41,317			2,479 <sup>(9)</sup>

(1) Fees for the year 2005 according to ex art. 2389, 3rd comma of the Italian civil code.

(2) "Other fees" attributed to Mr. Giliberti refer to fees received by the Legal Office Giliberti Pappalettera Triscomia e Associati, for consulting activities performed for SEAT Pagine Gialle during 2005.

(3) Fees for the year 2005 according to ex art. 2389, 1st comma of the Italian civil code: this amount was waived.

(4) Of which 40% will be paid only if he holds the office until December 1, 2006 (20%) and then until December 1, 2007 (20%).

(5) "Other fees" attributed to Mr. Majocchi refer to the amount of termination indemnity accrued in 2005.

(6) Mr. Cossutta and Mr. Volpi partly waived (€ 25,000) their fees as member of the Internal Audit Committee/Compensation Committee.

(7) Mr. Tazartes partly waived (€ 18,750) their fees as member of the Compensation Committee.

(8) Mr. Lanari and Mr. Masera repay their fees to CVC Capital Partners S.r.l., Mr. Mazzotti and Mr. Tazartes (the latter net of the amount shown in note (7)) to BC Partners S.r.l., Mr. Gamucci and Mr. Volpi to Permira Associati S.p.A., Mr. Quadrio Curzio to BC Partners Limited.

(9) Fees for the year 2005 received for Acting Auditor office in the subsidiary Cipi S.p.A..

## Shares held by Directors and Statutory Auditors

The table below shows the shares held by Directors and Statutory Auditors in SEAT Pagine Gialle S.p.A. and in its subsidiaries.

Surname and Name	Company	Shares owned at the end of the previous year	Purchased shares	Sold shares	Shares owned at the end of the year 2005
GILIBERTI Enrico (Chairman)	SEAT Pagine Gialle S.p.A.	6,144 saving shares	-	-	6,144 saving shares
		50,724 ordinary shares	-	50,724 ordinary shares	-
MAJOCCHI Luca (Managing Director)	SEAT Pagine Gialle S.p.A.	3,670,000 ordinary shares	-	-	3,670,000 ordinary shares
GROS PIETRO Gian Maria (Director)	SEAT Pagine Gialle S.p.A.	60,000 ordinary shares	-	-	60,000 ordinary shares

## Final Statement of Independent Auditors' fees

The 2005 Financial Statements of SEAT Pagine Gialle S.p.A. have been audited by Reconta Ernst & Young S.p.A. based on the appointment made by the Shareholders' Meeting on November 18, 2003 in order to comply with the requirements of the Legislative Decree February 24, 1998, No. 58 regarding financial brokerage and subsequently supplemented to adjust the fees to the new regulatory context involving the adoption of the IAS/IFRS.

The fees for auditing 2005 Financial Statements of SEAT Pagine Gialle S.p.A. and for verifying the adequacy of the accounting procedures and the exactness and completeness of the book entries, amounted to € 136 thousand. The auditing fees for the Financial Statements of the Group amounted to € 28 thousand.

The limited review of the half-year statutory and consolidated report of SEAT Pagine Gialle involved a total cost of € 41 thousand.

## Annex 1

### Equity investments in subsidiaries and associates

	At 12.31.2004			Change during the year					At 12.31.2005		
	Cost	Write-downs	Net value	Purchase/ Subscriptions of capital increase	Disposals/ Repayment of capital investments	Use of reserve for risks	Write-up	Total	Cost	Write-downs	Net value
<b>(euro/thousand)</b>											
<b>Subsidiaries</b>	<b>369,286</b>	<b>(103,993)</b>	<b>265,293</b>	<b>147,353</b>	<b>(26,472)</b>	<b>(269)</b>	<b>447</b>	<b>121,059</b>	<b>488,867</b>	<b>(102,515)</b>	<b>386,352</b>
CIPI S.p.A.				8,328				8,328	8,328		8,328
CONSODATA GROUP Ltd.	39,271	(23,004)	16,267		(16,456)		447	(16,009)	21,515	(21,257)	258
CONSODATA S.p.A.	23,000	(45)	22,955						23,000	(45)	22,955
EUREDIT S.A.	38,039		38,039						38,039		38,039
PRONTOSEAT S.r.l.	431		431			(269)		(269)	431	(269)	162
PUBBLIBABY S.p.A.				10,016	(10,016)						
SEAT CORPORATE UNIVERSITY S.c.a.r.l.				10				10	10		10
TDL INFOMEDIA Ltd.	168,576	(80,944)	87,632	102,995				102,995	271,571	(80,944)	190,627
TELEGATE A.G.	21,563		21,563						21,563		21,563
TELEGATE GmbH	78,406		78,406	26,004				26,004	104,410		104,410
<b>Associates</b>	<b>209</b>		<b>209</b>						<b>209</b>		<b>209</b>
LIGHTHOUSE INTERNATIONAL CO. S.A.	209		209						209		209
<b>Total equity investments</b>	<b>369,495</b>	<b>(103,993)</b>	<b>265,502</b>	<b>147,353</b>	<b>(26,472)</b>	<b>(269)</b>	<b>447</b>	<b>121,059</b>	<b>489,076</b>	<b>(102,515)</b>	<b>386,561</b>

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## Annex 2

### Major interests in equity investments

Ex Art. 120 of Legislative Decree February 24, 1998, No. 58

(Disclosure pursuant to Art. 126 of Consob resolution No. 11971 of May 14, 1999 as amended)

All equity investments are held through ownership

Company	Registered office	Share capital	Held by	%
CIPI S.p.A.	Milan	Euro 1,200,000.00	SEAT Pagine Gialle S.p.A.	51
CONSODATA S.p.A.	Rome	Euro 2,446,330.00	SEAT Pagine Gialle S.p.A.	100
CONSODATA GROUP Ltd. (in liquidation)	London (United Kingdom)	GBP 25,146,140.00	SEAT Pagine Gialle S.p.A.	100
EUREDIT S.A.	Paris (France)	Euro 2,800,000.00	SEAT Pagine Gialle S.p.A.	93.562
LIGHTHOUSE INTERNATIONAL COMPANY S.A.	Luxembourg	Euro 31,000.00	SEAT Pagine Gialle S.p.A.	25
PRONTOSEAT S.r.l.	Turin	Euro 10,500.00	SEAT Pagine Gialle S.p.A.	100
TELEGATE HOLDING GmbH	Munich (Germany)	Euro 26,100.00	SEAT Pagine Gialle S.p.A.	100
TELEGATE A.G.	Munich (Germany)	Euro 20,987,045.00	Telegate Holding GmbH Seat Pagine Gialle S.p.A.	61.85 16.43
11811 NUEVA INFORMACION TELEFONICA S.A.U.	Madrid (Spain)	Euro 222,000.00	TELEGATE A.G.	100
11880 TELEGATE GmbH	Vienna (Austria)	Euro 35,000.00	TELEGATE A.G.	100
DATAGATE GmbH	Munich (Germany)	Euro 60,000.00	TELEGATE A.G.	100
11880.COM GmbH	Munich (Germany)	Euro 25,000.00	Datagate GmbH	100
MOBILSAFE A.G.	Munich (Germany)	Euro 150,000.00	Datagate GmbH	100
TELEGATE AKADEMIE GmbH	Rostock (Germany)	Euro 25,000.00	TELEGATE A.G.	100
TELEGATE FRANCE Sarl	Paris (France)	Euro 1.00	TELEGATE A.G.	100
Le 118 000 Sas (ex Scoot France Sarl)	Paris (France)	Euro 87,000.00	Telegate France Sarl	100
TELEGATE ITALIA S.r.l.	Turin	Euro 129,000.00	TELEGATE A.G.	100
UNO UNO OCHO CINCO CERO GUIAS S.L.	Madrid (Spain)	Euro 3,100.00	TELEGATE A.G.	100
1818 AUSKUNFT A.G.	Zurich (Switzerland)	CHF 200,000.00	TELEGATE A.G.	100
TDL INFOMEDIA Ltd.	Hampshire (United Kingdom)	GBP 139,524.78	SEAT Pagine Gialle S.p.A.	100
INDIRECT S.P.R.L. (in liquidation)	Brussels (Belgium)	BEF 6,000,000.00	TDL Infomedia Ltd.	27
TDL BELGIUM S.A. (in liquidation)	Brussels (Belgium)	BEF 750,087,200.00	TDL Infomedia Ltd.	49.6
TDL GROUP Ltd. (in liquidation)	Hampshire (United Kingdom)	GBP 89,864.25	TDL Infomedia Ltd.	100
TDL INFOMEDIA FINANCE Ltd. (in liquidation)	Hampshire (United Kingdom)	GBP 9,734.09	TDL Infomedia Ltd.	100
TDL INFOMEDIA GROUP Plc (in liquidation)	Hampshire (United Kingdom)	GBP 624,576.64	TDL Infomedia Ltd.	100
TDL INFOMEDIA HOLDINGS Plc (in liquidation)	Hampshire (United Kingdom)	GBP 397,126.43	TDL Infomedia Ltd.	100
THOMSON DIRECTORIES Ltd.	Hampshire (United Kingdom)	GBP 1,340,000.00	TDL Infomedia Ltd.	100
THOMSON DIRECTORIES PENSION COMPANY Ltd.	Hampshire (United Kingdom)	GBP 2.00	Thomson Directories Ltd.	100
SEAT CORPORATE UNIVERSITY S.c.ar.l.	Turin	Euro 10,000.00	SEAT Pagine Gialle S.p.A.	95



INDEPENDENT AUDITORS' REPORT  
pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58  
(Translation from the original Italian text)

To the Shareholders of  
SEAT Pagine Gialle S.p.A.

1. We have audited the financial statements of SEAT Pagine Gialle S.p.A. as of and for the year ended December 31, 2005, comprising the balance sheet, the statements of operations, changes in shareholders' equity and cash flows and the related explanatory notes. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. These financial statements represent the first financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.
2. We conducted our audit in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For comparative purposes, the financial statements include the corresponding information for the prior year prepared in accordance with consistent accounting principles, except for the effects of IAS 32 and IAS 39 which have been applied from January 1, 2005 in accordance with the exemption allowed by IFRS 1. In addition, the explanatory note "Transition to International Accounting Standards IAS/IFRS" of the financial statements explains the effects of transition to IFRS as adopted by the European Union and includes the reconciliation statements required by IFRS 1, which were previously approved by the Board of Directors and published as an attachment to the half-year interim financial statements, and which have been audited by us. Reference should be made to our audit report dated September 12, 2005.

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■ **Reconta Ernst & Young S.p.A.**  
 Corso Vittorio Emanuele II, 83  
 10128 Torino

■ Tel. (+39) 011 5161611  
 Fax (+39) 011 5612554  
 www.ey.com

3. In our opinion, the financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholders' equity and the cash flows of SEAT Pagine Gialle S.p.A. as of December 31, 2005, and for the year then ended in accordance with IFRS as adopted by the European Union.

Turin, April 11, 2006

Reconta Ernst & Young S.p.A.  
 Signed by: Mario Lamprati, partner

■ Reconta Ernst & Young S.p.A.  
 Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A  
 Capitale Sociale € 1.259.500,00 i.v.  
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## ➤ Report of the Board of Statutory Auditors to the Shareholders' Meeting of SEAT Pagine Gialle S.p.A. pursuant to Article 2429 of the Italian Civil Code and Article 153 of Legislative Decree No. 58/98

Shareholders,

in this report the Board of Statutory Auditors discloses its activities, as required by Article 2429 of the Italian Civil Code and Article 153 of Legislative Decree No. 58/98 and in compliance with the recommendations issued by the National Boards of Certified Accountants (*Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri*) and CONSOB resolutions No. DEM-1025564 dated April 6, 2001, No. 97001574 dated February 20, 1997 and No. 98015375 dated February 27, 1998.

### 1. Notes on the most important economic and financial transactions carried out by the Company and their compliance with the law and the memorandum of association.

The Board of Statutory Auditors points out the following transactions, considered the most significant in 2005.

- a) In June 2005, the Company refinanced the debt raised in 2004 with The Royal Bank of Scotland Plc Milan Branch.  
Total refinancing came to €/mln 2,530.1. The transaction entailed (as indicated under Note No. 19 to the consolidated financial statements):
  - extension of the average duration of the "Senior" debt from about 5.2 years to about 5.9 years;
  - reduction of the cost of the "Senior" debt, whose weighted average margin is decreased by about 81 basis points;
  - an approximately €/mln 26 increase in registration and refinancing charges, which, under the IAS/IFRS standards, are entered as a reduction of the debt amount.
- b) Under Law No. 266 of December 23, 2005 (which reopened the terms of the Law No. 342 of November 21, 2000), the Company made the so-called alignment of the book value and the tax value of the Customer Data Base, an intangible asset with finite useful life for which statutory amortisation is effected over a period that differs from the tax period.  
Alignment amounted to €/mln 162 and involved recognition in the income statement of deferred tax liabilities of €/000 60,370 and the payment of an upfront tax of €/000 19,448 (due within the deadline set for payment of the balance of the 2005 income taxes).
- c) The Company prepared both the consolidated and statutory financial statements according to the IAS/IFRS international accounting standards.  
The effects of the transition to such accounting standards are analytically stated in an appropriate document submitted to the Shareholders' Meeting.

The Board of Statutory Auditors considers the above-mentioned openly transactions in compliance with the law and the memorandum of association, made in the interest of the Company, not outwardly imprudent or risky or in contrast with the resolutions passed by the Shareholders' Meeting, and not compromising the integrity of the Company's assets.

## **2. Related party transactions.**

The Company adopted an in-house procedure to provide information pursuant to Article 150, paragraph 1, of Legislative Decree No. 58/1998, on related party transactions, business activities, as well as significant, atypical or unusual transactions.

2.1. The Board of Statutory Auditors has not met any atypical and/or unusual transactions carried out by the Company with related parties.

2.2. The Board of Statutory Auditors has not met any atypical and/or unusual transactions carried out by the Company with third parties or Group companies, nor extraordinary related party transactions (subject to approval of the Board of Directors).

2.3. With regard to ordinary and financial transactions with related parties, the Company has economic and financial relationships with Group companies; these transactions are carried out at market values.

With reference to the ordinary transactions between Group companies and with related parties described above, the Board of Statutory Auditors deems the performed transactions to be in the Company's interest and their amounts appropriate.

**3. The Board of Statutory Auditors believes that the information provided by the Directors in the Financial Statements with reference to transactions between Group companies and related parties is adequate.**

**4. On April 11, 2006, the Independent Auditors Reconta Ernst & Young issued their report pursuant to Article 156 of Legislative Decree No. 58/98, without raising any objections.**

## **5. Complaints pursuant to Article 2408 of the Italian Civil Code.**

The Board of Statutory Auditors confirms that no anomalies were found.

**6. No briefs were filed.**

## **7. Additional assignments given to the Independent Auditors for € /000 115:**

- annual report for Lighthouse Bondholders;
- patronage letter on covenants on loan;
- fairness opinion on the capital increase serving stock option plans.

## **8. The following services were rendered by entities which are related to the Independent Auditors:**

- Ernst & Young Financial Business Advisor S.p.A. (Milan): € /000 314 for assistance in the acquisition and disposal of equity investments;
- Ernst & Young LLP Southampton (UK): £ /000 268 for assistance in the valuation of equity investments;
- Ernst & Young LLP Chartered Account Montreal (Quebec): \$CAN /000 4 for assistance in the disposal of equity investments.

**9. The Board of Statutory Auditors issued favourable opinions regarding the co-option of new Directors (Mr. Lucchini and Mr. Quadrio Curzio) pursuant to Article 2386 of the Italian Civil Code, the compensation of the Managing Director (stock option plans and other variable compensation) and the assignments to the Independent Auditors.**

## **10. The following meetings were held:**

- 11 meetings of the Board of Directors;
- 5 meetings of the Board of Statutory Auditors;
- 6 meetings of the Internal Control Committee.

The Board of Statutory Auditors, or some of its members, participated in all the aforesaid meetings.

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11. With regard to the matters falling within its competence, the Board of Statutory Auditors has acquired knowledge of and supervised the compliance with the principles of good management through direct assessments, information gathered from executive directors and through meetings with the Independent Auditors, for the purposes of mutual exchange of significant data and information.

With regard to this point, no issues are to be disclosed.

12. Furthermore, with regard to the matters falling within its competence, the Board of Statutory Auditors has acquired knowledge of and supervised the adequacy of the organisation of the Company and has no objections to make.

13. The Board of Statutory Auditors has supervised the adequacy of the Company's internal control system, assessing the control activities and procedures carried out.

The head of the Internal Audit Department is the person appointed to run the internal control system. He reports to the Managing Director, the Internal Control Committee and the Board of Statutory Auditors, as required by the Code of Conduct.

14. The Board of Statutory Auditors believes that the administrative and accounting system is both adequate and reliable for a correct and true representation of operations.

15. The Company has provided subsidiaries with the necessary instructions to fulfil disclosure obligations under Article 114, paragraph 2, of Legislative Decree No. 58/98.

16. During the meetings held with the Independent Auditors, pursuant to Article 150, paragraph 2, of Legislative Decree No. 58/98 no issues emerged.

17. Regarding Corporate Governance and the procedures to actually implement the relevant rules under the Code of Conduct issued by Italian Stock Exchange (*Borsa Italiana*), the subscription procedures by the Company are detailed in the appropriate report submitted to the Shareholders' Meeting.

Moreover, in compliance with the recent regulations on market abuse, the Company updated its procedures on the treatment of inside information and the so-called Internal Dealing.

18. During the course of our supervisory activities, no significant facts emerged that needed to be reported to the supervisory bodies or be mentioned in this report.

19. As the Financial Statements for the year ended December 31, 2005, shows a net profit of € 84,715,210.22, the Board of Statutory Auditors has no objections to raise against the resolution proposed by the Board of Directors about the allocation of this profit.

Milan, April 11, 2006

Enrico Cervellera

Vincenzo Ciruzzi

Andrea Vasapolli



## ➤ Proposed resolutions

Dear Shareholders,

the Financial Statements as of December 31, 2005, submitted to You for Your approval, show a net profit of € 84,715,210.22.

It is proposed to distribute € 0.0050 per each ordinary share and € 0.0101 per each savings share.

The overall amount of the distributed dividend may vary, in relation to the number of shares with regular settlement on the payment day of the dividend, and taking into consideration the number of shares susceptible of subscription for the purposes of the capital increases under Article 5 of the Company's By-Laws and actually issued by such date.

Given that, We invite You to deliberate as follows:

The Shareholders' Meeting of SEAT Pagine Gialle S.p.A.

- a) having examined the Financial Statements for the year ended December 31, 2005;
- b) having viewed the Report on Operations attached to the Financial Statements;
- c) having acknowledged the Report of the Board of Statutory Auditors and of the Independent Auditors Reconta Ernst & Young S.p.A.

Hereby approves

- 1) the Report on Operations and the Financial Statements of SEAT Pagine Gialle S.p.A., which closed with an income of € 84,715,210.22;
- 2) to allocate the income of € 84,715,210.22 as follows:
  - € 94,650.00 to the Legal Reserve, given that, with such allocation, this reserve reaches the amount of € 49,602,392.89 equal to 20% of the share capital existing at December 31, 2005;
  - to Shareholders a total dividend of € 42,117,946.32, determined as follows:
    - (i) € 0.0050, including legal withholding, per each of No. 8,148,718,196 ordinary shares amounted to € 40,743,590.98;
    - (ii) € 0.0101, including legal withholding, per each of No. 136,074,786 savings shares (due to the whole preferred dividend for the 2003, 2004 and 2005 financial years and to the increase set for savings shares on the 2005 financial year) amounted to € 1,374,355.34.Such dividend is subject to the taxation prescribed for profits under articles 44 and 89 of Presidential Decree No. 917 of December 22, 1986;
  - the remaining profit of € 42,502,613.90 to the "Profit carried forward" reserve;
- 3) to pay the dividend as from May 25, 2006, with ex-dividend date fixed on May 22, 2006;
- 4) to delegate to the Chairman and to the Managing Director, separately, the power to verify, in due course, on the basis of the exact final amount of shares for which dividends are paid, the total income distributed and the income carried forward.

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## ➤ Resolutions of the Shareholders' Meeting

On April 27, 2006, in Turin, Via Aurelio Saffi 18, at the secondary office of the Company, the Ordinary Meeting of SEAT Pagine Gialle S.p.A. was held.

The Ordinary Meeting resolved:

1. to approve the Report on Operations of the Board of Directors and the Financial Statements of SEAT Pagine Gialle S.p.A., which present a net profit of € 84,715,210.22;
  - 1.a. to allocate net profit of € 84,715,210.22 as follows:
    - € 94,650.00 to the Legal Reserve, in order for such reserve to reach one fifth of the certified share capital (€ 49,602,392.89) existing as at December 31, 2005;
    - to Shareholders a total dividend of € 42,117,946.32, determined as follows:
      - (i) € 0.0050, including legal deductions, per each of No. 8,148,718,196 ordinary shares totalling € 40,743,590.98;
      - (ii) € 0.0101, including legal deductions, per each of No. 136,074,786 savings shares (due to the whole preferred dividend for the 2003, 2004 and 2005 financial years and to the increase set for savings shares on the 2005 financial year) totalling € 1,374,355.34.

Such dividend is subject to the taxation prescribed for profits under articles 44 and 89 of Presidential Decree No. 917 of December 22, 1986;
    - the remaining profit of € 42,502,613.90 to the "Profit carried forward" reserve;
  - 1.b. to pay the dividend as from May 25, 2006, with ex-dividend date fixed on May 22, 2006;
  - 1.c. to delegate to the Chairman and to the Managing Director, jointly or severally, the power to verify, in due course, on the basis of the exact final amount of shares for which dividends are paid, the total profit distributed and the profit carried forward, since the overall amount of the distributed dividend may vary, subject to the number of shares with regular settlement on the payment day of the dividend, and taking into consideration the number of shares susceptible of subscription for the purposes of the capital increases under Article 5 of the Company's By-Laws and actually issued by such date;
2. to appoint the Board of Directors for the 2006-2007-2008 three-year period in the persons of: Enrico Giliberti (Chairman), Luca Majocchi (appointed as Managing Director at the Board's meeting held after the Shareholders' Meeting), Lino Benassi, Dario Cossutta, Gian Maria Gros Pietro, Luigi Lanari, Marco Lucchini, Pietro Masera, Michele Marini, Stefano Mazzotti, Stefano Quadrio Curzio, Marco Reboa, Nicola Volpi;
3. to appoint the Board of Statutory Auditors for the 2006-2007-2008 three-year period in the persons of: Enrico Cervellera (Chairman of the Board of Statutory Auditors), Andrea Vasapoli (Acting Auditor), Vincenzo Ciruzzi (Acting Auditor), Guido Costa (Alternate Auditor) and Guido Vasapoli (Alternate Auditor);
4. to appoint Reconta Ernst & Young S.p.A. as independent auditors for auditing the accounts for the 2006-2011 financial years.



## Transition to International Accounting Standards

## ➤ Transition to International Accounting Standards (IAS/IFRS): SEAT Pagine Gialle group

As the European regulation No. 1606 dated July 2002 became effective, as from January 1, 2005, the SEAT Pagine Gialle group adopted the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board and approved by the European Union, including all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously called the Standing Interpretations Committee (SIC).

Taking into account the Recommendation of CESR (Committee of European Securities Regulators) issued on December 30, 2003 and the Regulation for listed companies, as modified by CONSOB with Resolution No. 14990 dated April 14, 2005, hereafter is set out the information required by IFRS 1. In particular this report describes:

- a) IAS/IFRS adopted in preparing the opening Balance Sheet as at January 1, 2004, the Statement of Operations for the year 2004 and the Balance Sheet as at December 31, 2004;
- b) the effects of the transition to IAS/IFRS on the previously reported financial statements (prepared in accordance with Italian accounting standards) and the reconciliations with the corresponding figures restated on the basis of IAS/IFRS.

The Balance Sheet and Statement of Operations for 2004 were prepared in accordance with the provisions of IFRS 1 *"First time adoption of IAS/IFRS"*. In particular, IAS/IFRS that are already applicable as from January 1, 2005 were used, a part from IAS 39. (It should be noted that IAS 39 became effective on January 1, 2005 and gave companies the possibility of adopting it without applying it to the 2004 figures for comparative purposes).

### a) Accounting standards adopted in preparing the opening Balance Sheet as at January 1, 2004, the Statement of Operations for 2004 and the Balance Sheet as at December 31, 2004

Please refer to the section "Financial statements of the SEAT Pagine Gialle group - Accounting principles and notes" for a brief description of the IAS/IFRS which were adopted.

## First time adoption of IAS/IFRS

### General principle

IAS/IFRS, which were effective at December 31, 2004 (as well as IFRS 2) were applied retrospectively by the SEAT Pagine Gialle group to the opening Balance Sheet as at January 1, 2004, the Statement of Operations for the year 2004 and the Balance Sheet as at December 31, 2004, except for some exemptions adopted by the Group in compliance with IFRS 1, as described below.

The financial statements thus prepared will represent the official values reported for comparative purposes in the consolidated financial statements as at December 31, 2005. These values may be subject to variations that might be necessary if some International Accounting Standards should be reviewed or changed during 2005. If new versions or interpretations of IAS/IFRS should be issued, possibly with retroactive impact, before the consolidated financial statements as at December 31, 2005 will be approved, these might have effects on the balance sheet and statement of operations for 2004 restated in accordance with IAS/IFRS and here presented.

The reconciliation tables to IAS/IFRS were prepared only for transition purposes in order to produce the first consolidated financial statements in compliance with IAS/IFRS as approved by the European Commission. Therefore, these reconciliation tables don't include comparative figures and notes which are requested by IAS/IFRS for a fairly representation of the consolidated financial position and economic performance.

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The opening balance sheet as at January 1, 2004 reflects the following accounting differences compared to the consolidated financial statements as at December 31, 2003, prepared in accordance with Italian accounting standards:

- all assets and liabilities, which are to be recognised under IAS/IFRS, including those not recognised under Italian accounting standards, were recognised and evaluated in compliance with IAS/IFRS;
- all assets and liabilities, which are to be recognised under Italian accounting standards, but not permitted by IAS/IFRS, were written-off;
- some items were reclassified in accordance with IAS/IFRS.

The effects of these adjustments were directly recognised in the opening net equity at the transition date (January 1, 2004). The transition to IAS/IFRS required the estimates previously performed in accordance with Italian accounting standards remained unchanged, unless the adoption of IAS/IFRS required the application of different criteria to produce these estimates.

## Accounting policies in opening IFRS balance sheet

In order to restate the consolidated balance sheet as at January 1, 2004 and December 31, 2004, among other things, the SEAT Pagine Gialle group had to choose among the options provided for IAS/IFRS:

- **presentation of financial statements:** for the face of the balance sheet it was decided to use the "current/non-current" criterion (which is generally applied by manufacturing and trading companies), while for the face of statement of operations it was decided to classify the costs by nature; this decision implied the reclassification of the historic financial statements that were prepared in accordance with the formats provided for by Legislative Decree 127/1991;
- **optional exemptions allowed by IFRS 1 at the transition date to IAS/IFRS (January 1, 2004):**
  - *business combinations:* the SEAT Pagine Gialle group decided not to apply IFRS 3 "Business combinations" retrospectively for transactions that took place before the date of transition to IAS/IFRS;
  - *employee benefits:* the SEAT Pagine Gialle group decided to recognise all cumulative actuarial gains and losses as at January 1, 2004, and to adopt the "corridor approach" for the actuarial gains and losses that will arise following that date;
  - *share-based payments:* the SEAT Pagine Gialle group adopted the transitory provisions of IFRS 2 and, therefore, applied this standard to all the stock option plans granted after November 7, 2002 and not yet vested at the effective date of IFRS 2 (January 1, 2005). According to transitory provisions of IFRS 2, no expenses are to be recognised for stock options granted before November 7, 2002;
- **measurements of financial instruments:** IAS 39, in relation to the measurements of financial instruments, was adopted as from January 1, 2005 (effective date).

b) Effects of the transition to IAS/IFRS on the previously reported financial statements (prepared in accordance with Italian accounting standards) and reconciliation tables with the corresponding figures restated on the basis of IAS/IFRS

## 1. Effects of the transition to IAS/IFRS on the Balance Sheet of the Group as at January 1, 2004

(euro/million)	At 01.01.2004 ITA GAAP	Note	Reclassifications	Adjustments	At 01.01.2004 IAS/IFRS	
<b>Fixed assets</b>	<b>4,613.8</b>		<b>86.7</b>	<b>9.5</b>	<b>4,710.0</b>	<b>Non-current assets</b>
Intangible assets	4,557.5		(14.8)	(0.3)	4,542.4	Intangible assets
- Goodwill	3,602.8	(A)			3,602.8	- Intangible assets with indefinite useful life
- Other intangible assets	954.7	(B)	(14.8)	(0.3)	939.6	- Intangible assets with finite useful life
Tangible assets	42.6		2.5	(0.1)	45.0	Property, plant and equipment
Long-term investments						
- Equity investments	8.3	(C)	(0.2)		8.1	Equity investments
- Other	5.4		(2.6)		2.8	Other non-current financial assets
			2.8		2.8	Other non-current assets
		(D)	99.0	9.9	108.9	Deferred tax assets
<b>Current assets</b>	<b>1,193.5</b>		<b>(84.2)</b>	<b>(9.3)</b>	<b>1,100.0</b>	<b>Current assets</b>
Inventories	12.9		(0.2)		12.7	Inventories
Trade accounts receivable	754.7		0.2		754.9	Trade accounts receivable
Other receivables						
- tax receivables	169.6	(D)	(100.3)		69.3	Current tax assets
- other receivables	81.3	(E)	15.4	(9.3)	87.4	Other current assets
Current financial assets	9.1		(8.1)		1.0	Current financial assets
Cash and cash equivalents	165.9		8.8		174.7	Cash and cash equivalents
Accrued income and prepaid expenses	20.4		(20.4)			
<b>TOTAL ASSETS</b>	<b>5,827.7</b>		<b>(17.9)</b>	<b>0.2</b>	<b>5,810.0</b>	<b>TOTAL ASSETS</b>
<b>Liabilities</b>	<b>1,425.9</b>				<b>165.3</b>	<b>Non-current liabilities</b>
Reserve for severance indemnities	32.4	(F)	(32.4)			
Reserve for risks and charges	95.6	(F)	(61.9)	21.9	55.6	Non-current reserves to employees
			0.2		0.2	Deferred tax liabilities and non-current payables for income taxes
		(G)	26.1	(5.3)	20.8	Other non-current liabilities
Bonds	105.0		(16.3)		88.7	Non-current financial debts
Debts due to other lenders	0.3		(0.3)			
					<b>1,286.3</b>	<b>Current liabilities</b>
Debts due to banks	528.3		6.1		534.4	Current financial debts
			67.1	(0.1)	67.0	Reserve for current risks and charges
Advances to suppliers	0.5		(0.5)			
Trade accounts payable	229.8		55.7		285.5	Trade accounts payable
Tax payables	243.7				243.7	Current tax payables
Debts due to social security institutions	9.0		(9.0)			
Other liabilities	181.3		(25.5)	(0.1)	155.7	Payables for services to be rendered and other current liabilities
Accrued expenses and deferred income	27.2		(27.2)			
Minority interests	5.4		0.3		5.7	Minority interests
<b>Equity of the Group</b>	<b>4,369.2</b>		<b>(0.3)</b>	<b>(16.2)</b>	<b>4,352.7</b>	<b>Equity of the Group</b>
Share capital and reserves	4,374.8				4,374.8	Share capital and reserves
Reserve for exchange rate adjustments	(5.6)		0.3		(5.3)	Reserve for exchange rate adjustments
			(0.6)	(16.2)	(16.8)	Reserve for transition to IAS/IFRS
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,827.7</b>		<b>(17.9)</b>	<b>0.2</b>	<b>5,810.0</b>	<b>TOTAL LIABILITIES AND EQUITY</b>



## 2. Effects of the transition to IAS/IFRS on the Balance Sheet of the Group as at December 31, 2004

(euro/million)	At 12.31.2004 ITA GAAP	Note	Reclassifications	Adjustments	At 12.31.2004 IAS/IFRS	
<b>Fixed assets</b>	<b>4,296.1</b>		<b>(46.5)</b>	<b>211.3</b>	<b>4,460.9</b>	<b>Non-current assets</b>
Intangible assets	4,259.2		(118.7)	202.2	4,342.7	Intangible assets
- Goodwill	3,362.2	(A)		202.8	3,565.0	- Intangible assets with indefinite useful life
- Other intangible assets	897.0	(B)	(118.7)	(0.6)	777.7	- Intangible assets with finite useful life
Tangible assets	33.2		2.5		35.7	Property, plant and equipment
Long-term investments						
- Equity investments	0.4	(C)	(0.2)		0.2	Equity investments
- Other	3.3		1.6		4.9	Other non-current financial assets
			1.4		1.4	Other non-current assets
		(D)	66.9	9.1	76.0	Deferred tax assets
<b>Current assets</b>	<b>992.6</b>		<b>(51.4)</b>	<b>(9.1)</b>	<b>932.1</b>	<b>Current assets</b>
Inventories	10.3				10.3	Inventories
Trade accounts receivable	684.2		0.1		684.3	Trade accounts receivable
Other receivables						
- tax receivables	83.2	(D)	(66.9)		16.3	Current tax assets
- other receivables	76.9	(E)	13.6	(9.1)	81.4	Other current assets
Current financial assets	9.6		(7.7)		1.9	Current financial assets
Cash and cash equivalents	128.4		9.5		137.9	Cash and cash equivalents
Accrued income and prepaid expenses	19.4		(19.4)			
<b>TOTAL ASSETS</b>	<b>5,308.1</b>		<b>(117.3)</b>	<b>202.2</b>	<b>5,393.0</b>	<b>TOTAL ASSETS</b>
<b>Liabilities</b>	<b>4,585.3</b>				<b>3,835.4</b>	<b>Non-current liabilities</b>
Reserve for severance indemnities	31.4	(F)	(31.4)			
Reserve for risks and charges	75.3	(F)	(43.5)	21.1	52.9	Non-current reserves to employees
		(G)	27.9	(5.9)	22.0	Other non-current liabilities
Bonds		(B)	3,760.5		3,760.5	Non-current financial debts
Debts due to other lenders	0.2		(0.2)			
					<b>697.6</b>	<b>Current liabilities</b>
Debts due to banks	2,747.9		(2,555.7)		192.2	Current financial debts
			58.9	2.0	60.9	Reserve for current risks and charges
Trade accounts payable	227.6		46.6		274.2	Trade accounts payable
Debts due to Group's companies	1,300.4		(1,300.4)			
Tax payables	43.1				43.1	Current tax payables
Debts due to social security institutions	11.0		(11.0)			
Other liabilities	148.4		(21.2)		127.2	Payables for services to be rendered and other current liabilities
Accrued expenses and deferred income	47.9		(47.9)			
Minority interests	9.9		0.3	(0.4)	9.8	Minority interests
Equity of the Group	665.0		(0.2)	185.4	850.2	Equity of the Group
Share capital and reserves	793.2				793.2	Share capital and reserves
				3.0	3.0	Reserve for stock options
			(0.7)	(16.2)	(16.9)	Reserve for transition to IAS/IFRS
Reserve for exchange rate adjustments	(8.7)		0.5	(0.8)	(9.0)	Reserve for exchange rate adjustments
Income (loss) for the year	(119.5)			199.4	79.9	Income (loss) for the year
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,308.1</b>		<b>(117.3)</b>	<b>202.2</b>	<b>5,393.0</b>	<b>TOTAL LIABILITIES AND EQUITY</b>



### 3. Effects of the transition to IAS/IFRS on the Statement of Operations of the Group for the year 2004

(euro/million)	Year 2004 ITA GAAP	Note	Reclassifications	Adjustments	Year 2004 IAS/IFRS	
<b>Product sales and services</b>	<b>1,406.3</b>		<b>(0.6)</b>		<b>1,405.7</b>	<b>Revenues from sales and services</b>
- Sales of goods	32.5				32.5	- Sales of goods
- Revenues from services	1,373.8		(0.6)		1,373.2	- Rendering of services
Costs capitalised as tangible or intangible assets	1.4		(1.4)			
Other income and revenues	5.0		(0.6)		4.4	Other income and revenues
<b>TOTAL PRODUCTION VALUE</b>	<b>1,412.7</b>		<b>(2.6)</b>		<b>1,410.1</b>	<b>TOTAL REVENUES</b>
Raw materials, supplies and consumable items	(71.8)		(2.6)		(74.4)	Raw materials
Services	(423.5)		(23.2)	0.4	(446.3)	External services
Use of third-party property	(33.8)		33.8			
Personnel	(200.7)	(H)	(7.7)	1.8	(206.6)	Salaries, wages and employees benefits
Changes in inventories of raw materials, supplies and consumable items	(2.4)		2.4			
Write-downs	(38.6)		0.6		(38.0)	Other valuation adjustments
Provision for risks	(26.9)		0.2		(26.7)	Provision to reserves for risks and charges
Miscellaneous operating costs	(3.5)		(0.2)		(3.7)	Other operating expenses
<b>EBITDA</b>	<b>611.5</b>		<b>0.7</b>	<b>2.2</b>	<b>614.4</b>	<b>Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)</b>
Operating amortisation and depreciation	(29.9)			(0.4)	(30.3)	Operating amortisation and depreciation
Non-operating amortisation	(389.2)	(B);(A)	16.9	203.5	(168.8)	Non-operating amortisation and write-down
		(I)	(28.3)	(3.0)	(31.3)	Non-recurring costs, net
		(G)	(2.7)	(1.9)	(4.6)	Restructuring costs, net
<b>OPERATING INCOME (LOSS)</b>	<b>192.4</b>		<b>(13.4)</b>	<b>200.4</b>	<b>379.4</b>	<b>OPERATING INCOME (LOSS)</b>
Interest income	8.5			0.5	9.0	Interest income
Interest expenses	(232.9)	(L)	(25.8)	(1.2)	(259.9)	Interest expenses
Valuation adjustments to financial assets	(2.0)		0.2		(1.8)	Gains (losses) on investments accounted for at equity
		(M)	8.4		8.4	Gains (losses) on disposal of equity investments
Extraordinary income	27.3		(27.3)			
Extraordinary expenses	(58.1)		58.1			
Income taxes	(48.1)		(0.2)	(0.7)	(48.9)	Income taxes
Minority interests	(6.6)	(N)		0.4	(6.2)	Minority interests
<b>INCOME (LOSS) FOR THE YEAR</b>	<b>(119.5)</b>			<b>199.4</b>	<b>79.9</b>	<b>INCOME (LOSS) FOR THE YEAR</b>

#### 4. Effects of the transition to IAS/IFRS on the Statement Cash Flow of the Group for the year 2004

(euro/million)	Year 2004 ITA GAAP	Note	Reclassifications	Adjustments	Year 2004 IAS/IFRS
<b>Cash inflow from operating activities</b>					
Income (loss) for the year	(112.9)			199.0	86.1
Amortisation, depreciation and write-downs	419.1	(A)	(16.9)	(203.2)	199.0
Interest expenses, net	224.4		25.8	0.8	251.0
Costs for stock options		(I)		3.0	3.0
Income taxes for the year	48.1		0.1	0.7	48.9
(Gains) losses on disposal of non-current assets	(10.8)				(10.8)
(Write-up) write-down of non-current assets	9.4		(8.5)		0.9
Changes in working capital	(134.4)		(0.1)	2.2	(132.3)
Changes in non-current liabilities	2.4		(1.7)	(2.4)	(1.7)
Exchange rates and other movements	38.3		1.7		40.0
<b>Cash inflow from operating activities</b>	<b>(A)</b>		<b>0.4</b>	<b>0.1</b>	<b>484.1</b>
<b>Cash outflow for investments</b>					
Purchase of intangible assets	(159.2)		130.2		(29.0)
Purchase of property, plant and equipment	(9.9)		(0.9)	(0.1)	(10.9)
Equity investments	(0.2)				(0.2)
Purchase of financial assets available for sale	(0.1)				(0.1)
Purchase of other non-current assets	(1.4)		1.3		(0.1)
Proceeds from disposal of non-current assets	24.0		(1.9)		22.1
<b>Cash outflow for investments</b>	<b>(B)</b>		<b>128.7</b>	<b>(0.1)</b>	<b>(18.2)</b>
<b>Cash outflow for financing</b>					
Proceeds from non-current financial loans	4,159.1				4,159.1
Repayment of non-current financial loans	(217.6)				(217.6)
Repayment of current financial loans	(528.4)				(528.4)
Repayment of transaction costs on loans			(129.3)		(129.3)
Paid interest expenses, net	(206.0)		(0.2)		(206.2)
Changes in current financial debts	0.5		0.6		1.1
Changes in non-current financial assets	(3.6)		0.5		(3.1)
Stock options and contributions from Shareholders	0.1				0.1
Paid dividends	(3,578.4)				(3,578.4)
<b>Cash outflow for financing</b>	<b>(C)</b>		<b>(128.4)</b>		<b>(502.7)</b>
<b>Increase in cash and cash equivalents in the year</b>	<b>(A+B+C)</b>		<b>0.7</b>		<b>(36.8)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>165.9</b>		<b>8.8</b>		<b>174.7</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>128.4</b>		<b>9.5</b>		<b>137.9</b>

## 5. Effects on the Balance Sheet of the Group as at January 1, 2005 arising from the adoption of IAS 39

(euro/million)	At 12.31.2004 IAS/IFRS	Note	Adjustments	At 01.01.2005 IAS/IFRS
<b>Non-current assets</b>	<b>4,460.9</b>		<b>7.9</b>	<b>4,468.8</b>
Intangible assets	4,342.7			4,342.7
- Intangible assets with indefinite useful life	3,565.0			3,565.0
- Intangible assets with finite useful life	777.7			777.7
Property, plant and equipment	35.7			35.7
Equity investments	0.2			0.2
Other financial assets	4.9	(O)	(3.7)	1.2
Other non-current assets	1.4			1.4
Deferred tax assets	76.0	(O)	11.6	87.6
<b>Current assets</b>	<b>932.1</b>			<b>932.1</b>
Inventories	10.3			10.3
Trade accounts receivable	684.3			684.3
Current tax assets	16.3			16.3
Other current assets	81.4			81.4
Current financial assets	1.9			1.9
Cash and cash equivalents	137.9			137.9
<b>TOTAL ASSETS</b>	<b>5,393.0</b>		<b>7.9</b>	<b>5,400.9</b>
<b>Non-current liabilities</b>	<b>3,835.4</b>			<b>3,835.4</b>
Non-current reserves to employees	52.9			52.9
Other non-current liabilities	22.0			22.0
Non-current financial debts	3,760.5			3,760.5
<b>Current liabilities</b>	<b>697.6</b>		<b>31.5</b>	<b>729.1</b>
Current financial debts	192.2	(O)	31.5	223.7
Reserve for current risks and charges	60.9			60.9
Trade accounts payable	274.2			274.2
Current tax debts	43.1			43.1
Payables for services to be rendered and other current liabilities	127.2			127.2
<b>Minority interests</b>	<b>9.8</b>			<b>9.8</b>
<b>Equity of the Group</b>	<b>850.2</b>		<b>(23.6)</b>	<b>826.6</b>
Share capital and reserves	793.2			793.2
Reserve for stock options	3.0			3.0
Reserve for transition to IAS/IFRS	(16.9)	(O)	(2.5)	(19.4)
Reserve for hedging instruments		(O)	(21.1)	(21.1)
Reserve for exchange rate adjustments	(9.0)			(9.0)
Income (loss) for the year	79.9			79.9
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,393.0</b>		<b>7.9</b>	<b>5,400.9</b>

## 6. Effects of the transition to IAS/IFRS on the Equity of the Group

(euro/million)	At 01.01.2004	Change during the year	At 12.31.2004	At 01.01.2005
Share capital	247.5		247.5	247.5
Additional paid-in capital	4,189.5	(3,647.6)	541.9	541.9
Other capital reserves	(35.3)	30.5	(4.8)	(4.8)
Income (loss) for the year	(32.5)	(87.0)	(119.5)	(119.5)
<b>Total equity of the Group</b>	<b>4,369.2</b>	<b>(3,704.1)</b>	<b>665.1</b>	<b>665.1</b>
Minority interests	5.4	4.5	9.9	9.9
<b>Total equity Italian GAAP</b>	<b>4,374.6</b>	<b>(3,699.6)</b>	<b>675.0</b>	<b>675.0</b>
<b>Reserve for transition to IAS/IFRS</b>	<b>(16.2)</b>	<b>199.0</b>	<b>182.8</b>	<b>180.3</b>
<i>IAS 36 - derecognition of goodwill amortisation</i>		203.6	203.6	203.6
<i>IFRS 2 - stock options</i>		(3.0)	(3.0)	(3.0)
<i>IAS 19 - benefits to employees</i>	(16.1)	1.3	(14.8)	(14.8)
<i>IAS 19 - present value of T.F.R.</i>	0.8	(0.5)	0.3	0.3
<i>IAS 2 - deferred expenses related to salaries, wages and employees benefits</i>	(5.9)	(0.2)	(6.1)	(6.1)
<i>IAS 37 - present value of non-current assets and liabilities</i>	1.9	0.5	2.4	2.4
<i>IAS 37 - derecognition of restructuring reserves</i>	1.6	(1.9)	(0.3)	(0.3)
<i>IAS 38 - intangible assets with finite useful life and others</i>	1.5	(0.8)	0.7	0.7
<i>IAS 39 - hedging instruments: Interest Rate Collars</i>				(2.5)
<b>Reserve for exchange rate adjustments</b>		<b>(0.8)</b>	<b>(0.8)</b>	<b>(0.8)</b>
<b>Reserve for hedging instruments</b>				<b>(21.1)</b>
<b>Reserve for stock options</b>		<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
<b>Total adjustments for transition to IAS/IFRS</b>	<b>(16.2)</b>	<b>201.2</b>	<b>185.0</b>	<b>161.4</b>
<b>of which Minority interests</b>	<b>0.3</b>	<b>(0.4)</b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>Total equity</b>	<b>4,358.4</b>	<b>(3,498.4)</b>	<b>860.0</b>	<b>836.4</b>

## Notes on the main differences arising from the adoption of IAS/IFRS

### (A) Intangible assets with indefinite useful life

<b>Adjustments</b>			
<b>(euro/million)</b>	<b>At 01.01.2004</b>	<b>At 12.31.2004</b>	<b>Note</b>
derecognition of goodwill amortisation		202.8	(A1)
<b>Total</b>		<b>202.8</b>	

#### (A1) Derecognition of goodwill amortisation

The SEAT Pagine Gialle group amortised goodwill arising from mergers and consolidation on the basis of Italian accounting standards. Goodwill was recognised in the balance sheet over a period of time between 5 and 20 years in relation to the estimated useful life of the assets which the goodwill referred to. Useful lives of more than five years were based on internal or expert analyses and evaluations, which enabled SEAT to consider the amortisation periods consistent with the expected duration and development plans of the activities as well as with the possibility of maintaining the positions gained in different markets. In the cases where the net carrying value of goodwill, following amortisation for the period, was higher than the recoverable value, further write-downs were recognised in the statement of operations.

According to IAS 36 goodwill, initially recognised at cost, is now tested once a year to identify any indication that it may be impaired, or more frequently if specific events or significant changes indicate possible losses. The method followed to perform this evaluation is consistent with that used according to the Italian accounting standards. Amortisation of goodwill is no longer recognised.

### (B) Intangible assets with finite useful life

<b>Reclassifications</b>			
<b>(euro/million)</b>	<b>At 01.01.2004</b>	<b>At 12.31.2004</b>	<b>Note</b>
to non-current financial debts	(12.3)	(116.3)	(B1)
to property, plant and equipment	(2.5)	(2.4)	(B2)
<b>Total</b>	<b>(14.8)</b>	<b>(118.7)</b>	

#### (B1) Transaction costs on non-current financial loans

The SEAT Pagine Gialle group recognised the transaction costs incurred at the acquisition and refinancing dates as intangible assets according to the Italian accounting standards. These costs were amortised based on the amount and useful life of the outstanding loans. The relevant amortisation was recognised in the statement of operations as non-operating amortisation.

IAS 38 does not allow such costs to be recognised as intangible assets.

These costs should, instead, be recognised in reduction of the long-term debts they refer to, according - only for representation purposes - to IAS 32. The relevant amortisation for the period is now recognised as interest expenses (€ 16.9 million in 2004).

#### (B2) Capitalized expenses on third party property

The SEAT Pagine Gialle group recognised expenses incurred for carrying out improvements to third party property (mainly rented offices) as intangible assets according to the Italian accounting standards. Amortisation was measured over the duration of the rent period.

According to IAS 38 such expenses cannot be recognised as intangible assets since they lack the requirement of identifiability. Consequently these expenses were analysed in order to verify if they can be considered fixed assets (new plant or equipment) and therefore if they can be recognised under the item "Property, plant and equipment". Should these requirements not be satisfied, the related amounts recognised in the balance sheet as at January 1, 2004 were derecognised, net of the relevant tax effect, against equity.

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## (C) Equity investments

### Reclassifications

(euro/million)	At 01.01.2004	At 12.31.2004	Note
to financial assets available for sale	(0.2)	(0.2)	(C1)
<b>Total</b>	<b>(0.2)</b>	<b>(0.2)</b>	

### (C1) Equity investments in other companies

The SEAT Pagine Gialle group recognised as "Equity investments" not only not consolidated subsidiaries and associates accounted for at equity, but also equity investments with a non significant interest accounted for at cost on the basis of Italian accounting standards. Pursuant to IAS 27 and 28 these equity investments cannot be recognised as "equity investments", "but as "financial assets available for sale" according to IAS 32.

## (D) Deferred tax assets

### Reclassifications

(euro/million)	At 01.01.2004	At 12.31.2004	Note
from other tax receivables	100.3	66.9	
from deferred tax liabilities	(1.3)	-	
<b>Total</b>	<b>99.0</b>	<b>66.9</b>	

### Adjustments

(euro/million)	At 01.01.2004	At 12.31.2004	Note
tax effects on IAS/IFRS adjustments	9.9	9.1	(D1)
<b>Total</b>	<b>9.9</b>	<b>9.1</b>	

### (D1) Deferred tax assets

Deferred tax assets were adjusted to reflect the net tax effects on the adjustments arising in balance sheet from the transition to IAS/IFRS. When these IAS/IFRS adjustments had a corresponding entry in the equity, also the relevant tax effects were recognised directly in the net equity.

Deferred tax assets, included in working capital pursuant to the Italian accounting standards, are recognised as non-current assets according to IAS/IFRS.

## (E) Other current assets

### Adjustments

(euro/million)	At 01.01.2004	At 12.31.2004	Note
present value of receivables due to sales agents	(0.9)	(0.6)	(E1)
prepaid expenses	(8.4)	(8.6)	(E2)
<b>Total</b>	<b>(9.3)</b>	<b>(9.1)</b>	

### (E1) Present value of receivables due to sales agents

A portion of receivables due to sales agents fall due beyond 12 months. These receivables are included among "other current assets", since they fall within the company's normal operating cycle. They were discounted using an average market rate for receivables of similar duration. The cumulative actuarial losses as at January 1, 2004 were recognised with a corresponding entry in the net equity. Actuarial gains for 2004 were recognised in the statement of operations as interest income.

### (E2) Deferred expenses referred to costs for sales employees

Deferred expenses referred to costs for sales employees were recognised in accordance with Italian accounting standards, in order to have a correspondence between costs and revenues, for an amount equivalent to the cost for sales employees incurred for securing advertising orders for future periods.

According to IAS/IFRS it is no longer possible to defer selling costs.

### (F) Non-current reserves to employees

#### Adjustments

(euro/million)	At 01.01.2004	At 12.31.2004	Note
present value of the reserve for severance indemnities	(1.2)	(0.7)	(F1)
reserve for defined benefit plans	66.5	74.1	(F1)
pension plans	(43.4)	(52.3)	(F1)
<b>Total</b>	<b>21.9</b>	<b>21.1</b>	

### (F1) Reserves to employees - reserve for severance indemnities (TFR)

The Group recognises various forms of benefits for its employees that may be classified as defined benefit pension plans or as other long term benefits.

A part from the reserve for severance indemnities (TFR) accounted for pursuant specific Italian laws, employee benefits had been already accounted for on the basis of Italian accounting standards according to requirements of IAS 19 "Employee benefits" using the "corridor approach". The portion of cumulative actuarial gains and losses which exceeds the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of each plan asset is divided by the expected average remaining working life of employees. The portion included in the 10% corridor is not recognised.

With the adoption of IAS/IFRS the reserve for severance indemnities (TFR) is considered as a defined benefit obligation to be accounted for in accordance with IAS 19 and, consequently, it was restated by applying the projected unit credit method.

In addition, as noted in the paragraph "Optional exemptions allowed by IFRS 1", the SEAT Pagine Gialle group decided to recognise all the cumulative actuarial losses as at January 1, 2004. Therefore costs for pension plans and other post employee benefits, recognised in the statement of operations for 2004 and 2005 according to IAS/IFRS, do not include any amortisation of the actuarial losses, which were not previously recognised using the corridor approach in accordance with Italian accounting standards.

Finally, the Group decided to apply the corridor approach to actuarial gains and losses arising after January 1, 2004.

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## (G) Other non-current liabilities

### Adjustments

(euro/million)	At 01.01.2004	At 12.31.2004	Note
present value of reserve for sales agents' termination indemnities	(3.8)	(3.8)	(G1)
present value of reserve for non-current risks and charges	-	(0.1)	(G1)
write-off of restructuring reserves	(1.5)	(2.0)	(G2)
<b>Total</b>	<b>(5.3)</b>	<b>(5.9)</b>	

### (G1) Other non-current liabilities - reserve for termination indemnities to sales agents

The reserve for termination indemnities to sales agents was considered a non-current liability. Therefore, following the transition to IAS/IFRS, it was discounted (according to IAS 37) using an average market rate for payables of similar duration: the expected future outflow of resource was estimated also on the basis of the average life of sales agency agreements.

### (G2) Reserves for restructuring costs

The SEAT Pagine Gialle group recognised reserves for restructuring costs for an amount equivalent to the best estimate carried out by the management in relation to the expected expenditure for each restructuring plan, at the time the relevant plans were formally approved, according to Italian accounting standards.

IAS/IFRS requirements for the recognition of a constructive obligation are more restrictive. Therefore some restructuring reserves, recognised according to Italian accounting standards, were derecognised at January 1, 2004 with a consequent increase in restructuring costs recorded in the statement of operations for 2004.

## (H) Salaries, wages and employees benefits

### Adjustments

(euro/million)	Year 2004	Note
salaries, wages and benefits employees	(0.2)	(E2)
adjustments of reserve for defined benefits plan to IAS 19	1.3	(F1)
adjustments of reserve for severance indemnities to IAS 19	0.7	(F1)
<b>Total</b>	<b>1.8</b>	

## (I) Non-recurring costs

### Adjustments

(euro/million)	Year 2004	Note
stock option costs	(3.0)	(I1)
<b>Total</b>	<b>(3.0)</b>	

### (I1) Non-recurring costs - share-based benefits

No costs referred to share-based benefits were recognised in the past in the statement of operations according to Italian accounting standards. Pursuant to IFRS 2 "Share-based payments", the current value of stock options at grant date is to be recognised in the statement of operations. Changes in the fair value subsequent to grant date will have no impact on this first evaluation. The stock options cost - equivalent to their fair value at grant date - is recognised as a non-recurring cost to employees split in straight-line amounts in the vesting period, with a corresponding entry in a specific reserve of equity.



## (L) Interest expenses

### Reclassifications

(euro/million)	Year 2004	Note
from non-operating amortisation	(16.9)	(B1)
from extraordinary expenses	(8.7)	(B1)
from valuation adjustments to equity investments	(0.2)	(C1)
<b>Total</b>	<b>(25.8)</b>	

### Adjustments

(euro/million)	Year 2004	Note
reserve for severance indemnities	(1.2)	(F1)
<b>Total</b>	<b>(1.2)</b>	

## (M) Gains (losses) on disposal of equity investments

### Reclassifications

(euro/million)	Year 2004	Note
from extraordinary income from the disposal of equity investments	22.8	
from extraordinary expenses from the disposal of equity investments	(14.4)	
<b>Total</b>	<b>8.4</b>	

## (N) Minority interests

### Adjustments

(euro/million)	Year 2004	Note
IAS adjustments on the result to Minority (Telegate)	0.4	
<b>Total</b>	<b>0.4</b>	

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## (O) Effects at January 1, 2005 arising from the adoption of IAS 39

### a) Interest Rate Swaps as hedging instruments

The SEAT Pagine Gialle group in the past entered into two Interest Rate Swaps with major international financial counterparties. The adoption of IAS 39 as from January 1, 2005 required the recognition of:

- a liability of € 19.1 million;
- deferred tax assets of € 6.3 million;
- a reserve of equity of € -12.8 million.

### b) Interest Rate Collar hedging instruments

The SEAT Pagine Gialle group last year entered into three Interest Rate Collars with major international financial counterparties to enhance the previous hedging instruments. The adoption of IAS 39 as from January 1, 2005 required the recognition of:

- a liability of € 12.4 million;
- deferred tax assets of € 4.1 million;
- a reserve of equity of € -8.3 million.

In addition, pursuant to Italian accounting standards, the expenses, which amounted to € 3.7 million, incurred for entering the aforementioned Interest Rate Collars were deferred until the relevant hedging instruments are effective (December 2006).

On January 1, 2005 according to IAS 39, these deferred costs were written off with a corresponding entry in the "Reserve for the transition to IAS/IFRS", net of € 1.2 million for the relevant tax effect.

## ➤ Transition to International Accounting Standards (IAS/IFRS): SEAT Pagine Gialle S.p.A.

As the European regulation No. 1606 dated July 2002 became effective, as from January 1, 2005, SEAT Pagine Gialle S.p.A. adopted the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board and approved by the European Union, including all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously called the Standing Interpretations Committee (SIC).

Taking into account the Recommendation of CESR (Committee of European Securities Regulators) issued on December 30, 2003 and the Regulation for listed companies, as modified by CONSOB with Resolution No. 14990 dated April 14, 2005, hereafter is set out the information required by IFRS 1. In particular this report describes:

- a) IAS/IFRS adopted in preparing the opening Balance Sheet as at January 1, 2004, the Statement of Operations for 2004 and the Balance Sheet as at December 31, 2004;
- b) the effects of the transition to IAS/IFRS on the previously reported financial statements (prepared in accordance with Italian accounting standards) and the reconciliations with the corresponding figures restated on the basis of IAS/IFRS.

The Balance Sheet and Statement of Operations for 2004 were prepared in accordance with the provisions of IFRS 1 *"First time adoption of IAS/IFRS"*. In particular, IAS/IFRS that are already applicable as from January 1, 2005 were used, a part from IAS 39. (It should be noted that IAS 39 became effective on January 1, 2005 and gave companies the possibility of adopting it without applying it to the 2004 figures for comparative purposes).

### a) Accounting standards adopted in preparing the opening Balance Sheet as at January 1, 2004, the Statement of Operations for 2004 and Balance Sheet as at December 31, 2004

Please refer to the section "Financial statements of SEAT Pagine Gialle S.p.A. - Accounting principles and notes" for a brief description of the IAS/IFRS adopted.

## First time application of IAS/IFRS

### General principle

IAS/IFRS, which were effective at December 31, 2004 (as well as IFRS 2) were applied retrospectively by SEAT Pagine Gialle S.p.A., to the opening balance sheet as at January 1, 2004, the statement of operations for the year 2004 and the balance sheet as at December 31, 2004, except for some exemptions adopted by the Group in compliance with IFRS 1, as described below.

The financial statements thus prepared will represent the official values reported for comparative purposes in the financial statements as at December 31, 2005 of SEAT Pagine Gialle S.p.A.. These values may be subject to variations that might be necessary if some international accounting standards should be reviewed or changed during 2005. If new versions or interpretations of IAS/IFRS should be issued, possibly with retroactive impact, before the financial statements as at December 31, 2005 will be approved, these might have effects on the balance sheet and statement of operations for 2004 restated in accordance with IAS/IFRS and here presented.

The reconciliation tables to IAS/IFRS were prepared only for transition purposes in order to produce the first consolidated financial statements in compliance with IAS/IFRS as approved by the European Commission. Therefore, these reconciliation tables don't include comparative figures and notes which are requested by IAS/IFRS for a fairly representation of the financial position and economic performance.

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The opening balance sheet as at January 1, 2004 reflects the following accounting differences compared to the financial statements as at December 31, 2003, prepared in accordance with Italian accounting standards:

- all assets and liabilities, which are to be recognised under IAS/IFRS, including those not recognised under Italian accounting standards, were recognised and evaluated in compliance with IAS/IFRS;
- all assets and liabilities, which are to be recognised under Italian accounting standards, but not permitted by IAS/IFRS, were written-off;
- some items were reclassified in accordance with IAS/IFRS.

The effects of these adjustments were directly recognised in the opening net equity at the transition date (January 1, 2004). The transition to IAS/IFRS required the estimates previously performed in accordance with Italian accounting standards remained unchanged, unless the adoption of IAS/IFRS required the application of different criteria to produce these estimates.

## Accounting policies in opening IFRS balance sheet

In order to restate the balance sheet as at January 1, 2004 and December 31, 2004, among other things, SEAT Pagine Gialle S.p.A. had to choose among the options provided for IAS/IFRS:

- **presentation of financial statements:** for the face of the balance sheet it was decided to use the "current/non-current" criterion (which is generally applied by manufacturing and trading companies), while for the face of statement of operations it was decided to classify the costs by nature; this decision implied the reclassification of the historic financial statements that were prepared in accordance with the formats provided for by Legislative Decree 127/1991;
- **optional exemptions allowed by IFRS 1 at the transition date to IAS/IFRS (January 1, 2004):**
  - *business combinations:* SEAT Pagine Gialle S.p.A. decided not to apply IFRS 3 "Business combinations" retrospectively for transactions that took place before the date of transition to IAS/IFRS;
  - *employee benefits:* SEAT Pagine Gialle S.p.A. decided to recognise all cumulative actuarial gains and losses as at January 1, 2004, and to adopt the "corridor approach" for the actuarial gains and losses that will arise following that date;
  - *share-based payments:* SEAT Pagine Gialle S.p.A. adopted the transitory provisions of IFRS 2 and, therefore, applied this standard to all the stock option plans granted after November 7, 2002 and not yet vested at the effective date of IFRS 2 (January 1, 2005). according to transitory provisions of IFRS 2, no expenses are to be recognised for stock options granted before November 7, 2002;
- **measurements of financial instruments:** IAS 39, in relation to the measurements of financial instruments, was adopted as from January 1, 2005 (effective date).

### b) Effects of the transition to IAS/IFRS on the previously reported financial statements (prepared in accordance with Italian accounting standards) and reconciliation tables with the corresponding figures restated on the basis of IAS/IFRS

## 1. Effects of the transition to IAS/IFRS on the Balance Sheet of SEAT Pagine Gialle S.p.A. as at January 1, 2004

(euro/million)	At 01.01.2004 ITA GAAP	Note	Reclassifications	Adjustments	At 01.01.2004 IAS/IFRS	
<b>Fixed assets</b>	<b>4,394.9</b>		<b>76.0</b>	<b>7.6</b>	<b>4,478.5</b>	<b>Non-current assets</b>
Intangible assets	4,120.0		(13.4)	10.2	4,116.8	Intangible assets
- Goodwill	3,177.0	(A)		10.2	3,187.2	- Intangible assets with indefinite useful life
- Other intangible assets	943.0	(B)	(13.4)		929.6	- Intangible assets with finite useful life
Tangible assets	9.2		1.1		10.3	Property, plant and equipment
Long-term investments						
- Equity investments	262.9				262.9	Equity investments
- Other	2.8		(2.0)		0.8	Other non-current financial assets
			2.4		2.4	Other non-current assets
		(C)	87.9	(2.6)	85.3	Deferred tax assets
<b>Current assets</b>	<b>1,248.0</b>		<b>(83.0)</b>	<b>(1.0)</b>	<b>1,164.0</b>	<b>Current assets</b>
Inventories	11.6				11.6	Inventories
Trade accounts receivable	671.0		4.5		675.5	Trade accounts receivable
Receivables from subsidiaries and associates	203.3		(203.3)			
Other receivables						
- tax receivables	154.2	(C)	(87.9)		66.3	Current tax assets
- other receivables	77.7	(D)	1.2	(1.0)	77.9	Other current assets
Current financial assets			202.5		202.5	Current financial assets
Cash and cash equivalents	130.2				130.2	Cash and cash equivalents
Accrued income and prepaid expenses	5.3		(5.3)			
<b>TOTAL ASSETS</b>	<b>5,648.2</b>		<b>(12.3)</b>	<b>6.6</b>	<b>5,642.5</b>	<b>TOTAL ASSETS</b>
<b>Liabilities</b>	<b>1,214.2</b>				<b>31.6</b>	<b>Non-current liabilities</b>
Reserve for severance indemnities	30.0	(E)	(30.0)			
Reserve for risks and charges	63.2	(E)	(33.2)	(1.2)	28.8	Non-current reserves to employees
		(F)	18.9	(3.8)	15.1	Other non-current liabilities
Bonds			(12.3)		(12.3)	Non-current financial debts
					<b>1,168.8</b>	<b>Current liabilities</b>
Debts due to banks	528.3		3.4		531.7	Current financial debts
			44.3		44.3	Reserve for current risks and charges
Trade accounts payable	198.4		29.7		228.1	Trade accounts payable
Debts due to Group's companies	7.1		(7.1)			
Tax payables	227.2				227.2	Current tax payables
Debts due to social security institutions	6.6		(6.6)			
Other liabilities	153.4		(15.9)		137.5	Payables for services to be rendered and other current liabilities
Accrued expenses and deferred income	3.5		(3.5)			
<b>Equity</b>	<b>4,430.5</b>			<b>11.6</b>	<b>4,442.1</b>	<b>Equity</b>
Share capital and reserves	4,430.5				4,430.5	Share capital and reserves
				11.6	11.6	Reserve for transition to IAS/IFRS
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,648.2</b>		<b>(12.3)</b>	<b>6.6</b>	<b>5,642.5</b>	<b>TOTAL LIABILITIES AND EQUITY</b>

## 2. Effects of the transition to IAS/IFRS on the Balance Sheet of SEAT Pagine Gialle S.p.A. as at December 31, 2004

(euro/million)	At 12.31.2004 ITA GAAP	Note	Reclassifications	Adjustments	At 12.31.2004 IAS/IFRS	
<b>Fixed assets</b>	<b>4,357.7</b>		<b>(59.8)</b>	<b>161.4</b>	<b>4,459.3</b>	<b>Non-current assets</b>
Intangible assets	3,913.1		(117.9)	162.7	3,957.9	Intangible assets
- Goodwill	3,024.4	(A)		162.7	3,187.1	- Intangible assets with indefinite useful life
- Other intangible assets	888.7	(B)	(117.9)		770.8	- Intangible assets with finite useful life
Fixed assets	8.4		1.6		10.0	Property, plant and equipment
Long-term investments						
- Equity investments	265.6		(0.1)		265.5	Equity investments
- Other	170.6		1.7		172.3	Other non-current financial assets
			1.3		1.3	Other non-current assets
		(C)	53.6	(1.3)	52.3	Deferred tax assets
<b>Current assets</b>	<b>943.4</b>		<b>(49.1)</b>	<b>(0.5)</b>	<b>893.8</b>	<b>Current assets</b>
Inventories	8.8				8.8	Inventories
Trade accounts receivable	605.3		12.4		617.7	Trade accounts receivable
Receivables from subsidiaries and associates	79.9		(79.9)			
Other receivables						
- tax receivables	68.5	(C)	(53.6)		14.9	Current tax assets
- other receivables	73.0	(D)	0.9	(0.5)	73.4	Other current assets
Current financial assets			71.1		71.1	Current financial assets
Cash and cash equivalents	107.9				107.9	Cash and cash equivalents
Accrued income and prepaid expenses	8.1		(8.1)			
<b>TOTAL ASSETS</b>	<b>5,309.2</b>		<b>(117.0)</b>	<b>160.9</b>	<b>5,353.1</b>	<b>TOTAL ASSETS</b>
<b>Liabilities</b>	<b>4,553.9</b>				<b>3,807.0</b>	<b>Non-current liabilities</b>
Reserve for severance indemnities	28.9	(E)	(28.9)			
Reserve for risks and charges	63.3	(E)	(33.9)	(0.7)	28.7	Non-current reserves to employees
		(F)	21.7	(3.8)	17.9	Other non-current liabilities
Bonds		(B)	3,760.4		3,760.4	Non-current financial debts
Debts due to Lighthouse	1,300.4		(1,300.4)			
					<b>646.4</b>	<b>Current liabilities</b>
Debts due to banks	2,747.9		(2,515.4)		232.5	Current financial debts
			40.5		40.5	Reserve for current risks and charges
Trade accounts payable	199.3		32.0		231.3	Trade accounts payable
Debts due to Group's companies	46.7		(46.7)			
Tax payables	28.6				28.6	Current tax payables
Debts due to social security institutions	8.1		(8.1)			
Other liabilities	130.7		(17.2)		113.5	Payables for services to be rendered and other current liabilities
Accrued expenses and deferred income	21.0		(21.0)			
<b>Equity</b>	<b>734.3</b>			<b>165.4</b>	<b>899.7</b>	<b>Equity</b>
Share capital and reserves	852.3				852.3	Share capital and reserves
				2.5	2.5	Reserve for stock options
				11.6	11.6	Reserve for transition to IAS/IFRS
Income (loss) for the year	(118.0)			151.3	33.3	Income (loss) for the year
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,309.2</b>		<b>(117.0)</b>	<b>160.9</b>	<b>5,353.1</b>	<b>TOTAL LIABILITIES AND EQUITY</b>

### 3. Effects of the transition to the IAS/IFRS on the Statement of Operations of SEAT Pagine Gialle S.p.A. for the year 2004

(euro/million)	Year 2004 ITA GAAP	Note	Reclassifications	Adjustments	Year 2004 IAS/IFRS	
<b>Product sales and services</b>	<b>1,060.4</b>		<b>(0.7)</b>		<b>1,059.7</b>	<b>Revenues from sales and services</b>
- Sales of goods	27.1				27.1	- Sales of goods
- Revenues from services	1,033.3		(0.7)		1,032.6	- Rendering of services
Other income and revenues	5.0				5.0	Other income and revenues
<b>TOTAL PRODUCTION VALUE</b>	<b>1,065.4</b>		<b>(0.7)</b>		<b>1,064.7</b>	<b>TOTAL REVENUES</b>
Raw materials, supplies and consumable items	(59.1)		(2.8)		(61.9)	Raw materials
Services	(312.2)		(19.1)		(331.3)	External services
Use of third-party property	(24.2)		24.2			
Personnel	(82.0)		(4.1)	0.8	(85.3)	Salaries, wages and employees benefits
Changes in inventories of raw materials, supplies and consumable items	(2.8)		2.8			
Write-downs	(28.5)				(28.5)	Other valuation adjustments
Provision for risks	(23.9)				(23.9)	Provision to reserves for risks and charges
Miscellaneous operating costs	(2.9)				(2.9)	Other operating expenses
<b>EBITDA</b>	<b>529.8</b>		<b>0.3</b>	<b>0.8</b>	<b>530.9</b>	<b>Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)</b>
Operating amortisation and depreciation	(17.3)				(17.3)	Operating amortisation and depreciation
Non-operating amortisation	(341.7)	(B);(A)	16.9	162.7	(162.1)	Non-operating amortisation
		(G)	(25.1)	(2.5)	(27.6)	Non-recurring costs, net
			(2.8)		(2.8)	Restructuring costs, net
<b>OPERATING INCOME (LOSS)</b>	<b>170.8</b>		<b>(10.7)</b>	<b>161.0</b>	<b>321.1</b>	<b>OPERATING INCOME (LOSS)</b>
Interest income	21.2			0.4	21.6	Interest income
Interest expenses	(211.6)		(25.6)	(1.2)	(238.4)	Interest expenses
Valuation adjustments to financial assets	(30.0)		(1.5)		(31.5)	Write-down of equity investments
			4.5		4.5	Gains (losses) on disposal of equity investments
Extraordinary income	26.0	(A)	(15.8)	(10.2)		
Extraordinary expenses	(50.5)	(A)	49.2	1.3		
Income taxes	(43.9)		(0.1)		(44.0)	Income taxes
<b>INCOME (LOSS) FOR THE YEAR</b>	<b>(118.0)</b>			<b>151.3</b>	<b>33.3</b>	<b>INCOME (LOSS) FOR THE YEAR</b>

#### 4. Effects of the transition to IAS/IFRS on the Statement of Cash Flow of SEAT Pagine Gialle S.p.A. for the year 2004

(euro/million)	Year 2004 ITA GAAP	Note	Reclassifications	Adjustments	Year 2004 IAS/IFRS
<b>Cash inflow from operating activities</b>					
Income (loss) for the year	(118.0)			151.3	33.3
Amortisation, depreciation and write-downs	359.0	(A)	(16.9)	(162.7)	179.4
Interest expenses, net	190.4		25.6	0.9	216.9
Costs for stock options		(G)		2.5	2.5
Income taxes for the year	43.9		1.4	(1.3)	44.0
(Gains) losses on disposal of non-current assets	(7.0)		2.4		(4.6)
(Write-up) write-down of non-current assets	32.4	(A)	(12.5)	10.2	30.1
Changes in operating working capital	66.5		(0.7)	(0.4)	65.4
Changes in non-operating working capital	(181.6)		(1.3)		(182.9)
Changes in non-current operating liabilities	2.9		(0.7)	0.4	2.6
<b>Cash inflow from operating activities</b>	<b>(A)</b>		<b>(2.7)</b>	<b>0.9</b>	<b>386.7</b>
<b>Cash outflow for investments</b>					
Purchase of intangible assets	(145.3)		130.2		(15.1)
Purchase of property, plant and equipment	(4.6)		(0.9)		(5.5)
Equity investments	(213.3)		172.8		(40.5)
Purchase of financial assets available for sale			(0.1)		(0.1)
Proceeds from disposal of non-current assets	16.0		(2.2)		13.8
<b>Net cash outflow for investments</b>	<b>(B)</b>		<b>299.8</b>		<b>(47.4)</b>
<b>Net cash outflow for financing</b>					
Proceeds from non-current financial loans	4.159.1				4.159.1
Repayment of non-current financial loans	(108.5)				(108.5)
Repayment of current financial loans	(528.4)				(528.4)
Repayment of transaction costs on loans	(129.3)				(129.3)
Changes in current financial debts	169.0		(129.3)		39.7
Paid interest expenses, net	(173.7)		3.8	(0.9)	(170.8)
Changes in current financial assets	130.2				130.2
Changes in non-current financial assets	(3.8)		(171.6)		(175.4)
Paid dividends	(3.578.2)				(3.578.2)
<b>Cash outflow for financing</b>	<b>(C)</b>		<b>(297.1)</b>	<b>(0.9)</b>	<b>(361.6)</b>
<b>Increase in cash and cash equivalents in the year</b>	<b>(A+B+C)</b>				<b>(22.3)</b>
<b>Cash and cash equivalents at the beginning of the year</b>					<b>130.2</b>
<b>Cash and cash equivalents at the end of the year</b>					<b>107.9</b>



5. Effects on the Balance Sheet of SEAT Pagine Gialle S.p.A. as at January 1, 2005 arising from the adoption of IAS 39

(euro/million)	At 12.31.2004 IAS/IFRS	Note	Adjustments	At 01.01.2005 IAS/IFRS
<b>Non-current assets</b>	<b>4,459.3</b>		<b>7.9</b>	<b>4,467.2</b>
Intangible assets	3,957.9			3,957.9
- Intangible assets with indefinite useful life	3,187.1			3,187.1
- Intangible assets with finite useful life	770.8			770.8
Property, plant and equipment	10.0			10.0
Equity investments	265.5			265.5
Other financial assets	172.3	(H)	(3.7)	168.6
Other non-current assets	1.3			1.3
Deferred tax assets	52.3	(H)	11.6	63.9
<b>Current assets</b>	<b>893.8</b>			<b>893.8</b>
Inventories	8.8			8.8
Trade accounts receivable	617.6			617.6
Current tax assets	15.0			15.0
Other current assets	73.4			73.4
Current financial assets	71.1			71.1
Cash and cash equivalents	107.9			107.9
<b>TOTAL ASSETS</b>	<b>5,353.1</b>		<b>7.9</b>	<b>5,361.0</b>
<b>Non-current liabilities</b>	<b>3,807.0</b>			<b>3,807.0</b>
Non-current reserves to employees	28.7			28.7
Other non-current liabilities	17.9			17.9
Non-current financial debts	3,760.4			3,760.4
<b>Current liabilities</b>	<b>646.4</b>		<b>31.5</b>	<b>677.9</b>
Current financial debts	232.5	(H)	31.5	264.0
Reserve for current risks and charges	40.5			40.5
Trade accounts payable	231.3			231.3
Current tax debts	28.6			28.6
Payables for services to be rendered and other current liabilities	113.5			113.5
<b>Equity</b>	<b>899.7</b>		<b>(23.6)</b>	<b>876.1</b>
Share capital and reserves	852.3			852.3
Reserve for stock options	2.5			2.5
Reserve for transition to IAS/IFRS	11.6	(H)	(2.5)	9.1
Reserve for hedging instruments		(H)	(21.1)	(21.1)
Income for the year	33.3			33.3
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,353.1</b>		<b>7.9</b>	<b>5,361.0</b>

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## 6. Effects of the transition to IAS/IFRS on the Equity of SEAT PAGINE GIALLE S.p.A.

(euro/million)	At 01.01.2004	Change during the year	At 12.31.2004	At 01.01.2005
Share capital	247.5		247.5	247.5
Additional paid-in capital	4,189.5	(3,647.6)	541.9	541.9
Other reserves	34.6	28.3	62.9	62.9
Income (loss) for the year	(41.1)	(76.9)	(118.0)	(118.0)
<b>Total equity (Italian GAAP)</b>	<b>4,430.5</b>	<b>(3,696.2)</b>	<b>734.3</b>	<b>734.3</b>
<b>Reserve for transition to IAS/IFRS</b>	<b>11.6</b>	<b>151.3</b>	<b>162.9</b>	<b>160.4</b>
<i>IAS 36 - derecognition of goodwill amortisation</i>	8.9	153.9	162.8	162.8
<i>IFRS 2 - stock options</i>		(2.5)	(2.5)	(2.5)
<i>IAS 19 - present value of T.F.R.</i>	0.8	(0.4)	0.4	0.4
<i>IAS 37 - present value of non-current assets and liabilities</i>	1.9	0.3	2.2	2.2
<i>IAS 39 - hedging instruments: Interest Rate Collars</i>				(2.5)
<b>Reserve for hedging instruments</b>				<b>(21.1)</b>
<b>Reserve for stock options</b>		<b>2.5</b>	<b>2.5</b>	<b>2.5</b>
<b>Total adjustments for transition to IAS /IFRS</b>	<b>11.6</b>	<b>153.8</b>	<b>165.4</b>	<b>141.8</b>
<b>Total equity</b>	<b>4,442.1</b>	<b>(3,542.4)</b>	<b>899.7</b>	<b>876.1</b>

## Notes on the main differences arising from adoption of IAS/IFRS

### (A) Intangible assets with indefinite useful life

Adjustments (euro/million)	At 01.01.2004	At 12.31.2004	Note
derecognition of goodwill amortisation		162.7	(A1)
derecognition of goodwill amortisation recognised in the past for tax purpose	10.2		(A2)
<b>Total</b>	<b>10.2</b>	<b>162.7</b>	

#### (A1) Derecognition of goodwill amortisation

SEAT Pagine Gialle S.p.A. amortised goodwill recognised in the balance sheet according to the Italian accounting standards. According to IAS 36 goodwill, initially recognised at cost, is now tested once a year to identify any indication that it may be impaired, or more frequently if specific events or significant changes indicate possible losses. The method followed to perform this evaluation is consistent with that used according to the Italian accounting standards. Amortisation of goodwill is no longer recognised.

#### (A2) Derecognition of goodwill amortisation recognised in the past for tax purposes

The goodwill amortisation recognised exclusively for tax purposes in 2003 were derecognised, net of the relevant tax effects.

### (B) Intangible assets with finite useful life

Reclassifications (euro/million)	At 01.01.2004	At 12.31.2004	Note
to non-current financial debts	(12.3)	(116.3)	(B1)
to property, plant and equipment	(1.1)	(1.6)	(B2)
<b>Total</b>	<b>(13.4)</b>	<b>(117.9)</b>	

#### (B1) Transaction costs on non-current financial debts

SEAT Pagine Gialle S.p.A. recognised the transaction costs incurred at the acquisition and refinancing dates as intangible assets according to the Italian accounting standards. These costs were amortised based on the amount and useful life of the outstanding loans. The relevant amortisation was recognised in the statement of operations as non-operating amortisation.

IAS 36 and 38 do not allow such costs to be recognised as intangible assets.

These costs should, instead, be recognised in reduction of the long-term debts they refer to, according - only for representation purposes - to IAS 32. The relevant amortisation for the period is now recognised as interest expenses (€ 16.9 million in 2004).

#### (B2) Capitalised expenses on third party property

SEAT Pagine Gialle S.p.A. recognised expenses incurred for carrying out improvements to third party property (mainly rented offices) as intangible assets according to the Italian accounting standards. Amortisation was measured on the duration of the rent period.

According to IAS 38 such expenses cannot be recognised as intangible assets since they lack the requirement of identifiability. Consequently these expenses were analyzed in order to verify if they can be considered fixed assets (new plant or equipment) and therefore if they can be recognised under the item "Property, plant and equipment".

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## (C) Deferred tax assets

### Reclassifications

(euro/million)	At 01.01.2004	At 12.31.2004	Note
from other receivables (included in the current assets)	87.9	53.6	
<b>Total</b>	<b>87.9</b>	<b>53.6</b>	

### Adjustments

(euro/million)	At 01.01.2004	At 12.31.2004	Note
tax effect on derecognition of goodwill amortisation recognised in the past for tax purposes	(1.3)		(A2)
tax effect on IAS/IFRS adjustments	(1.3)	(1.3)	(C1)
<b>Total</b>	<b>(2.6)</b>	<b>(1.3)</b>	

### (C1) Deferred tax assets

Deferred tax assets were adjusted to reflect the net tax effects on the adjustments arising in balance sheet from the transition to IAS/IFRS. When these IAS/IFRS adjustments had a corresponding entry in the net equity, also the relevant tax effects were recognised directly in the net equity.

Deferred tax assets, included in the working capital pursuant to the Italian accounting standards, are recognised as non-current assets according to IAS/IFRS.

## (D) Other current assets

### Adjustments

(euro/million)	At 01.01.2004	At 12.31.2004	Note
present value of receivables due to sales agents	(1.0)	(0.5)	(D1)
<b>Total</b>	<b>(1.0)</b>	<b>(0.5)</b>	

### (D1) Present value of receivables due to sales agents

A portion of receivables due to sales agents fall due beyond 12 months. These receivables are included among "other current assets", since they fall within the company's normal operating cycle. They were discounted using an average market rate for receivables of similar duration. The cumulated actuarial losses at January 1, 2004 were recognised with a corresponding entry in the net equity. Actuarial gains for 2004 were recognised in the statement of operations as interest income.

## (E) Non-current reserves to employees

### Reclassifications

(euro/million)	At 01.01.2004	At 12.31.2004	Note
present value of the reserve for severance indemnities	(1.2)	(0.7)	(E1)
<b>Total</b>	<b>(1.2)</b>	<b>(0.7)</b>	

### (E1) Reserves to employees - reserve for severance indemnities (TFR)

This reserve was recognised for the amount resulting from the application of specific Italian laws.

According to IAS/IFRS, TFR is now considered a defined benefit obligation to be accounted for on the basis of Italian accounting standards according to requirements of IAS 19 and, consequently, it was measured by applying the "projected unit credit method".

In addition, as noted in the paragraph on "Optional exemptions allowed by IFRS 1", SEAT Pagine Gialle S.p.A. decided to recognise all the cumulative actuarial losses as at January 1, 2004. Following that date, however, it decided to use the corridor approach.

### (F) Other non-current liabilities

#### Adjustments

(euro/million)	At 01.01.2004	At 12.31.2004	Note
present value of reserve for sale agents' termination indemnities	(3.8)	(3.8)	(F1)
<b>Total</b>	<b>(3.8)</b>	<b>(3.8)</b>	

### (F1) Other non-current liabilities - reserve for termination indemnities to sales agents

The reserve for termination indemnities to sales agents was considered a non-current liability. Therefore, following the transition IAS/IFRS, it was discounted (according to IAS 37) using an average market rate for payables of similar duration: the expected future outflow of resource was estimated also on the basis of the average life of sales agency agreements.

### (G) Non-recurring costs

#### Adjustments

(euro/million)	Year 2004	Note
stock option costs	(2.5)	(G1)
<b>Total</b>	<b>(2.5)</b>	

### (G1) Non-recurring costs, net - share-based benefits

No costs referred to share-based benefits were recognised in the past in the statement of operations according to Italian accounting standards. Pursuant to IFRS 2 "Share-based payments" the current value of stock options at grant date is to be recognised in the statement of operations. Changes in the fair value subsequent to grant date will have no impact on this first evaluation. The stock options cost - equivalent to their fair value at grant date - is recognised as a non-recurring cost to employees split in straight-line amounts in the vesting period, with a corresponding entry in a specific reserve of net equity.

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## (H) Effects at January 1, 2005 arising from the adoption of IAS 39

### a) Interest Rate Swaps as hedging instruments

SEAT Pagine Gialle S.p.A. in the past entered into two Interest Rate Swaps with major international financial counterparties. The adoption of IAS 39 as from January 1, 2005 required the recognition of:

- a liability of € 19.1 million;
- deferred tax assets of € 6.3 million;
- a reserve of equity of € -12.8 million.

### b) Interest Rate Collar hedging instruments

SEAT Pagine Gialle S.p.A. last year entered into three Interest Rate Collars with major international financial counterparties to enhance the previous hedging instruments. The adoption of IAS 39 as from January 1, 2005 required the recognition of:

- a liability of € 12.4 million;
- deferred tax assets of € 4.1 million;
- a reserve of equity of € -8.3 million.

In addition, pursuant to Italian accounting standards, the expenses, which amounted to € 3.7 million, incurred for entering the aforementioned Interest Rate Collars were deferred until the relevant hedging instruments are effective (December 2006).

On January 1, 2005 according to IAS 39, these deferred costs were written off with a corresponding entry in the "Reserve for the transition to IAS/IFRS", net of € 1.2 million for the relevant tax effect.

**INDEPENDENT AUDITOR'S REPORT ON THE IFRS RECONCILIATION STATEMENTS WITH EXPLANATION OF THE EFFECTS OF THE TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")**

(Translation from the original Italian text)

To the Board of Directors  
of SEAT Pagine Gialle S.p.A.

1. We have audited the accompanying statements of reconciliation - comprising the SEAT Pagine Gialle S.p.A. consolidated and separate balance sheets as of January 1, 2004, December 31, 2004 and January 1, 2005 and the SEAT Pagine Gialle S.p.A. consolidated and separate statements of income for the year ended December 31, 2004 - of SEAT Pagine Gialle S.p.A. consolidated and separate shareholders' equity as of January 1, 2004, December 31, 2004 and January 1, 2005 and of SEAT Pagine Gialle S.p.A. consolidated and separate net income for the year ended December 31, 2004 (hereinafter, the "IFRS Reconciliation Statements") and the related explanatory notes, as presented in the Section "Transition to IAS/IFRS" of the First Half Year Report for the six month period ended June 30, 2005. These IFRS Reconciliation Statements are based on the consolidated and separate financial statements of SEAT Pagine Gialle S.p.A. as of December 31, 2004, prepared in accordance with the Italian regulations governing the criteria for their preparation, which we have previously audited and on which we issued our auditor's report dated April 12, 2005. The IFRS Reconciliation Statements have been prepared as part of the Group's conversion to International Financial Reporting Standards (IFRS) as adopted by the European Commission. These IFRS Reconciliation Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these IFRS Reconciliation Statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in Italy. In accordance with such standards we planned and performed the audit to obtain the information necessary in order to determine whether the IFRS reconciliations are materially misstated. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the IFRS Reconciliation Statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the IFRS Reconciliation Statements identified in paragraph 1. above, taken as a whole, have been prepared in all material respects in accordance with the criteria and principles set out in article 81 of CONSOB Regulation no. 11971/1999 as amended by Resolution no. 14990 of April 14, 2005.

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4. We draw your attention to the fact that the IFRS Reconciliation Statements, as described in the explanatory notes on the transition to International Financial Reporting Standards, will constitute the published data for comparative information in the first complete set of consolidated and separate financial statements; these data may require adjustments if some international financial reporting standards will be reviewed or amended before the publication of such set of consolidated and separate financial statements. Moreover, the IFRS Reconciliation Statements, having been prepared as part of the Group's conversion to IFRS in connection with preparation of its first complete set of separate and consolidated financial statements in accordance with IFRS as adopted by the European Commission, do not include comparative information and necessary explanatory notes which would be required for a true and fair view of the financial position and results of operations of the SEAT Pagine Gialle S.p.A. Group and SEAT Pagine Gialle S.p.A. Parent Company in conformity with IFRS.

Turin, September 12, 2005

Reconta Ernst & Young S. p.A.  
Signed by: Mario Lamprati, partner



**To contact SEAT Pagine Gialle S.p.A.**

Investor Relations  
Via Saffi, 18  
10138 Turin (Italy)  
Fax: +39.011.435.27.22  
E-mail: [investor.relations@seat.it](mailto:investor.relations@seat.it)  
[www.seat.it](http://www.seat.it)

**A copy of official documents  
may be requested to:**

SEAT Pagine Gialle S.p.A.  
Corporate Affairs Office  
Via Saffi, 18  
10138 Turin (Italy)  
Fax: +39.011.435.42.52  
E-mail: [ufficio.societario@seat.it](mailto:ufficio.societario@seat.it)  
[www.seat.it](http://www.seat.it)

**SEAT Pagine Gialle S.p.A.**

Registered office: Via Grosio, 10/8 - 20151 Milan (Italy)  
Secondary office: Via Saffi, 18 - 10138 Turin (Italy)  
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