





➤ First Half Report at
June 30, 2006

Registered office: Via Grosio, 10/4 - 20151 Milan (Italy)
Secondary office: Via Saffi, 18 - 10138 Turin (Italy)
Fully paid-up share capital: € 248,565,539.46 i.v.
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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Highlights and general information

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→ Company boards (*)

(information updated at September 8, 2006)

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

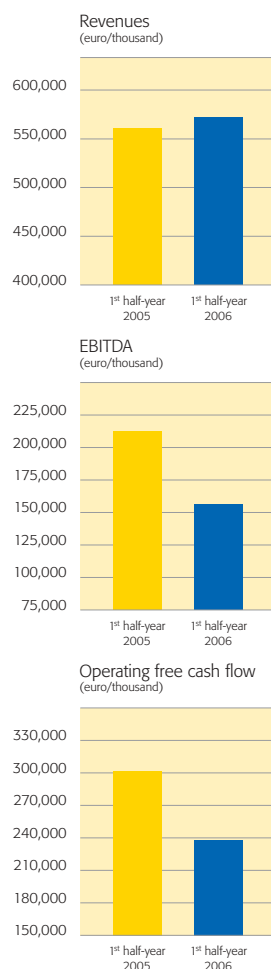
(*) Board of Directors and Board of Statutory Auditors appointed for the three-year period ending 2008 by the Shareholders' Meeting of SEAT Pagine Gialle S.p.A. held on April 27, 2006, which confirmed all the previous members of the Company Boards.

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

(II) Auditing engagement renewed for the six-year period ending with 2011 by the Shareholders' Meeting of SEAT Pagine Gialle S.p.A. held on April 27, 2006.

➤ Economic and financial highlights of the Group

- Consolidated REVENUES increased to 573.6 million (+3.2% compared to the first half of 2005) thanks to the launch of new products and services;
- Consolidated EBITDA was 155 million, down by around 58 million, as a result of the costs incurred for innovation and, in particular, to launch Directory Assistance services in France and in Italy, with an increase in advertising costs by approximately 35 million compared to the first half of 2005;
- NET RESULT, negative for 69.3 million, was affected by the business seasonality and by the investments made to grow, but it benefited from less financial expenses than in 2005 thanks to the lower indebtedness and the drop in the debt cost, down to 5.9% in the first half compared to 6.6% posted in the same period of 2005;
- NET FINANCIAL DEBT at 3,568.3 million, down by 66.3 million compared to December 31, 2005, following the dividend distribution of 45.3 million.



(euro/thousand)	1 st half-year 2006	1 st half-year 2005	Year 2005
Economic and financial highlights			
Revenues from sales and services	573,591	555,795	1,424,611
Gross operating profit	183,441	244,337	690,733
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	154,993	213,453	626,560
Operating income (EBIT)	53,781	110,360	420,194
Income (loss) before income taxes and Minority interests	(70,194)	(26,228)	163,869
Net income (loss)	(69,344)	(46,534)	131,905
Operating free cash flow (FCF) ⁽¹⁾	236,526	302,197	601,515
Capital expenditure	17,115	16,598	46,037
Net invested capital	4,357,763	4,504,151	4,534,995
<i>of which goodwill and customer data base</i>	<i>4,071,856</i>	<i>4,236,468</i>	<i>4,154,998</i>
<i>of which net operating working capital</i>	<i>186,550</i>	<i>195,504</i>	<i>285,598</i>
Equity of the Group	893,932	769,212	980,093
Net financial debt ⁽²⁾	3,568,281	3,798,861	3,634,581
Income ratios			
EBITDA/Revenues	27.0%	38.4%	44.0%
Operating income/Revenues	9.4%	19.9%	29.5%
Operating income/Net invested capital	1.2%	2.5%	9.3%
Net income (loss)/Equity of the Group	(7.8%)	(6.0%)	13.5%
Operating free cash flow/Revenues	41.2%	54.4%	42.2%
Operating working capital/Revenues	32.5%	35.2%	20.0%
Workforce			
Workforce (number at the end of the period)	6,656	5,181	6,105
Workforce (average number for the period) ⁽³⁾	5,156	4,128	4,760
Revenues/Workforce (average number)	111	135	299

(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 the transaction costs on loans and the market value of the hedging instruments on interest rate risks accounted for as financial asset and amounting to € 118,570 thousand at June 30, 2006.

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

➤ Information for Shareholders

Shares

Share capital (<i>as at June 30, 2006</i>)	euro	248,565,539.46
Number of ordinary shares (<i>par value € 0.03</i>)	No.	8,149,443,196
Number of savings shares (<i>par value € 0.03</i>)	No.	136,074,786
Market capitalization (<i>on average official market prices for June 2006</i>)	euro/mln	2,853
Market ratio of SEAT Pagine Gialle (SPG ordinary shares) at June 30, 2006		
- on Mibtel index		0.409%
- on Dow Jones Stoxx 600 Media index		0.851%

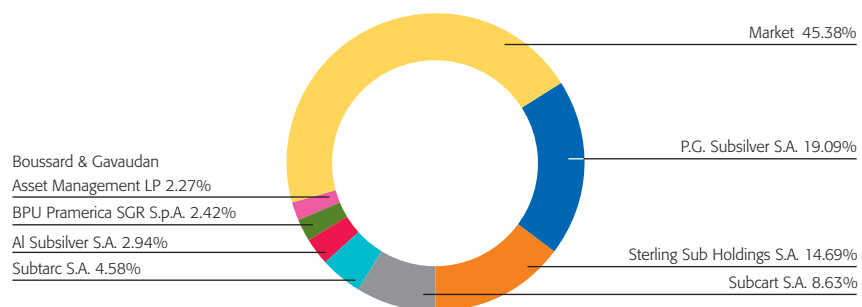
Shareholders

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 June 30, 2006

Shareholders at June 30, 2006	No. of ordinary shares	% of ordinary share capital
P.G. Subsilver S.A.	1,555,920,894	19.09 ⁽¹⁾
Sterling Sub Holdings S.A.	1,196,849,420	14.69 ⁽¹⁾
Subcart S.A.	703,586,244	8.63 ⁽¹⁾
Subtarc S.A.	373,595,387	4.58 ⁽¹⁾
AI Subsilver S.A.	239,369,605	2.94 ⁽¹⁾
BPU Pramerica SGR S.p.A.	197,468,906	2.42
Boussard & Gavaudan Asset Management LP	184,920,637	2.27

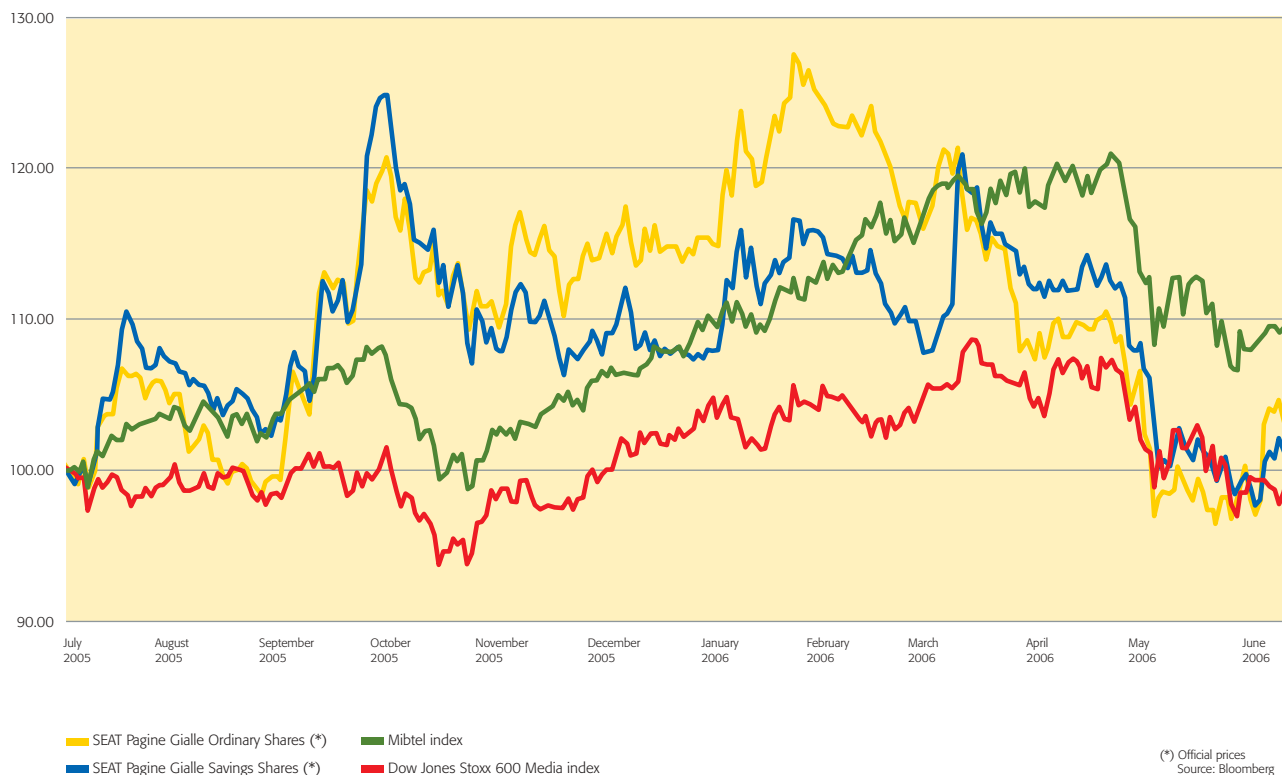
(1) Shares pledged on a first priority basis in favor of The Royal Bank of Scotland Plc Milan Branch, The Royal Bank of Scotland Plc, Lehman Brothers Special Financing Inc., Citibank N.A. London Branch, BNP Paribas S.A. and on a second priority basis in favor of The Royal Bank of Scotland Plc Milan Branch and 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 June 30, 2006



Stock performance of SEAT Pagine Gialle

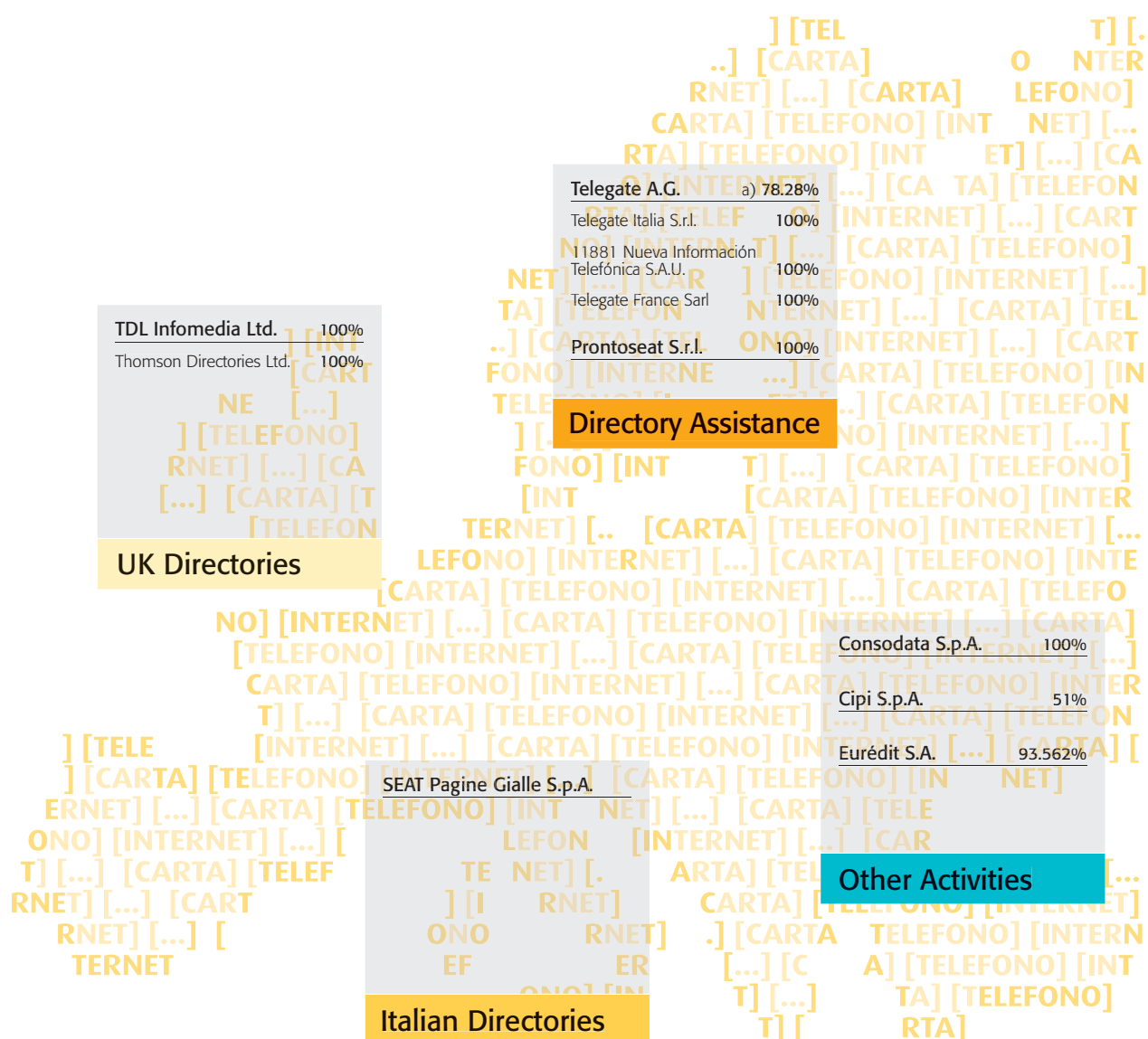
Performance of SEAT Pagine Gialle shares versus Mibtel and Dow Jones Stoxx 600 Media indexes



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➤ Organisational structure of the Group



Legenda

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

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2006
2007



[...]

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➤ Economic and financial performance of the Group

➤ Reclassified consolidated statement of operations for the first half of 2006

The results for the first half of 2006 were affected, as expected, by the costs incurred to launch new products and services and to strengthen the Italian sales organisation. In particular, during the period there were high advertising investments in France and Italy to launch the new directory assistance services 118000 and 12.40 Pronto PAGINEBIANCHE®, following the market liberalization in the two countries. Furthermore, SEAT Pagine Gialle S.p.A. continued to focus on the strengthening of its sales structure, which now features an innovative structure by customer segment. Additional training investments were paid in order to improve the advisory skills of the sales network and to support the launching of the new print products (PAGINEBIANCHE in full-color and the new editions of PAGINEGIALLE). The benefits from these investments are expected in the next few months.

Revenues from sales and services amounted to € 573,591 thousand in the first half of 2006, up by 3.2% compared to the same period of the previous year (€ 555,795 thousand).

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

- revenues from sales and services from the *"Italian Directories"* (SEAT Pagine Gialle S.p.A.) Business Area, which reached € 417,252 thousand in the first half of 2006, slightly increased (+0.5%) compared to the same period of the previous year. They reversed their trend compared to the drop by 0.8% posted in the first half of 2005. This positive result was achieved thanks to the increase in revenues from online products (PAGINEGIALLE.it® € 40,315 thousand, +4.4%) and voice services (89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE® € 42,538 thousand, +57.0%), as well as the development in Direct Marketing activities (€ 6,538 thousand, +15.8%) which offset the downturn in print products (-5.3%), where advertising campaigns were mostly carried out in the second half of 2005, in a negative market scenario and without benefiting from product innovations (for example, PAGINEBIANCHE in full-color, published starting from July 2006, with a positive impact on revenues in the second half of the year). PAGINEGIALLE® revenues decreased mainly in the segment of medium-large size customers, whose investments on this media increased substantially in recent years and where management policy is deeply modified in this last year. Instead, PAGINEBIANCHE® suffered from the decision of some large-size customers to postpone increases in their investment to the following campaign, when the product will benefit from the important innovation constituted by full-color;

- revenues from sales and services from the “UK Directories” (*Thomson Directories group*) Business Area, which reached € 61,233 thousand in the first half of 2006, were down by 3.4% compared to the same period of the previous year. This result reflects the effect of the publication of two fewer directories compared to the same period of the previous year (GBP 1.6 million in the first half of 2005), which shall be published during the next months. On a like-for-like basis (same number of published directories), revenues expressed in local currency show a substantially stable trend, with an important growth in online products and a drop in print revenues, as a consequence, above all, of the effort of the sales force to promote internet offering among a number of customers as large as possible;
- revenues from sales and services from the “Directory Assistance” (*Telegate group and Prontoseat S.r.l.*) Business Area amounted to € 92,736 thousand in the first half of 2006, up by € 18,983 thousand compared to the first half of 2005. Telegate group’s revenues reached € 88,194 thousand, up by 26.5%, thanks to the positive performance in Italy and Spain and the business development in France. Prontoseat S.r.l.’s revenues amounted to € 4,552 thousand in the first half of 2006 (+12.8% compared to the first half of 2005), thanks to the traffic generated by 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE® services;
- revenues from sales and services from the “Other Activities” (*Consodata S.p.A., Eurédit S.A. and Cipi S.p.A.*) Business Area amounted to € 26,255 thousand in the first half of 2006 (€ 15,683 thousand in the first half of 2005). The increase of € 10,572 thousand compared to the first half of 2005 is mainly attributable to Cipi S.p.A. (€ 8,592 thousand of revenues in the first half of 2006) which was consolidated line by line in 2005 only starting from October.

Materials and external services, less repayments of cost, amounted to € 273,664 thousand in the first half of 2006 and increased by € 67,289 thousand compared to the same period of the previous year (€ 206,375 thousand), due to the operating and advertising costs for launching the new directory assistance services in France and Italy and to reorganise the sales structure in Italy (mainly training costs). In particular, the performance of materials and external services was mainly affected by the increase in:

- *advertising and promotion* (+ € 34,812 thousand), mainly incurred in Italy and France to support the launching of the 118.000 and 12.40 Pronto PAGINEBIANCHE® services, as well as to support the 89.24.24 Pronto PAGINEGIALLE® service;
- *call center services* (+ € 13,897 thousand), as a result of the growth of directory assistance services, particularly in France, where these services are in outsourcing instead of provided through owned call centers, as in Italy and Germany;
- *commissions and other sales agents costs* (+ € 6,893 thousand), deriving from the decision to incentivize the sales force in the form of higher sales commissions (+ € 2,113 thousand) and the convention organised in Morocco in April 2006 (€ 2,075 thousand). Also *training costs* were higher, due to a more than 100% increase compared to the first half of 2005 in the number of training hours provided. Moreover, the first half of 2005 benefited by about € 3,492 thousand for reversal of previous years commissions no longer due;

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- *consulting costs and professional services* (+ € 4,643 thousand), of which € 2,806 thousand was attributable to increased legal and external credit collection firm costs, which reflects SEAT Pagine Gialle S.p.A.'s increasing attention towards the process of credit management and recovery. These costs led to an increase of 25.3% in the collection of doubtful receivables, reducing their ratio to total trade receivables by 4.5% compared to December 2005.

Other costs were substantially in line with the same period of the previous year.

Salaries, wages and employee benefits, net of repayments of cost, amounted to € 116,486 thousand in the first half of 2006, an increase of € 11,401 thousand or 10.8% compared to the first half of 2005. This change is mainly due to the new 12.40 Pronto PAGINEBIANCHE® service which had required the opening of the Livorno call center at the end of 2005 to handle the generated traffic. The different scope of consolidation, due primarily to the consolidation of Cipi S.p.A. starting from October 2005, caused an increase of € 3,453 thousand in these costs compared to the first half of 2005.

The Group workforce was 6,656 - including directors, project workers and trainees - at June 30, 2006 (6,105 at December 31, 2005). The average workforce (FTE for non-Italian companies) was 5,156 in the period (4,128 in the first half of 2005).

Other valuation adjustments and provisions to reserve for risks and charges, net amounted to € 26,538 thousand in the first half of 2006, a decrease of € 2,525 thousand compared to the first half of 2005. This was due in particular to lower provisions to the allowance for doubtful accounts receivable as a result of the strong and effective credit management and collection policy carried out in the last two years.

Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA) amounted to € 154,993 thousand in the first half of 2006 (€ 213,453 thousand in the first half of 2005). The decrease is due mainly to business development actions, whose positive performances are expected next years. These actions required higher advertising costs (+ € 34,812 thousand) to launch the new directory assistance services in Italy and France, as well as higher training and innovation costs related to sales network in Italy.

Operating amortisation, depreciation and write-down amounted to € 15,233 thousand in the first half of 2006 (€ 14,874 thousand in the first half of 2005). They were made up of amortisation of intangible assets with finite useful life (€ 8,831 thousand) and depreciation of property, plant and equipment (€ 6,402 thousand).

Non-operating amortisation and write-down amounted to € 81,033 thousand in the first half of 2006 and referred to the *Customer Data Base*. This item is unchanged compared to the same period of the previous year.

Non-recurring and restructuring costs, net amounted to € 4,946 thousand in the first half of 2006 (€ 7,186 thousand in the first half of 2005). They included € 2,728 thousand for stock option costs and € 1,600 thousand for legal expenses incurred for disputes concerning competition in Italy and UK.

Operating income amounted to € 53,781 thousand in the first half of 2006 (€ 110,360 thousand in the first half of 2005), showing the same performance as EBITDA.

Interest expenses, net amounted to € 123,959 thousand in the first half of 2006 and included financial expenses of € 129,561 thousand (€ 149,827 thousand in the first half of 2005) and financial income of € 5,602 thousand (€ 13,367 thousand in the first half of 2005). It should be noted that financial expenses decreased by about 9% compared to the first half of 2005, thanks to the lower average indebtedness and the decrease in the average cost of debt, equal to 5.9% compared to 6.6% in the first half of 2005, due to the refinancing of the "Senior" loan in June 2005.

Financial expenses include:

- € 68,030 thousand (€ 81,612 thousand in the first half of 2005) for interest expenses 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;
- € 54,951 thousand (€ 58,803 thousand in the first half of 2005) for interest expenses on the "Subordinated" loan with the associate Lighthouse International Company S.A.. They decreased by € 3,852 thousand compared to the same period of the previous year due to the tax regulations introduced in July 2005, according to which these interests are no longer subject to tax deductions;
- € 5,394 thousand (€ 1,834 thousand in the first half of 2005) for other financial interest and charges, including € 3,312 thousand for actuarial losses on non-current assets and liabilities and € 1,149 thousand for interest payable on bank overdraft;
- € 1,186 thousand (€ 7,578 thousand in the first half of 2005) for exchange rate expenses, recognised as a consequence of hedging instruments on the euro/sterling exchange rate risks and counterbalanced by exchange rate income, as described in the following item.

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Financial income includes:

- € 1,953 thousand (€ 1,107 thousand in the first half of 2005) for interest income arising from the use of short-term cash deposits with banks at rates equivalent to Euribor, on the whole;
- € 2,758 thousand (€ 382 thousand in the first half of 2005) for other financial income, including € 2,590 thousand for actuarial gains on non-current assets and liabilities;
- € 891 thousand (€ 11,878 thousand in the first half of 2005) for exchange rate income, mainly recognised as a consequence of hedging instruments on the euro/sterling exchange rate risks, partly counterbalanced by the exchange rate expenses.

Income taxes were negative for € 1,551 thousand (negative for € 16,922 thousand in the first half of 2005) and included € 4,972 thousand of current income taxes and € 2,771 thousand of net deferred income taxes. In accordance with IAS 34, current income taxes were measured by applying the effective annual average tax rates for the current fiscal year to the result before income taxes at June 30, 2006.

Minority interests presented a loss of € 2,401 thousand (an income of € 3,384 thousand in the first half of 2005) and mainly related to the Minority interests of the Telegate group.

The **result for the period** presented a loss of € 69,344 thousand (a loss of € 46,534 thousand in the first half of 2005), due to, among other things, the seasonal nature of business. The loss for the first half of 2006 was € 22,810 thousand higher than in the first half of 2005 as a consequence of the expenses incurred in the first half of 2006 to launch new services in France and Italy. However, the result for the period presents a better performance in respect to EBIT, especially thanks to the important decrease in net financial expenses due to the positive impact of debt management.

→ Reclassified consolidated balance sheet at June 30, 2006

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 amounted to € 4,357,763 thousand at June 30, 2006 and decreased by € 177,232 thousand compared to December 31, 2005. It consists of the following items:

- **goodwill and customer data base** amounted to € 4,071,856 thousand at June 30, 2006, of which € 3,572,151 thousand for goodwill and goodwill on consolidation. This item decreased by € 83,142 thousand compared to December 31, 2005, mainly due to the amortisation of the *Customer Data Base*;
- **other non-current assets** amounted to € 198,768 thousand at June 30, 2006, an increase of € 1,785 thousand compared to December 31, 2005 (€ 196,983 thousand). The change reflects in particular:
 - an increase of € 10,363 thousand in *operating non-current assets*, due to industrial investments of € 17,115 thousand (€ 16,598 thousand in the first half of 2005) and the full consolidation of Telegate Auskunftsdienste GmbH (€ 8,828 thousand), partly offset by operating amortisation and depreciation of € 15,233 thousand;
 - a decrease of € 8,351 thousand in *net deferred tax assets*, mainly due to lower net deferred tax assets recognised directly to equity (€ 8,973 thousand) and to positive deferred income taxes recognised in the period (€ 2,771 thousand);

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- **non-operating non-current liabilities** amounted to € 573 thousand at June 30, 2006 (€ 3,632 thousand at December 31, 2005) and were essentially related to the reserve for restructuring expenses (€ 546 thousand);
- **operating non-current liabilities** amounted to € 73,171 thousand at June 30, 2006 (€ 74,003 thousand at December 31, 2005). This item mainly includes:
 - *defined benefit pension plans*, of € 18,661 thousand at June 30, 2006, net of assets (€ 69,383 thousand at June 30, 2006) designated to finance these plans. Both the liabilities and the relevant assets were valued by an independent expert, using the projected unit credit method;
 - *reserve for severance indemnities*, of € 31,639 thousand at June 30, 2006 (€ 32,273 thousand at December 31, 2005), accounted for in compliance with IAS 19, since it is considered as a defined benefit pension plan;
 - *reserve for sales agents' termination indemnities*, of € 20,944 thousand at June 30, 2006, increased by € 1,479 thousand compared to December 31, 2005. It represents the liability at the balance sheet date to the sales agents in force for the indemnity due under current regulations if the agency relationship is 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 € 186,550 thousand at June 30, 2006 (€ 285,598 thousand at December 31, 2005), decreased by € 99,048 thousand in the first half of 2006. This decrease, substantially in line with the one recorded in the first half of 2005, has a positive effect on the Group's cash generation. In detail:
 - *trade accounts receivable* decreased by € 45,986 thousand compared to December 31, 2005, also thanks to the new credit management process introduced in the Parent Company in the last two years for overdue and outstanding receivables. The reduction in total receivables and average exposure days (which decreased from 195 to 193 in the first half of 2006) was achieved through measures on overdue amounts, as a result of a more timely and strict credit management system, and by increasing the percentage of bank direct debits as collection method. Doubtful receivables decreased by 6.7% compared to June 30, 2005 and by 4.8% compared to December 31, 2005;
 - *trade accounts payable* decreased by € 36,398 thousand compared to December 31, 2005, also due to the decrease of € 10,709 thousand in payables due to sales agents;
 - *payables for services to be rendered and other current liabilities* increased by € 110,732 thousand compared to December 31, 2005, primarily as a result of the different invoicing schedule;
- **non-operating working capital**, was negative for € 25,667 thousand at June 30, 2006 (negative for € 24,949 thousand at December 31, 2005). In detail, this item includes:
 - *tax payables* for € 27,095 thousand (€ 23,486 thousand at December 31, 2005);
 - *current tax assets* for € 4,619 thousand (€ 3,733 thousand at December 31, 2005).

Shareholders' equity

Shareholders' equity amounted to € 908,052 thousand at June 30, 2006 (€ 999,710 thousand at December 31, 2005), of which € 893,932 thousand of the Group (€ 980,093 thousand at December 31, 2005) and € 14,120 thousand of Minority interests (€ 19,617 thousand at December 31, 2005). The decrease of € 86,161 thousand in the equity of the Group in the first half of 2006 is due to the distribution of an ordinary dividend (€ 42,121 thousand), pursuant to the resolution of the Shareholders' Meeting held on April 27, 2006, and to the loss recognised in the period (€ 69,344 thousand), partially offset by the change in the market value of the hedging instruments entered into to hedge interest rate risks (+ € 18,930 thousand net of the related tax effect).

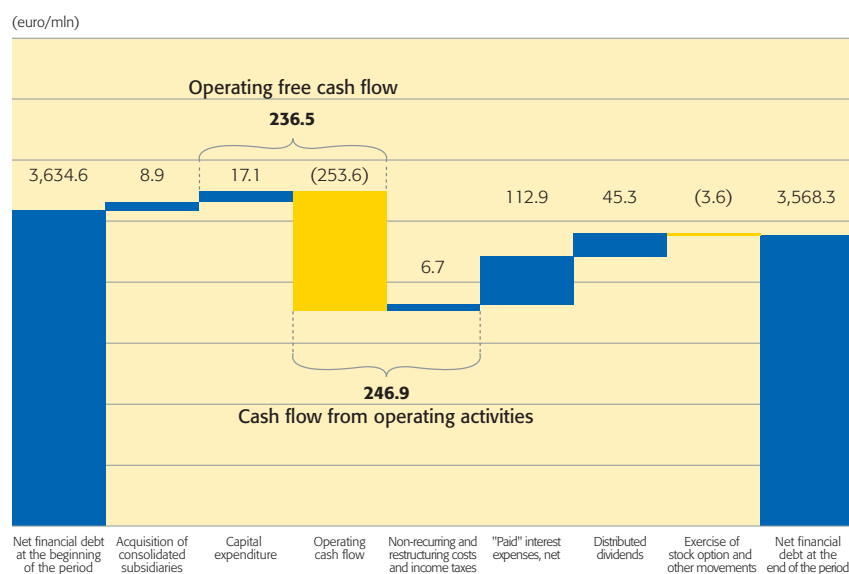
Net financial debt

Net financial debt amounted to € 3,568,281 thousand at June 30, 2006 (€ 3,634,581 thousand at December 31, 2005) and decreased by € 66,300 thousand in the first half of 2006.

It differs from "*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 Lighthouse International Company S.A. and the securitisation program of trade receivables entered into in June 2006. Transaction costs amounted to € 112,316 thousand at June 30, 2006, net of accumulated amortisation;
- net assets referred to the market value of the hedging instruments entered into to hedge interest rate risks, which amounted to € 6,254 thousand at June 30, 2006 (€ 23,178 thousand of net liabilities at December 31, 2005).

The following chart summarizes the main items which impacted the trend of net financial debt during the first half of 2006.



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"Net financial debt - book value" amounted to € 3,449,711 thousand at June 30, 2006 (€ 3,535,285 thousand at December 31, 2005) and was detailed as follows:

- **non-current financial debts** amounted to € 3,453,290 thousand at June 30, 2006 (€ 3,526,689 thousand at December 31, 2005) and are made-up as follows:

(euro/thousand)	At 06.30.2006	At 12.31.2005	Change
<i>Debts due to The Royal Bank of Scotland Plc Milan Branch (gross value)</i>	2,009,539	2,349,100	(339,561)
<i>less transaction costs</i>	(66,539)	(75,371)	8,832
Debts due to The Royal Bank of Scotland Plc Milan Branch (net value)	1,943,000	2,273,729	(330,729)
<i>Debts due to Lighthouse International Company S.A. (gross value)</i>	1,300,000	1,300,000	-
<i>less transaction costs</i>	(44,277)	(47,103)	2,826
Debts due to Lighthouse International Company S.A. (net value)	1,255,723	1,252,897	2,826
<i>Asset backed securities (gross value)</i>	256,000	-	256,000
<i>less securitisation costs</i>	(1,500)	-	(1,500)
Asset backed securities (net value)	254,500	-	254,500
Debts due to other lenders	67	63	4
Total non-current financial debts	3,453,290	3,526,689	(73,399)
Current portion of non-current financial debts	155,661	171,112	(15,451)

- *Financial debts due to banks* amounted to € 1,943,000 thousand at June 30, 2006 (net of € 66,539 thousand of transaction costs not yet amortised at June 30, 2006) and related to the non-current portion of the "Term and Revolving Facilities Agreement" with The Royal Bank of Scotland Plc Milan Branch, which was refinanced in June 2005. This loan is organised at June 30, 2006 as follows:
 - a) tranche A, for € 1,650.7 million, repayable in accordance with the amortisation plan, with six month instalments till June 2012, and bearing interest at a floating interest rate p.a. equal to Euribor plus 1.91%;
 - b) tranche B, for € 514.5 million, repayable in a single instalment in June 2013 and bearing interest at a floating interest rate p.a. equal to Euribor plus 2.41%; and
 - c) 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.

The above-mentioned refinancing agreement requires SEAT Pagine Gialle S.p.A. to comply with specific *covenants*, 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 principal instalments which are payable in each reference period). The result of the test carried out on these *covenants* at June 30, 2006 (reference date) was positive.

- *Financial debts due to Lighthouse International Company S.A.* amounted to € 1,255,723 thousand at June 30, 2006, net of € 44,277 thousand for transaction costs not yet amortised at the period-end.

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

€ 17,375 thousand of debt for interest accrued and not settled is recognised as current financial liability at June 30, 2006.

It should be noted that SEAT Pagine Gialle S.p.A. issued a guarantee of € 350,000 thousand for any possible additional charges relating to the bond.

- *Asset backed securities* amounted to € 256,000 thousand at June 30, 2006 (gross of transaction costs). They were issued by the special purpose vehicle Meliadi Finance S.r.l. to finance the purchase of the trade receivable portfolio sold to it by SEAT Pagine Gialle S.p.A., in the framework of the securitisation program started in June 2006, as described in the section "Main events during the first half of 2006".

These securities, guaranteed by the trade receivable portfolio, were subscribed to through a private placement by an institutional investor. They expire in 2014 and bear a floating interest rate in line with the commercial paper rate. They are accounted for net of securitisation costs not yet amortised at June 30, 2006 (€ 1,500 thousand).

The overall average cost of the financial debts of SEAT Pagine Gialle S.p.A. was 5.9% p.a. over the first half of 2006 (6.6% over the first half of 2005);

- **current financial debts** amounted to € 194,966 thousand at June 30, 2006 (€ 214,301 thousand at December 31, 2005) and mainly related to:
 - € 155,661 thousand for the current portion of the loan from The Royal Bank of Scotland Plc Milan Branch, due in December 2006 and June 2007;
 - € 20,783 thousand for payables due to Shareholders for dividends distributed and not yet drawn at June 30, 2006;
 - € 17,375 thousand for accrued interest expenses on the loan from Lighthouse International Company S.A., not yet paid at the end of the period;
- **other non-current financial assets** amounted to € 1,460 thousand at June 30, 2006 (€1,160 thousand at December 31, 2005) and refer to loans to employees;
- **current financial assets, cash and cash equivalents** amounted to € 197,085 thousand at June 30, 2006 (€ 204,545 thousand at December 31, 2005) and refer to:
 - € 190,431 thousand for cash and cash equivalents (€ 202,158 thousand at December 31, 2005), of which € 99,700 thousand held by the special purpose vehicle Meliadi Finance S.r.l. and originated from the collection of the trade accounts receivable transferred by SEAT Pagine Gialle S.p.A. within the securitisation program;
 - € 6,254 thousand for the market value of hedging instruments on interest rate risks, described hereafter;
 - € 157 thousand for the market value of hedging instruments on euro/sterling exchange rate risk, accounted for at June 30, 2006 (€ 748 thousand at December 31, 2005);
 - € 243 thousand for financial receivables from third parties.

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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 S.p.A. entered into hedging agreements with major international financial counterparties; at June 30, 2006, the following agreements were effective:

- two *Interest Rate Swaps*, entered into in prior years, which allow 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;
- three *Interest Rate Collars*, entered into in prior years to enhance the previous hedging instruments. Through these hedging agreements a variable band of a floating six-month Euribor rate was fixed with a maximum (in a range between 4.30% and 5.08%) and a minimum threshold (in a range between 2.59% and 3.42%);
- a *Forward Rate Agreement*, entered into in the previous year, through which an average Euribor rate of 2.17% has been fixed on € 350 million of notional amount with reference to the fourth quarter of 2006; and
- five *Interest Rate Swaps*, entered into in February and March 2006, with reference to the loans expected to be outstanding in the period from December 2009 to June 2012, through which the floating six-month Euribor rate has been replaced by a fixed rate of about 3.75% on € 325 million of notional amount.

At present, the derivatives entered into by the Company allowed an overall coverage of about 83% of the financial exposure in 2006, of about 85.6% during 2007-2009 and of 80% during 2010-2011.

→ Operating free cash flow

Operating free cash flow, generated in the first half of 2006, was still high in absolute values (€ 236,526 thousand), though it was € 65,671 thousand lower than that generated in the first half of 2005. This performance reflects the costs incurred in the period to launch the new services which caused a decrease in EBITDA of € 58,460 thousand compared to the first half of 2005, as described in the previous section “Reclassified consolidated statement of operations for the first half of 2006”. There was also a slight reduction by € 3,223 thousand in net working capital compared to the first half of 2005, due to the performance of trade accounts payable in Germany. Industrial investments for the period, on the other hand, were substantially stable compared to the first half of 2005.

The ratio of operating free cash flow to revenues from sales and services decreased from 54.4% in the first half of 2005 to 41.2% in the first half of 2006 as a result of the downturn in EBITDA; on the other hand, the ratio of operating free cash flow to EBITDA was higher (equal to 152.6% in the first half of 2006 and 141.6% in the first half of 2005) because other cash flows were substantially positive.

Reclassified consolidated statement of operations for the first half of 2006

(euro/thousand)	1 st half-year	1 st half-year	Change		Year
	2006	2005	Absolute	%	2005
Revenues from sales and services	573,591	555,795	17,796	3.2	1,424,611
Materials and external services (*)	(273,664)	(206,375)	(67,289)	(32.6)	(514,954)
Salaries, wages and employees benefits (*)	(116,486)	(105,085)	(11,401)	(10.8)	(218,924)
Gross operating profit	183,441	244,335	(60,894)	(24.9)	690,733
% on revenues	32.0%	44.0%			48.5%
Other valuation adjustments and provisions to reserves for risks and charges, net	(26,538)	(29,063)	2,525	8.7	(60,659)
Other income (expenses), net	(1,910)	(1,819)	(91)	(5.0)	(3,514)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	154,993	213,453	(58,460)	(27.4)	626,560
% on revenues	27.0%	38.4%			44.0%
Operating amortisation, depreciation and write-downs	(15,233)	(14,874)	(359)	(2.4)	(32,391)
Non-operating amortisation and write-downs	(81,033)	(81,033)	-	-	(162,067)
Non-recurring and restructuring costs, net	(4,946)	(7,186)	2,240	31.2	(11,908)
Operating income (EBIT)	53,781	110,360	(56,579)	(51.3)	420,194
% on revenues	9.4%	19.9%			29.5%
Interest expenses, net	(123,959)	(136,460)	12,501	9.2	(260,568)
Gains (losses) on investments accounted for at equity and disposal of investments	(16)	(128)	112	87.5	4,243
Income (loss) before income taxes, discontinued operations and Minority interests	(70,194)	(26,228)	(43,966)	n.s.	163,869
Income taxes	(1,551)	(16,922)	15,371	90.8	(25,383)
Income from discontinued operations	-	-	-	-	175
Income (loss) before Minority interests	(71,745)	(43,150)	(28,595)	(66.3)	138,661
Minority interests	2,401	(3,384)	5,785	n.s.	(6,756)
Income (loss) for the period	(69,344)	(46,534)	(22,810)	(49.0)	131,905

(*) Less repayments of cost.

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Reclassified consolidated balance sheet at June 30, 2006

	At 06.30.2006	At 12.31.2005	Change	At 06.30.2005
(euro/thousand)				
Goodwill and customer data base	4,071,856	4,154,998	(83,142)	4,236,468
Other non-current assets (*)	198,768	196,983	1,785	158,598
Non-operating non-current liabilities	(573)	(3,632)	3,059	(3,452)
Operating non-current liabilities	(73,171)	(74,003)	832	(73,716)
Operating working capital	186,550	285,598	(99,048)	195,503
- Operating current assets	728,098	755,600	(27,502)	755,127
- Operating current liabilities	(541,548)	(470,002)	(71,546)	(559,624)
Non-operating working capital	(25,667)	(24,949)	(718)	(9,250)
- Non-operating current assets	4,630	3,742	888	4,649
- Non-operating current liabilities	(30,297)	(28,691)	(1,606)	(13,899)
Net invested capital	4,357,763	4,534,995	(177,232)	4,504,151
Equity of the Group	893,932	980,093	(86,161)	769,212
Minority interests	14,120	19,617	(5,497)	13,028
Shareholders' equity (A)	908,052	999,710	(91,658)	782,240
Net financial debt	3,568,281	3,634,581	(66,300)	3,798,861
Transaction costs on loans and securitisation costs not yet amortised	(112,316)	(122,474)	10,158	(132,688)
Net market value of hedging instruments on interest rate risks	(6,254)	23,178	(29,432)	55,738
"Net financial debt - book value" (B)	3,449,711	3,535,285	(85,574)	3,721,911
of which:				
- Non-current financial debts	3,453,290	3,526,689	(73,399)	3,612,038
- Current financial debts	194,966	214,301	(19,335)	199,601
- Non-current financial assets	(1,460)	(1,160)	(300)	(1,088)
- Current financial assets, cash and cash equivalents	(197,085)	(204,545)	7,460	(88,640)
Total (A+B)	4,357,763	4,534,995	(177,232)	4,504,151

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

Consolidated operating free cash flow for the first half of 2006

(euro/thousand)	1 st half-year 2006	1 st half-year 2005	Change	Year 2005
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	154,993	213,453	(58,460)	626,560
Actuarial gains (losses) on operating assets and liabilities	(722)	(590)	(132)	(787)
Decrease (increase) in operating working capital	100,186	103,409	(3,223)	19,977(*)
(Decrease) increase in operating non-current liabilities	(832)	2,456	(3,288)	1,708
Capital expenditure	(17,115)	(16,598)	(517)	(46,037)
(Gains) losses on disposal of non-current assets	16	67	(51)	94
Operating free cash flow	236,526	302,197	(65,671)	601,515

(*) This 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.

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→ Reconciliation between the Shareholders' equity of SEAT Pagine Gialle S.p.A. and the consolidated Shareholders' equity at June 30, 2006

(euro/thousand)	Equity of the Group				Minority interests			Total
	Share capital	Reserves	Income (loss) for the period	Total	Share capital	Income (loss) for the period	Total	
SEAT Pagine Gialle S.p.A. at June 30, 2006	248,565	714,890	(40,669)	922,786				922,786
Net income (loss) for the period of consolidated companies			(2,897)	(2,897)		(2,391)	(2,391)	(5,288)
Shareholders' equity of consolidated companies		263,984		263,984	16,479		16,479	280,463
Book value of consolidated companies		(453,916)		(453,916)				(453,916)
Consolidation adjustments								
Positive difference from acquisition of investments		170,739		170,739				170,739
Intra-group disposals		(6,959)		(6,959)				(6,959)
Intra-group dividends		25,836	(25,836)					
Exchange differences and other movements		136	59	195	42	(10)	32	227
Consolidated Shareholders' equity, reserves and results at June 30, 2006	248,565	714,710	(69,343)	893,932	16,521	(2,401)	14,120	908,052

→ Reconciliation between the Shareholders' equity of SEAT Pagine Gialle S.p.A. and the consolidated Shareholders' equity at June 30, 2005

(euro/thousand)	Equity of the Group				Minority interests			Total
	Share capital	Reserves	Income (loss) for the period	Total	Share capital	Income (loss) for the period	Total	
SEAT Pagine Gialle S.p.A. at June 30, 2005	247,539	615,488	(46,127)	816,900				816,900
Net income (loss) for the period of consolidated companies			2,753	2,753		3,393	3,393	6,146
Shareholders' equity of consolidated companies		123,344		123,344	9,594		9,594	132,938
Book value of consolidated companies		(332,338)		(332,338)				(332,338)
Consolidation adjustments								
Positive difference from acquisition of investments		165,736		165,736				165,736
Intra-group disposals		(7,189)	(179)	(7,368)				(7,368)
Intra-group dividends		2,292	(2,292)					
Exchange differences and other movements		874	(689)	185	50	(9)	41	226
Consolidated Shareholders' equity, reserves and results at June 30, 2005	247,539	568,207	(46,534)	769,212	9,644	3,384	13,028	782,240

➤ 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 First half-year 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 the first half of 2006

(euro/thousand)	1 st half-year 2006	1 st half-year 2005	Change		Year 2005
			Absolute	%	
Revenues from sales and services	417,252	415,193	2,059	0.5	1,061,813
Materials and external services (*)	(189,286)	(155,537)	(33,749)	(21.7)	(389,203)
Salaries, wages and employees benefits (*)	(42,664)	(42,086)	(578)	(1.4)	(85,116)
Gross operating profit	185,302	217,570	(32,268)	(14.8)	587,494
% on revenues	44.4%	52.4%			55.3%
Other valuation adjustments and provisions to reserves for risks and charges, net	(22,205)	(24,974)	2,769	11.1	(50,028)
Other income (expenses), net	(1,200)	(845)	(355)	(42.0)	(2,256)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	161,897	191,751	(29,854)	(15.6)	535,210
% on revenues	38.8%	46.2%			50.4%
Operating amortisation, depreciation and write-downs	(8,690)	(9,151)	461	5.0	(19,312)
Non-operating amortisation and write-downs	(81,033)	(81,033)			(162,067)
Non-recurring and restructuring costs, net	(4,452)	(6,213)	1,761	28.3	(10,007)
Operating income (EBIT)	67,722	95,354	(27,632)	(29.0)	343,824
% on revenues	16.2%	23.0%			32.4%
Interest expenses, net	(104,214)	(126,555)	22,341	17.7	(248,071)
Write-up (write-down) of investments	-	-	-	-	447
Gains (losses) on disposal of investments	(16)	(136)	120	88.2	(432)
Income (loss) before income taxes	(36,508)	(31,337)	(5,171)	(16.5)	95,768
Income taxes	(4,161)	(14,790)	10,629	71.9	(11,053)
Income (loss) for the period	(40,669)	(46,127)	5,458	11.8	84,715

(*) Less repayments of cost.

Reclassified balance sheet of SEAT Pagine Gialle S.p.A. at June 30, 2006

	At 06.30.2006	At 12.31.2005	Change	At 06.30.2005
(euro/thousand)				
Goodwill and customer data base	3,686,866	3,767,899	(81,033)	3,848,933
Other non-current assets (*)	504,988	514,257	(9,269)	360,782
Operating non-current liabilities	(49,137)	(48,758)	(379)	(48,404)
Operating working capital	196,255	283,588	(87,333)	219,174
- Operating current assets	639,657	658,645	(18,988)	684,525
- Operating current liabilities	(443,402)	(375,057)	(68,345)	(465,351)
Non-operating working capital	(20,183)	(23,209)	3,026	(2,798)
- Non-operating current assets	5,425	2,144	3,281	6,238
- Non-operating current liabilities	(25,608)	(25,353)	(255)	(9,036)
Net invested capital	4,318,789	4,493,777	(174,988)	4,377,687
Shareholders' equity (A)	922,786	979,587	(56,801)	816,900
Net financial debt	3,514,573	3,613,486	(98,913)	3,637,737
Transaction costs on loans and securitisation costs not yet amortised	(112,316)	(122,474)	10,158	(132,688)
Net market value of hedging instruments on interest rate risks	(6,254)	23,178	(29,432)	55,738
"Net financial debt - book value" (B)	3,396,003	3,514,190	(118,187)	3,560,787
of which:				
- Non-current financial debts	3,360,097	3,526,626	(166,529)	3,611,912
- Current financial debts	214,886	261,949	(47,063)	252,819
- Non-current financial assets	(1,480)	(110,600)	109,120	(176,100)
- Current financial assets, cash and cash equivalents	(177,500)	(163,785)	(13,715)	(127,844)
Total (A+B)	4,318,789	4,493,777	(174,988)	4,377,687

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

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Operating free cash flow of SEAT Pagine Gialle S.p.A. for the first half of 2006

(euro/thousand)	1 st half-year 2006	1 st half-year 2005	Change	Year 2005
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	161,897	191,751	(29,854)	535,210
Actuarial gains (losses) on operating assets and liabilities	(976)	(633)	(343)	(998)
Decrease (increase) in operating working capital	87,333	84,791	2,542	20,377
(Decrease) increase in operating non-current liabilities	379	1,826	(1,447)	2,180
Capital expenditure	(10,018)	(6,418)	(3,600)	(27,591)
(Gains) losses on disposal of non-current assets	-	64	(64)	70
Operating free cash flow	238,615	271,381	(32,766)	529,248

➤ Main events during the first half of 2006

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

Emittenti Titoli

In April 2006, the Shareholders’ Meeting of Emittenti Titoli S.p.A. approved the distribution of a dividend of approximately € 0.1442 per share to the Shareholders. The dividend payable to SEAT Pagine Gialle S.p.A., holding 2.2% of the share capital, amounts to € 26 thousand.

Securitisation of trade receivables

In June 2006, SEAT Pagine Gialle S.p.A. entered into a securitisation program with an expected duration of five years, in accordance with the Italian Law n. 130/1999. A trade receivable portfolio (that amounted to € 355,531 thousand at May 31, 2006), of which € 17,497 thousand towards its subsidiary Telegate Italia S.r.l., was transferred to a special purpose entity, named Meliadi Finance S.r.l.

Meliadi Finance S.r.l. financed this purchase by issuing € 256,000 thousand of *asset backed securities*, guaranteed by the trade receivables themselves and subscribed to through a private placement by an institutional investor. These securities expire in 2014 and bear a floating interest rate in line with the commercial paper rate.

The securitisation program is structured with monthly sales of new trade receivables.

The initial purchase prices (IPP) of the sales are paid through spot settlements while the deferred purchase price (DPP) is recognised on a monthly basis, in accordance to the actual receivable collection and after deducting the operating expenses and interest on the securities.

The transferred receivables continue to be recognised in SEAT Pagine Gialle S.p.A.’s balance sheet, in compliance with IAS 39, since all the risks and benefits continue to belong to it. For consolidation purpose, the vehicle (Meliadi Finance S.r.l.) was consolidated line-by-line, in accordance with SIC 12, despite the fact that the Group holds no share in its equity.

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SEAT Pagine Gialle S.p.A.'s risk is absorbed by the DPP, whose value changes according to the trade receivable collection performance. Therefore, this risk depends on the portfolio quality and not on the securitisation program. Furthermore, SEAT Pagine Gialle S.p.A. continues to manage its trade receivables portfolio (including collection and recovery) through its organisational structure and information systems.

The costs of the transaction, represented by the interests paid to Meliadi Finance S.r.l. for its financing, plus any charges for the securitisation arrangement, are accounted for on an accruals basis as interest and other financial expenses.

Thanks to the liquidity generated by the securitisation, after the expenses paid for the arrangement (€ 1.6 million), SEAT Pagine Gialle S.p.A. made a prepayment of € 254.4 million regarding two tranches of the "Senior" loan with The Royal Bank of Scotland Plc Milan Branch (of which € 193.9 million related to Tranche A and € 60.5 million to Tranche B). Consequently, for the portion of the debt refinanced through the securitisation (€ 254.4 million), SEAT Pagine Gialle S.p.A. reduced its interest expenses by about 140 basis points p.a.

SEAT Pagine Gialle S.p.A. rating up in the first half of 2006

In June 2006, two of the leading rating agencies delivered their valuation of SEAT Pagine Gialle S.p.A..

Fitch Ratings assigned a BB rating to the "Senior" debt of the Company and a B+ rating to the "Subordinated", with a corporate rating of BB-: the valuation was steady.

Moody's improved its rating of SEAT Pagine Gialle S.p.A., assigning a Ba3 corporate rating from B1, a valuation as steady and the rating of the "Subordinated" debt was B2 from B3.

These assessments reflect the Company's capacity to improve operational and financial management and generate high stable levels of cash.

➤ Main events subsequent to June 30, 2006

Calls You Control Ltd.

In July 2006, the company Calls You Control Ltd. was established. Calls You Control Ltd. is owned entirely by Thomson Directories Ltd. and has its registered office in the United Kingdom. It will provide call routing services.

Agreement with Doğan Yayın Holding A.S.

At the end of July 2006, SEAT Pagine Gialle S.p.A. signed a protocol of agreement with Doğan Yayın Holding A.S., a leading company in the Turkish media and internet market. This agreement aimed at verifying the opportunities for developing a joint venture in the Turkish directories market. A business plan is expected to be prepared by the fourth quarter of 2006 and, should the parties reach an agreement, the joint venture could be set up by the end of 2006.

This agreement is consistent with SEAT Pagine Gialle group's strategy aimed at developing its international presence beyond the United Kingdom, Germany, France and Spain. Turkey is considered to be one of the most dynamic emerging economies at global level. Given its size (a population of 73 million concentrated in just a few cities), the stable growth of its GDP and the high rate of market penetration, Turkey is a potentially interesting country for a multiplatform offer in the directories market.

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➤ Outlook

In 2006 SEAT Pagine Gialle S.p.A. was focused on the innovation of its products and services in Italy and abroad and on the strengthening of its sales network in Italy.

Investments were made in Italy to promote the new directory assistance service 12.40 Pronto PAGINEBIANCHE®, launched at the end of 2005, that generated positive returns on revenues already in the first half of 2006. Work also continued on the training and sale activities concerning PAGINEBIANCHE® in full-color, whose distribution started in June. Advertising campaigns were opened in the first half of 2006 for the new PAGINEGIALLE® print directories, which shall be published starting from the first quarter of 2007. A new internet offering has been developed, PAGINEGIALLE VISUAL, which will be launched in September. Another significant innovation was introduced aimed at strengthening the sales network: an organisational structure by customer segment. Furthermore, substantial additional amounts were invested in training and sale instruments.

The directory assistance service 118000 was launched in France: even if this is a very competitive market, appreciable results were obtained in terms of brand awareness and market share. In Germany, investments in the website www.11800.com and advertising costs were increased, which lead to a rise in 11880 service's market share.

Supporting the revenues' growth, the returns of these investments are expected in the second half of the year. They will be significant in 2007, when all the product innovations introduced will be gradually up and running. At the same time investments aimed at supporting the business development will continue to be high, even if lower than in the first half of 2006. EBITDA will therefore still be affected by the expenditures, especially in advertising, necessary to promote the new services on the market. Moreover, innovations will have a gradually increasing positive effect on the EBITDA performance in the second half of the year, which is expected to be better than in the same period of 2005.

➤ Economic and financial performance of the Business Areas

		Italian Directories	UK Directories	Directory Assistance	Other Activities	Aggregate Total	Eliminations and other adjustments	Consolidated Total
(euro/mln)								
Revenues from third parties								
sales and services	1 st half-year 2006	415.3	61.2	80.5	16.6	573.6	-	573.6
Revenues from intercompany								
sales and services	1 st half-year 2006	2.0	-	12.2	9.7	23.9	(23.9)	-
Revenues from sales and services	1 st half-year 2006	417.3	61.2	92.7	26.3	597.5	(23.9)	573.6
	1 st half-year 2005	415.2	63.4	73.8	15.7	568.1	(12.3)	555.8
	Year 2005	1,061.8	175.6	159.4	67.6	1,464.4	(39.8)	1,424.6
Materials and external services (*)	1 st half-year 2006	(189.3)	(26.8)	(65.3)	(16.1)	(297.5)	23.8	(273.7)
Salaries, wages and employees								
benefits (*)	1 st half-year 2006	(42.7)	(34.1)	(30.1)	(9.7)	(116.6)	0.1	(116.5)
Gross operating profit	1 st half-year 2006	185.3	0.3	(2.7)	0.5	183.4	-	183.4
	1 st half-year 2005	217.6	5.6	23.3	(2.3)	244.2	0.1	244.3
	Year 2005	587.5	48.0	42.7	12.5	690.7	-	690.7
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	1 st half-year 2006	161.9	(2.0)	(5.4)	0.5	155.0	-	155.0
	1 st half-year 2005	191.8	2.9	21.3	(2.5)	213.5	-	213.5
	Year 2005	535.2	42.0	37.7	11.7	626.6	-	626.6
Operating income (EBIT)	1 st half-year 2006	67.7	(4.3)	(8.3)	(1.3)	53.8	-	53.8
	1 st half-year 2005	95.4	(0.9)	19.5	(3.6)	110.4	-	110.4
	Year 2005	343.8	35.9	31.1	9.4	420.2	-	420.2
Total assets	June 30, 2006	5,015.9	301.4	154.6	323.9	5,795.8	(593.9)	5,201.9
	June 30, 2005	5,204.4	309.6	136.5	56.7	5,707.2	(462.6)	5,244.6
	December 31, 2005	5,217.3	310.1	158.4	57.6	5,743.4	(426.4)	5,317.0
Total liabilities	June 30, 2006	4,093.1	172.3	82.8	300.3	4,648.5	(354.7)	4,293.8
	June 30, 2005	4,387.5	295.9	86.3	32.3	4,802.0	(339.7)	4,462.3
	December 31, 2005	4,237.7	166.0	71.8	29.2	4,504.7	(187.4)	4,317.3
Net invested capital	June 30, 2006	4,318.8	213.4	47.8	16.8	4,596.8	(239.0)	4,357.8
	June 30, 2005	4,377.7	213.2	26.9	9.3	4,627.1	(122.9)	4,504.2
	December 31, 2005	4,493.8	231.4	35.5	13.2	4,773.9	(238.9)	4,535.0
Capital expenditure	1 st half-year 2006	10.0	1.1	4.1	1.9	17.1	-	17.1
	1 st half-year 2005	6.4	1.7	7.3	1.3	16.7	(0.1)	16.6
	Year 2005	27.6	2.8	13.1	2.7	46.2	(0.2)	46.0
Workforce (average number)	1 st half-year 2006	1,325.3	1,041.0	2,390.1	399.6	5,156.0	-	5,156.0
	1 st half-year 2005	1,278.7	1,001.0	1,639.7	209.1	4,128.4	-	4,128.4
	Year 2005	1,288.4	1,025.0	2,019.4	427.1	4,759.9	-	4,759.9
Sales agents (average number)	1 st half-year 2006	1,836	-	-	-	1,836	-	1,836
	1 st half-year 2005	1,944	-	-	-	1,944	-	1,944
	Year 2005	1,899	-	-	-	1,899	-	1,899

(*) Less repayments of cost.

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Main operational data of the Group	1 st half-year 2006	1 st half-year 2005	Year 2005
Published directories			
PAGINEBIANCHE®	34	34	103
PAGINEGIALLE®	69	69	202
ThomsonLocal	59	61	173
Distributed directories (values in million)			
PAGINEBIANCHE®	10.4	10.2	26.1
PAGINEGIALLE®	8.4	8.3	21.1
ThomsonLocal	7.9	8.1	24.0
Number of pages views (values in million)			
<i>Thirty-minute accesses to website with no interruption</i>			
PAGINEBIANCHE.it®	89.9	78.2	159.6
PAGINEGIALLE.it®	37.8	37.0	76.7
TUTTOCITTA'.it®	22.2	15.3	34.1
Europages.com	13.7	10.9	23.7
Number of calls (values in million)			
11880	73.8	56.4	114.4
89.24.24 Pronto PAGINEGIALLE®	8.3	9.1	18.5
Average value per call (values in euro)			
11880	1.2	1.3	1.3
89.24.24 Pronto PAGINEGIALLE®	2.1	1.6	1.7
Number of users (values in million)			
PAGINEBIANCHE.it® unique users ⁽¹⁾	3.5	3.4	3.4
PAGINEGIALLE.it® unique users ⁽¹⁾	3.5	2.8	2.8
TUTTOCITTA'.it® unique users ⁽¹⁾	1.8	1.3	1.4
Callers at 89.24.24 Pronto PAGINEGIALLE®	2.6	2.8	4.9

(1) Average number of unique users per month. Source: SEAT PG MKTG Internet Dpt. on Nielsen/NetRatings data.






→ Italian Directories

Market scenario

During the first half of 2006, SEAT Pagine Gialle S.p.A's business was affected by the economic scenario that remained unfavorable between the second half of 2005 and early 2006.





As sale campaigns of advertising on print directories cover a twelve-month period, most of revenues from the directories published in the first half of 2006 was generated in the second half of 2005. In that period and during the beginning of 2006, the macroeconomic scenario was characterised by a low level of confidence on the part of small and medium-sized enterprises (SMEs), above all in the north-east of Italy, which faced increasing competition from Asian countries, and tourism and trade operators, who suffered from stagnation in domestic consumption. As a consequence many SEAT's customers decided to have a "reflective" approach postponing and, in some cases, reducing their spending meanwhile signs of improvement in the economy were expected.

Revenues by product

				1 st half-year 2006 % on total revenues
Print revenues				
	PAGINEGIALLE	classified directories of Italian businnes		37.6
	PAGINEBIANCHE	directories of all subscribers to Italian phone services		36.2
	PAGINEBIANCHE Office	CD-Rom delivered with PAGINEGIALLE Lavoro containing complete updated information on over 3 million Italian companies		
	TuttoCittà	road map of over 1,000 Italian municipalities		1.6
Other print products				
Total print revenues				75.4
Online revenues				
	PAGINEGIALLE.it	search engine specialised in business searches		10.4
Other online products (Kompass)				
Total online revenues				10.4

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			1 st half-year 2006 % on total revenues
Voice revenues			
	89.24.24 Pronto PAGINEGIALLE	voice service which provides directory assistance value added services	10.2
	12.40 Pronto PAGINEBIANCHE	voice service which provides basic information on subscribers to Italian phone services	
Total voice revenues			10.2
Other revenues			
	Direct Marketing	postal and internet mailing list services	4.0
	Merchandising	series of promotional objects - promos and gifts -	
Product sales and other revenues			
Total			100.0

Investment in innovation and development of new products

Industrial investments, of € 10.0 million in the first half of 2006 (€ 6.4 million in the first half of 2005), increased by € 3.6 million compared to the first half of 2005. In particular:

- the *SEM project* (a multimedia publishing system) has been developed during the first half of 2006 in order to create an integrated production platform, specifically for directories, for processing multimedia advertising information (on paper, online, on disc and on voice). The new operational logic is focused on the publishing validation of the basic content for each economic operator regardless of the media where it will be published/supplied. The aim is to ensure data uniformity and quality as well as the possibility of re-using each data in the publishing processes and the preparation of commercial proposals. SEM is expected to be ready-to-use in September 2006. The training of operators and outsourcers is being completed, with an overall commitment of more than 13,000 hours of theory and on-the-job training;
- in May 2006, the *new production platform* dedicated to product creation became ready-to-use. It is characterised by close integration between traditional directory contents and editorial information, such as the pocket products (InZona, Idee InVacanza, Eccomi). The new system consists of a specific publishing application for the management and make-up of the various product sections, and allows a high degree of integration between the components internally created and those delegated to outsourcers;
- in the first half of 2006, work continued on the completion of the *SAP project* - from order to cash - in order to use the new SAP application platform to pursue close integration among commercial, administrative and sales force back-office processes. The launch to production of this project is expected to take place in January 2008.

In the first half of 2006, important innovations were introduced for both print and online products, whose economic benefits will gradually impact the second half of 2006 and will be significant in the next year:

1) print products:

- *PAGINEBIANCHE® in full-color*: the innovation process based on the new product layout was completed. This project was devised to maximize the opportunities of communication for customers and optimize the features of the new printing system bought by the printer (Ilte S.p.A.) with an investment of more than € 40 million with performances in terms of quality and production capacity that are in the forefront at a worldwide level. With reference to the publishing, IT applications were created for the production of the new advertisement range and all the pre-press processes were re-defined in order to achieve the best possible balance between the final color result and the efficiency of the new printing system. The first directory in full-color was the "Genoa" book distributed at the end of July 2006;
- *PAGINEGIALLE®*: the restyling of the product was completed, particularly with reference to the "Lavoro" edition, which is currently structured as the "Casa" edition and which will be divided into two sections, one for Business to Business categories and another for Business to Consumer categories. This will allow to better represent the various uses of the "Lavoro" edition and offer the different kinds of advertisers better opportunities of communication targeted to their reference markets. With regard to the contents, the advertising range in both the "Lavoro" and "Casa" editions was enriched and new indexes by subject were prepared. With regard to the graphics, the layout of both editions was re-designed. The new PAGINEGIALLE® will be published starting from the Turin 2007 edition;
- *TuttoCittà®*: the new release was published in January 2006, with a new graphics style, sections devoted to special themes and editorial contents with a local tourist style. A new hard cover was introduced for the convenience of users;

2) online products:

- *PAGINEGIALLE VISUAL*: the new generation of PAGINEGIALLE.it®. This product introduces visual and emotive searches allowing the results of a search to be displayed directly over a photo of the area concerned and walk virtually through the streets of the town, following personalized routes and observing monuments, buildings and shop windows. This innovative service was created thanks to the partnership with Telespazio, which for two years will provide SEAT Pagine Gialle exclusively with high-resolution aerial photographs of 103 Italian capitals of province and the rest of the Italian territory. *PAGINEGIALLE VISUAL* are already available for the cities of Turin, Milan and Florence and will be available for another 20 cities and 6 tourist places by the end of the year. In July 2006 a first sale test of advertising spaces was made, while the commercial launch is planned for September;
- *PAGINEGIALLE.it®*: partnership agreements have been entered into with Nokia, thanks to which the Mobile Search function with the PAGINEGIALLE.it® brand will be installed on the N60 series of new mobile phones;
- *Gialloaffari*: it is the new Business to Business portal with a specialised search engine and dedicated sale offers for business customers. The search for companies and products has been enriched with detailed information, news and market analysis targeted on Business to Business;
- *TuttoCittà' online*: the new generation of TuttoCittà®, that re-positions the product as main Local Search instrument in Italy, thanks to a new interface and new mapping;

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3) voice products:

- 12.40 Pronto PAGINEBIANCHE®: the promotion of this new directory assistance service, launched in the second half of 2005 after the market liberalisation, was enhanced in the first half of 2006, supported by a massive advertising campaign;
- 89.24.24 Pronto PAGINEGIALLE®: even if the liberalisation of the "basic" directory assistance market (the former services 12 and 412) did not directly affect the value-added services provided by 89.24.24, it further encouraged the development and promotion of this latter service, which has new functionalities added to it and has seen growing advertising investments in the period to support the brand.

From the commercial point of view, all these projects were supported by the specialisation of the sale network by customer segment, an innovation introduced in January with the creation of two sales departments for SMEs (Business Sales Department) and small business (Local Sales Department). An intensive program of sale force training has been carried out in the first half of 2006, also with the introduction of new distance training systems (Web-learning).

Economic and financial performance

The table below sets out the highlights for the first half of 2006 compared to those of the same period in the previous year.

(euro/mln)	1 st half-year	1 st half-year	Change		Year
	2006	2005	Absolute	%	
Revenues from sales and services	417.3	415.2	2.1	0.5	1,061.8
Gross operating profit	185.3	217.6	(32.3)	(14.8)	587.5
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	161.9	191.8	(29.9)	(15.6)	535.2
Operating income (EBIT)	67.7	95.4	(27.7)	(29.0)	343.8
Net invested capital	4,318.8	4,377.7	(58.9)	(1.3)	4,493.8
Capital expenditure	10.0	6.4	3.6	56.3	27.6
Workforce (average number)	1,325.3	1,278.7	46.6	3.6	1,288.4

SEAT Pagine Gialle S.p.A.'s **revenues from sales and services** amounted to € 417.3 million in the first half of 2006, an increase of 0.5% compared to the same period of 2005, with a turning performance if compared to 0.8% decrease in the first half of 2005. This result was achieved thanks to the good performance of online and voice services, which also included in 2006 the subscriber information service 12.40 Pronto PAGINEBIANCHE®, launched in October 2005. These services offset the decrease in revenues from print products, whose sale advertising collection was performed during 2005 in a negative economic environment and without benefiting from the innovations in products and commercial structure carried out in recent months.

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

- *Print*: print revenues amounted to € 314.8 million in the first half of 2006, a decrease of 5.3% compared to the first half of 2005 (€ 332.4 million). This result reflects the negative performance (-2.6%) of PAGINEBIANCHE® mainly due to the decision of some large customers to postpone the increase of their advertising investments until the next campaign, when the product will benefit from the important innovation represented by full-color. PAGINEGIALLE® was affected by the decision of some "multi-pages" customers to rightsize their spending on SEAT media. However, this decision was not due to a loss in the value perception of the media, whose number of users, on the contrary, had a positive trend in the last year, being higher in 2005 than in 2000. Furthermore, in order to support this positive trend, the initiative to expand distribution of PAGINEGIALLE® was launched in the large cities in the first half of 2006, so as to further increase the number of users.
- *Online*: online revenues amounted to € 43.3 million in the first half of 2006, an increase of 5.4% compared to the same period of 2005, mainly supported by PAGINEGIALLE.it®, up by 4.4% to € 40.3 million (€ 38.6 million in the same period of 2005). Revenues decreased during the second quarter of 2006, compared to the second quarter of 2005, as a consequence of the recent sale strategies focused on the acquisition of new customers rather than on the renewal of existing ones. This latter activity, in fact, was delayed in order to offer our clients the new PAGINEGIALLE VISUAL, which is available for sale starting from September 2006. The first half of 2006 benefited from continuous increases in the number of page views gained also through partnership agreements signed with Microsoft in March 2006 (providing for the use and integration of PAGINEGIALLE.it® within research results of MSN Local Search) and with Google in April 2006. SEAT's portal was also enhanced with the introduction of new functions, such as research by proximity, virtual tours and the voice-over-IP service CHIAMAGRATIS®. TuttoCittà® portal, completely renewed in content and structure in April 2006, had a good performance as well as the "hotel" section of the Kompass portal which increased its number of page views by 40% compared to the first half of the 2005.
- *Voice*: voice revenues continued to grow, increasing by 57.0 % to € 42.5 million in the first half of 2006 (€ 27.1 million in the first half of 2005), thanks to the performances of the 89.24.24 Pronto PAGINEGIALLE® and the new 12.40 Pronto PAGINEBIANCHE® services. The 89.24.24 Pronto PAGINEGIALLE® revenues increased by 16.2%, sustained by the growth both in traffic (notwithstanding a more competitive market scenario following the liberalisation started in October 2005) and advertising revenues. Traffic revenues benefited from the increase in the call average handling time, as a consequence of higher quality and sophistication of services (such as regional news) and the growing number of T-commerce services (purchase of ski-passes, wines, books and DVDs). The basic subscriber information service 12.40 Pronto PAGINEBIANCHE® was launched in the second half of 2005 in a highly competitive market. It reached good performance in terms of number of calls, which, in addition to those of the 89.24.24 Pronto PAGINEGIALLE® value-added service, ensure SEAT Pagine Gialle a role of absolute leadership on the directory assistance market.
- *Other products*: revenues from Direct Marketing products continued to grow (+15.8% to € 6.5 million), benefiting from the continuous development of products and services offered as well as the new offering of direct marketing campaigns by SMS.

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Materials and external services amounted to € 189.3 million in the first half of 2006, an increase of € 33.7 million compared to the first half of 2005, mainly due to the costs to support the launch of the new 12.40 Pronto PAGINEBIANCHE® subscriber information service and to enhance the sales structure. The advertising costs increased by € 12.4 million compared to the first half of 2005 to support the new 12.40 Pronto PAGINEBIANCHE®, as well as the 89.24.24 Pronto PAGINEGIALLE® service. Costs for call centers increased by € 4.4 million in the first half of 2006 as a consequence of the higher handled traffic volume. With reference to the sales structure, higher commission and training costs were incurred as a result of the decision to motivate the sales force in order to support the new organisational structure, introduced in January 2006, and the sale of new products. In the first half of 2006, legal and credit collection costs increased by € 2.8 million, reflecting growing attention to the process of credit management and recovery. However, thanks to these costs, the collection of doubtful receivables increased by 25.3% and their ratio to total receivables decreased by 4.5% compared to December 2005.

Salaries, wages and employee benefits, net of repayments of cost for seconded personnel to other Group's companies, amounted to € 42.7 million at June 30, 2006, substantially stable compared to the same period of the previous year (€ 42.1 million). The workforce - inclusive of directors, project workers and trainees - numbered 1,435 units at June 30, 2006 (1,331 units at December 31, 2005), while the average workforce was 1,325 units in the period (1,279 units in the first half of 2005).

The **gross operating profit** amounted to € 185.3 million, a decrease of 14.8% compared to the first half of 2005, with a 44.4% ratio to revenues (52.4% during the first half of 2005), mainly affected by higher operating costs incurred to launch the new services, as described hereinabove.

EBITDA amounted to € 161.9 million in the first half of 2006, a decrease of € 29.9 million compared to the first half of 2005, showing a performance similar to that of the gross operating profit.

Regulation

Telephone directories and Universal Data Base

No changes are noted with respect to what is detailed in 2005 annual report.

Subscriber information services

In May 2006, in compliance with fair competition rules in the Directory Assistance market, the Authority for Communication ("AGCom") extended until September 30, 2006 the obligations laid down in Resolution 83/05/CIR on telephone operators that, in the past, provided subscriber information services through "decade 4" numbers (412 and 4040) and, specifically, the obligation regarding the neutrality of the (free) message that has to specify that (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.

In May 2006, by a resolution published in the Official Gazette in July, AGCom approved the Telecom Italia Reference Offer ("OIR") for 2006 regarding interconnection with its network, with some amendments to meet the requests of the SEAT group, which had been the object of a dispute brought before the Authority by Telegate Italia (SEAT Pagine Gialle S.p.A. and Prontoseat S.r.l.'s numbers hosting). Specifically:

- the invoicing cost was set at 3.1%, which was less than was given Telecom Italia S.p.A. in 2005;
- 12xy numbers which are used for the subscriber information services were also introduced into the OIR. Furthermore, it was established that the charge for the end-user should be fixed by the operator that owns the number.

SEAT Pagine Gialle S.p.A. consequently asked Telecom Italia S.p.A. to adjust the costs for the 12xy numbers for 2005 and 2006.

As regards the costs of connecting the mobile telephone network to non-geographical numbers, AGCom initiated a study procedure to define this specific market (the so-called 15bis). The first information-gathering phase will end with the preparation of a draft order to be submitted for public consultation. This will become final before the end of 2006. In the meantime, the Authority has issued a provisional remedy as an urgent measure to reduce the unfair conditions for access from the mobile telephone network to 892 and 12xy numbers (which measure for up to 50% of the final price of a call to directory assistance), trying to restore fair competitive conditions among the various market operators, reducing the price of calls from mobile telephone to the advantage of consumers. The procedure initiated by AGCom will conclude in September with a specific resolution after obtaining the opinion of the Antitrust Authority.

The impact on SEAT Pagine Gialle S.p.A. is not yet measurable because on the one hand it is related to the new interconnection costs to be established in the abovementioned measure and on the other hand to the probable reductions in the rates charged to final users for calls from mobile telephone.

Finally, the Official Gazette published the Ministerial Decree containing the Regulations on additional charge services (No. 145 of March 2, 2006, the so-called "Landolfi Decree"), which has been in force since April 25, 2006. Considering that some articles in the regulations cannot be interpreted unequivocally and that some articles conflict with previous regulations, electronic communications operators have asked the Ministry of Communications to issue an interpretative circular letter, which should be issued before the end of September 2006.

SEAT Pagine Gialle S.p.A. interest in the regulations is related to the number 89.24.24 Pronto PAGINEGIALLE®. The most important obligations concern the presentation message at the beginning of the call and promotional messages, which must contain the supplier's name and a description of what the additional charge service offers as well as the price of the service itself. SEAT Pagine Gialle S.p.A. is completing all the necessary implementations of the IT systems to allow for a presentation message listening mode by pressing the asterisk button. This mode will be operational by the end of September 2006.

SEAT Pagine Gialle S.p.A. already complies with the obligations regarding public disclosure by publishing this information on its website and will ensure that future advertisements in the press also comply with the instructions in the Decree (at the moment, in fact, no campaigns in daily newspapers and periodicals are in progress).

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→ UK Directories

TDL Infomedia, which controls Thomson Directories – the second player in the UK directories market since 1980 – joined the SEAT Pagine Gialle group at the end of 2000. The TDL Infomedia group currently has 1,062 employees and publishes 59 books of the Thomson Local directories, distributing 7.9 million copies throughout the whole of the United Kingdom. Every week the Thomson Local directories are used by 6 million people and generate 15 million business contacts. In recent years the Group has extensively developed its offering of online directories.

Main corporate events

- In March 2006, the new Thomson Directories' Chief Executive Officer came into office, after the resignation, for personal reasons, of the former CEO in 2005.
- In April 2006, the TDL Infomedia Holdings Plc and TDL Infomedia Finance Limited companies - 100% owned by TDL Infomedia Ltd. and in liquidation - were cancelled from the companies register.
- In May 2006, the Shareholders' Meeting of TDL Infomedia Ltd., 100% owned by SEAT Pagine Gialle S.p.A., approved the distribution of dividends for an overall value of GBP 6,500,000.
- Effective from April 1, 2006, thanks to the "Supplemental Investment Agreement" subscribed to by TDL Infomedia Ltd. and Mobile Commerce Ltd., among others, the shares held by TDL Infomedia Ltd. in Mobile Commerce Ltd. increased from 6.43% to 10%.

Economic and financial data

The table below sets out the highlights for the first half of 2006 compared to those of the same period in the previous year.

(euro/mln)	1 st half-year	1 st half-year	Change		Year
	2006	2005	Absolute	%	2005
Revenues from sales and services	61.2	63.4	(2.2)	(3.5)	175.6
Gross operating profit	0.3	5.6	(5.3)	(94.6)	48.0
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	(2.0)	2.9	(4.9)	n.s.	42.0
Operating income (EBIT)	(4.3)	(0.9)	(3.4)	n.s.	35.9
Net invested capital	213.4	213.2	0.2	0.1	231.4
Capital expenditure	1.1	1.7	(0.6)	(35.3)	2.8
Workforce (average number)	1,041.0	1,001.0	40.0	4.0	1,025.0

In the first half of 2006, TDL Infomedia group's **revenues from sales and services** amounted to € 61.2 million, a decrease of 3.5% compared to the same period of the previous year. In local currency and on a like-for-like basis, at the same number of published directories, revenues increased by 0.5%. This result reflected the positive performances of the online products (+40.5%), which now represent 18% of TDL's total revenues, and of the data sales (+5.1%), enabling TDL to offset the downturn in revenues from print products.

Revenues from print products were affected by internal and external factors. The economic environment, that was positive during 2004 and the majority of 2005, recorded a slight



drop in the last quarter of 2005, affecting the advertising sales campaigns for the directories published in the first half of 2006. This temporary economic slow down led Thomson's customers, in particular some large customers, to reduce or postpone their advertising investments and it required more effort to find new customers. Furthermore, the focus in developing and maximising the market penetration of the existing online products partially detracted the sales network from developing revenues from print directories. Both these factors are currently being gradually absorbed.

Revenues from online products benefited mainly from actions taken in recent months to innovate content and distribution agreements with the main internet players, like those signed between May and December 2005 with Google, MSN and Skype, aimed to ensure greater visibility to Thomson advertisers and further returns from their advertising investments on Thomsonlocal.com. During the first half of 2006, commercial actions, begun in the last months of 2005, continued with the aim to increase the market penetration of new internet commercial offering among existing customers, as a first step for the future business development. The validity of Thomson's commercial offer is confirmed by the maintenance of fairly stable average value per customer and customer base in an extremely competitive and regulated market.

During the first half of 2006, actions aimed at enhancing the print product offering continued with increased focus on high value products, such as covers, inserts and improved graphics. Furthermore, to balance the commercial action between traditional products and new Internet agreements, the sales force incentive system has been changed in order to better promote the multi-platform offering.

At the beginning of the year, the territorial structure of the sales network was deeply renewed, unifying the two existing regional departments in a single national organisation and reviewing the placing of sale offices across the territory. The aim of the new organisation is to improve the management of the sales force at a moment in which Thomson is changing from a substantially single product offering to a more extensive and sophisticated one.

At EBITDA level, the Thomson group shows a drop of about GBP 3.4 million (€ 4.9 million) compared to the first half of 2005, GBP 1.6 million of which due to the postponement in publishing of two directories and the remainder due to the increased commercial costs aimed to reorganise the commercial sales network, partially offset by efficiencies in technical production costs following the renegotiation of certain contracts.

Regulation

In April 2005, the OFT (Office of Fair Trading), after completing its periodical check of the effects of the price cap mechanisms on competition, referred its findings, i.e. the lack of an adequate level of competition in the UK directories market, despite high pressure on prices and the recent entry of new competitors into the market (British Telecom and Trinity Mirror). Consequently, the OFT transferred the case to the Competition Commission (Regulator) for investigation.

The Thomson group is currently cooperating with the Competition Commission, preparing all the documents required and attending the consultations. Such investigation should be concluded by the end of 2006 or beginning of 2007 with a resolution of the Commission.

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→ Directory Assistance

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

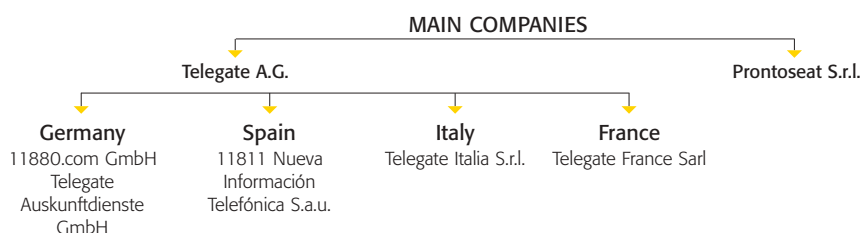
In Germany, Telegate A.G., with the 11880 vocal portal, is the second largest operator in the market behind the ex-monopoly holder Deutsche Telekom, with market share growth from 32% in 2005 to 37%.

In Spain, where the market was recently liberalised, Telegate A.G. is the third largest operator, with the 11811 number, behind the Telefónica group and TPI.

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

In France, Telegate A.G. entered the market with the 118000 number in November 2005.

In Italy, Prontoseat S.r.l. performs outsourcing call center activities for SEAT Pagine Gialle S.p.A.’s 12.40 Pronto PAGINEBIANCHE® and 89.24.24 Pronto PAGINEGIALLE® services.



Main corporate events

- In April 2006, the Shareholders' Meeting of Prontoseat S.r.l. – 100% held by SEAT Pagine Gialle S.p.A. – resolved to cover the loss reported in the financial statements as at December 31, 2005 with the use of the “reserve from Shareholders' contributions” increased by a further payment in February 2006.
- In May 2006, the Shareholders' Meeting of Telegate A.G. (16.43% directly owned and 61.85% owned through Telegate Holding GmbH) resolved to distribute dividends for a total amount of € 13,642 thousand, of which € 10,679 thousand due to the SEAT Pagine Gialle group.
- During the same meeting the company also approved to raise the maximum threshold of options, that could be granted in each year to employees and directors, from 300,000 to 400,000.
- Effective from June 22, 2006, Telegate A.G. acquired 100% interest in Blitz GmbH, a company operating in the German Directory Assistance market, with its registered office in Munich. At the end of June, the company changed its corporate name to Telegate Auskunftsdienste GmbH.

Economic and financial data

The table below sets out the highlights for the first half of 2006 compared to those of the same period in the previous year.

(euro/mln)	1 st half-year	1 st half-year	Change		Year
	2006	2005	Absolute	%	2005
Revenues from sales and services	92.7	73.8	18.9	25.6	159.4
Gross operating profit	(2.7)	23.3	(26.0)	n.s.	42.7
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	(5.4)	21.3	(26.7)	n.s.	37.7
Operating income (EBIT)	(8.3)	19.5	(27.8)	n.s.	31.1
Net invested capital	47.8	26.9	20.9	77.7	35.5
Capital expenditure	4.1	7.3	(3.2)	(43.8)	13.1
Workforce (average number)	2,390.1	1,639.7	750.4	45.8	2,019.4

In the Directory Assistance Business Area, revenues increased by 25.6% to € 92.7 million in the first half of 2006 compared to the first half of 2005, thanks to the positive performance of the Telegate group and the rise in Prontoseat S.r.l.'s revenues supported by the ever-increasing traffic volume generated by the 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE® services.

EBITDA, down on the first half of 2005, was simultaneously affected by advertising and operational costs incurred for the launch of the new services in the market, with particular reference to France (the costs of 12.40 Pronto PAGINEBIANCHE® being sustained directly by SEAT Pagine Gialle S.p.A and not by Prontoseat S.r.l.).

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 the first half of 2006 compared to those of the same period in the previous year.

(euro/mln)	1 st half-year	1 st half-year	Change		Year
	2006	2005	Absolute	%	2005
Revenues from sales and services	88.2	69.7	18.5	26.5	150.2
Gross operating profit	(2.6)	22.8	(25.4)	n.s.	41.4
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	(5.2)	20.9	(26.1)	n.s.	37.0
Operating income (EBIT)	(7.8)	19.3	(27.1)	n.s.	31.1
Net invested capital	30.2	10.1	20.1	n.s.	18.0
Capital expenditure	3.6	6.8	(3.2)	(47.1)	11.5
Workforce (average number)	2,104.4	1,445.7	658.7	45.6	1,809.4

telegate

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11 880

The Telegate group's **revenues from sales and services** increased by 26.5% to € 88.2 million in the first half of 2006, with substantially stable revenues in Germany and growing in international business, thanks also to the French business results not included in the first half of 2005.

In Germany, revenues decreased by € 1.7 million to € 55.6 million. The development of value added services and the new outsourcing agreements offset the drop in the call numbers to the 11880 service, due to the market contraction, allowing the Telegate group to increase its market share to 37%. Outsourcing contracts include those entered into with Vodafone GmbH, Mobilcom and Colt Telecom for the management of directory assistance services, while the recent acquisition of the SNT business will produce positive results from the second half of the year.

The international business of Telegate group (Italy, Spain and France) reported a high growth in revenues to € 32.6 million in the first half of 2006 (€ 12.4 million in the first half of 2005), with different trends in the various countries:

- in Italy, Telegate Italia S.r.l. withstood the end of the outsourcing contract with Telecom Italia Mobile S.p.A. (TIM), expired in the fourth quarter of 2005, through the positive performance in the call numbers to the 89.24.24 Pronto PAGINEGIALLE® service and the beginning of the 12.40 Pronto PAGINEBIANCHE® service, both offered by SEAT Pagine Gialle S.p.A.;
- in Spain, revenues increased by 49.7% benefiting from the agreements to provide services of MGA (third player in Spain, with a 3% market share) and Antena3 television group, and the acquisition of the 11850 number from the Irish operator Conduit. Telegate group continues its strategy aimed at consolidating its position, third after the Telefónica group and TPI, despite the fact that the universal number continues to operate in the market;
- in France, the positive revenues performance in the first half of the year (€ 16.6 million) benefited by *i)* the outsourcing agreements signed in 2005 with the mobile phone operators SFR and Bouygues Telecom, which have allowed the German group to position itself as a preferred partner for the directory assistance services for about 23.7 million of potential customers, and *ii)* the 118000 branded service started with the liberalisation of the market begun in April 2006.

118 000
LES NUMÉROS COMPLETS, TOUT SIMPLEMENT

EBITDA of the Telegate group was negative for € 5.2 million (positive for € 20.9 million in the first half of 2005). As expected, this result was significantly affected by costs, especially for advertising, incurred for the launch of the 118000 number in France (more than € 19 million).

In France, following the directory assistance market liberalisation many operators entered it. The first phase of this process (December 2005 - March 2006) has been characterised by high advertising costs incurred by the different players to launch their new numbers and low revenues since users were still using the old numbers already operating. In the second phase, as of April 2006, the old numbers were closed with the subsequent transfer of calls to the new ones. The low traffic volumes generated by the new services during this first phase led the new operators to increase their advertising investments, especially in April, with a consequent cost increase for all players, Telegate included. Furthermore, the liberalisation led to a drop of more than 35% in the overall market size, as already happened in other countries. Both these factors generated in Telegate an increase of costs during the first half of 2006, with a negative impact on EBITDA (- € 23 million at the end of the first half of 2006).

In Germany, Telegate performed further cost savings on the purchase of data and on call center infrastructures, but had to temporarily increase its advertising expenditure to face the entry into the market of a new competitor. This action impacted the EBITDA in Germany, decreased to € 15.6 million in the first half of 2006 (€ 20.2 million in the first half of 2005).

Also the performances of the Spanish and Italian subsidiaries were positive, benefiting from cost savings on call center, through the optimisation of overall capacity and the outsourcing of services.

In particular, the result of the Spanish subsidiary was highly positive, benefiting from the consolidation of its position on the market and the increased efficiency of its advertising investments.

The capital expenditure continues to be high in the first half of 2006 due to the modernisation process of call centers in Germany and new investments in France.

The average workforce increased by 658.7 units following the development of the Group activities.

Prontoseat S.r.l.

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

The table below sets out the highlights for the first half of 2006 compared to those of the same period in the previous year.

(euro/mln)	1 st half-year	1 st half-year	Change		Year
	2006	2005	Absolute	%	
Revenues from sales and services	4.6	4.0	0.6	15.0	9.3
Gross operating profit	(0.1)	0.5	(0.6)	n.s.	1.3
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	(0.2)	0.4	(0.6)	n.s.	0.7
Operating income (EBIT)	(0.5)	0.1	(0.6)	n.s.	-
Net invested capital	0.2	(0.6)	0.8	n.s.	0.1
Capital expenditure	0.5	0.6	(0.1)	(16.7)	1.6
Workforce (average number)	285.7	194.0	91.7	47.3	210.1

The economic results in the first half of 2006 showed an increase in revenues compared to the same period of the previous year (+15%) thanks to the traffic volumes generated by 89.24.24 Pronto PAGINE GIALLE® value added service and 12.40 Pronto PAGINEBIANCHE® subscriber information 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.

EBITDA decreased by € 0.6 million compared to the first half of 2005 due to higher costs for call center personnel following the revision of labour agreements. Call center operator training costs also rose following the increase in specialization, for the handling of "high calling" customers for example, who have subscribed to the "Prontissimo" service.

Capital expenditure (€ 0.5 million in the first half of 2006) was made to develop the existing activities and support an organisational/technological structure capable of ensuring efficiency and high levels of service.

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Regulation

Germany/Austria

In August 2005, the German Authority (RegTP) completed its enquiry on the costs of access to the subscriber database charged by Deutsche Telekom to Telegate AG, requiring a significant reduction in the costs of acquiring such data (from 9 euro cents to 0.13 euro cents per datum).

Deutsche Telekom subsequently appealed to the Bundesgerichtshof (the highest German civil court) which, during the hearing on July 11, 2006, adjourned the procedure to be heard in the second instance by the High Court of Dusseldorf.

No important events with regard to that reported in 2005 annual report occurred in **Austria**.

France

The French Regulatory Authority (ARCEP) has rejected Telegate's request for the reduction of the cost of access to the subscriber database of the mobile operator Orange and made this data available online to other suppliers of subscriber information services within the European Union. Telegate appealed to the Appeals Court of Paris in July 2006.

Furthermore, as regards the subscriber database, in July 2006, ARCEP began consultation to:

- increase the amount of information that the operators must supply to the publishers of directories;
- explicitly ask mobile operators to inform customers signing a new telephone contract of their right to be included in a directory;
- apply new rules for calculating costs in order to make the data of their subscribers available to the publishers of directories;
- allow on-line access to the French subscriber data to suppliers of subscriber information services in France and Europe.

Spain

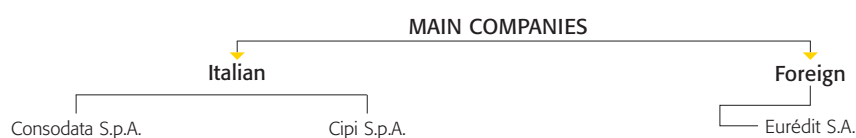
No important events with regard to that reported in 2005 annual report occurred.

Switzerland

BaKom, the federal Communications Office in Switzerland, intends to promote the liberalisation into the directory assistance market as of the end of 2006, by closing the old monopolist's numbers for the national service ("111") and the international one ("115x"). The "1144" number for the "direct connect" service of the mobile operator Swisscom Mobile will be closed by the end of 2007. Telegate, as the other major directory assistance providers, is considering the opportunity to enter into this market.

→ Other Activities

This is a residual Business Area, which groups all the activities not included within the previous Areas. It is organised as follows:



Main corporate events

In April 2006, the Shareholders' Meeting of Eurédit S.A., 93.562% owned by SEAT Pagine Gialle S.p.A., resolved to distribute a dividend for a total amount of € 2,975 thousand, of which € 2,783 thousand due to the Group.

Economic and financial data

The table below sets out the highlights for the first half of 2006 compared to those of the same period in the previous year.

	1 st half-year	1 st half-year	Change		Year
(euro/mln)	2006	2005	Absolute	%	2005
Revenues from sales and services	26.3	15.7	10.6	67.5	67.6
Gross operating profit	0.5	(2.3)	2.8	n.s.	12.5
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	0.5	(2.5)	3.0	n.s.	11.7
Operating income (EBIT)	(1.3)	(3.6)	2.3	63.9	9.4
Net invested capital	16.8	9.3	7.5	80.6	13.2
Capital expenditure	1.9	1.3	0.6	46.2	2.7
Workforce (average number)	399.6	209.1	190.5	91.1	427.1

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

- the first half of 2005 included the results of Pubblibaby S.p.A., which was deconsolidated as of the second half of 2005;
- the first half of 2006 includes the results of Cipi S.p.A., which was consolidated as of October 2005.

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Consodata S.p.A.

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

The table below sets out the highlights for the first half of 2006 compared to those of the same period in the previous year.

(euro/mln)	1 st half-year	1 st half-year	Change		Year
	2006	2005	Absolute	%	2005
Revenues from sales and services	11.4	15.3	(3.9)	(25.5)	29.5
Gross operating profit	1.3	1.8	(0.5)	(27.8)	4.6
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	1.4	1.7	(0.3)	(17.6)	4.4
Operating income (EBIT)	0.3	0.7	(0.4)	(57.1)	2.8
Net invested capital	8.2	9.9	(1.7)	(17.2)	5.1
Capital expenditure	0.9	1.0	(0.1)	(10.0)	2.1
Workforce (average number)	134.0	149.3	(15.3)	(10.2)	137.6



In the first half of 2006, Consodata S.p.A.'s revenues from sales and services decreased by 25.5% to € 11.4 million. At the same scope of consolidation (the 2005 figures included Pubblibaby S.p.A., a company deconsolidated as of the second half of 2005), revenues were substantially stable (- € 0.4 million compared to the same period of the previous year).

EBITDA amounted to € 1.4 million, a slightly decrease compared to the first half of 2005 due to the difference in the scope of consolidation. At the same scope of consolidation, EBITDA increased by about 10%.

Eurédit S.A.

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

The table below sets out the highlights for the first half of 2006 compared to those of the same period in the previous year.

(euro/mln)	1 st half-year	1 st half-year	Change		Year
	2006	2005	Absolute	%	2005
Revenues from sales and services	6.1	0.4	5.7	n.s.	27.5
Gross operating profit	(0.6)	(4.0)	3.4	85.0	5.7
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	(0.7)	(4.1)	3.4	82.9	5.0
Operating income (EBIT)	(1.0)	(4.4)	3.4	77.3	4.5
Net invested capital	0.6	(0.6)	1.2	n.s.	(2.2)
Capital expenditure	0.5	0.2	0.3	n.s.	0.4
Workforce (average number)	59.1	59.8	(0.7)	(1.2)	58.5



Eurédit S.A. publishes Europages, the pan-European business-to-business directory for import and export companies. This product is available on paper (published in September), CD-Rom and online and includes 600,000 suppliers and exporters among the most dynamic ones in the market.

In particular, revenues and costs referred to Europages online edition were accounted for as of June 2006. The online platform (www.europages.com), available in 25 languages, generated more than 75.4 million searches in the first half of 2006 (+153.3% compared to the first half of 2005) and 164.9 million pages viewed, with a high growth compared to the same period of the previous year (+83.9%), realising revenues for € 6.1 million.

Revenues and production costs referred to Europages print and CD-Rom editions will be accounted for in September 2006 when these products will be published.

Following Europages constant growth, an organisational restructuring of the sale channels was launched in the first half of 2006 with the aim to strengthen Eurédit presence on main European markets. The first step of this reorganisation will lead to a collaboration with a telesales company in France and to the creation of Eurédit own sales network in the main industrial areas.

Cipi S.p.A.

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

The table below sets out the highlights for the first half of 2006 compared to those of the same period in the previous year. It should be noted that the company entered the consolidation area as of October 2005.

(euro/mln)	1 st half-year	1 st half-year	Change		Year
	2006	2005	Absolute	%	2005
Revenues from sales and services	8.6	7.1	1.5	21.1	21.8
Gross operating profit	(0.2)	(0.3)	0.1	33.3	1.9
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	(0.2)	(0.3)	0.1	33.3	1.9
Operating income (EBIT)	(0.7)	(0.6)	(0.1)	(16.7)	1.2
Net invested capital	8.4	5.6	2.8	50.0	7.5
Capital expenditure	0.4	0.1	0.3	n.s.	0.4
Workforce (average number)	199.5	195.7	3.8	1.9	231.0

In the first half of 2006, Cipi S.p.A.'s revenues from sales and services amounted to € 8.6 million, while EBITDA was negative for € 0.2 million. The performance in first half of 2006 reflects the effects of the organisational restructuring of the sale channels (including the SEAT channel), which led to higher costs in the commercial structure, with negative impacts on the operating margins.



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➔ Human resources

SEAT Pagine Gialle group

	At 06.30.2006	At 12.31.2005	Change
Employees number	5,961	5,756	205
Non-executive directors, project workers and trainees	695	349	346
Total workforce at the end of the period	6,656	6,105	551
Average workforce for the first half-year	5,156	4,128	1,028

The workforce at June 30, 2006 was 6,656 units, increased by 551 compared to December 31, 2005, largely due to the increase in the workforce of the Telegate Italia call center in Livorno.

The average workforce for the period (FTE for foreign companies) increased by 1,028 units compared to the first half of 2005, and was influenced, not only by the expansion of the call centers, but also by the acquisition of Cipi S.p.A., which entered the consolidation period as of October 2005.

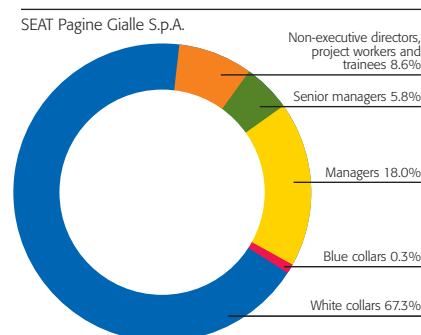
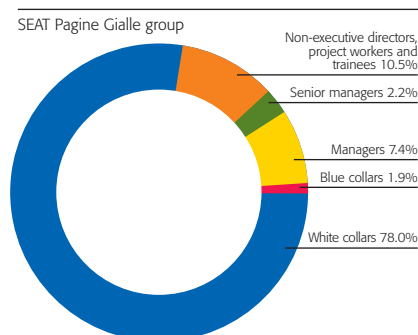
SEAT Pagine Gialle S.p.A.

	At 06.30.2006	At 12.31.2005	Change
Employees number	1,312	1,255	57
Non-executive directors, project workers and trainees	123	76	47
Total workforce at the end of the period	1,435	1,331	104
Average workforce for the first half-year	1,325	1,279	46

SEAT Pagine Gialle S.p.A. registered an increase of 104 units in the workforce compared to December 31, 2005, substantially due to the arrival of young graduates.

The figure is still not influenced by the extension of the company reorganisation plan until December 2006, by effect of which the first members of staff took early retirement in July 2006.

New employment contracts for the first half of the year confirm the attention of the Parent Company to the introduction of young personnel (the average age of new members of staff being 31) and with higher educational qualifications (78% of these employees are graduates).



Sales force

The SEAT Pagine Gialle S.p.A. sales force consists of 1,775 agents and 244 employees. By effect of its recent reorganisation, it is structured into three sales channels, organised by customer segment and market potential: Large Customers, Business Sales and Local Sales.

- *Large Customers Sales Department* operates through a network of about 20 employees (*Key Accounts and Sales Managers*) and manages the so-called National customers, established on the basis of the size and level of complexity and articulation throughout the territory, with constant supervision during the year. Large Customers Sales Department is organised by sector of customer business, with the aim of managing their directive communication needs with a specialised approach in line with the requirements of complex customers.
- *Business Sales Department*, made up of a network of about 1,550 agents throughout the territory and a structure of about 40 employees referred to as *Area Managers*, supervises the market of the communication needs of small-medium enterprises.
The channel, which manages about 70% of the SEAT customer base, is organised into dimensional bands of customers with the aim of facing the market with different approaches and skills in relation to the size and complexity of the communication needs of existing and potential customers.
Within the context of Business Sales Department, a structure known as "*Top Customers*" has been set up, comprising about 50 agents and employees, who manage, taking an advisory stance, existing and potential customers of non-national standing, with more complex communication requirements articulated throughout the territory.
The rest of the network of agents manages about 400,000 customers and a similar number of potential customers with a structure that envisages figures of *basic agents*, *senior agents* and *zone managers* (who coordinate groups of agents) organised according to geographic coverage logics in 13 territorial areas of sale.

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- *Local Sales Department* has been set up in recent months with the aim of increasing SEAT's capacity for contact on the market of communication needs of individual or small companies with channels that optimize the cost of the service.

The Department operates through three channels: the Telephone channel, the territorial network of *junior agents* (about 200 units) and a direct sales channel via Internet.

Local Sales Department manages about 250,000 low potential customers and a relevant number of *prospects*. The offering of products managed by the channel is more basic and in line with the communication requirements of the market of reference. Within the context of the physical network of junior agents, some members of the sales staff are specialized in Business-to-Consumer or exclusive Local products.

Lastly, outside the three Sales Departments, the sales network dedicated to services and products of the specialised Kompass Business-to-Business offering, made up of 40 agents, coordinated by employed area managers, is currently undergoing reorganisation.

Organisational development, personal services and training

The personal services and training programs begun in 2005 and the reorganisation activities continued during the first half of 2006. Particularly:

- in relation to the *People Satisfaction* survey carried out in 2005, a plan for the communication of the results has begun, aimed initially at the "Top 100" and subsequently at all the managers of the various Company functions, with specific training days and with the publication of the results on the company Intranet;
- in the context of the *Professional Development Plan*, the performance assessment process has been computerized, making it possible to fill in the performance assessment form online through the company Intranet; as regards the employees, the process, which aims to develop and support compensation policies, has involved about 732 people among executives, middle management and high level office staff and has also been extended to sales agents from this year. The process has been accompanied by training and supporting assessors;
- recruiting and selection activities of junior agents for the new "Local Sales" department were intensified, leading to the introduction of about 230 agents.

Seat Corporate University continued its employee and sales force training activities, developing the skills of SEAT Pagine Gialle's human resources organically and with a medium-long term view.

In order to spread the training opportunities available and facilitate access and registration to the courses, the Learning Management System platform has been made available to all employees, including the sales force as from July.

The total number of training hours granted in the first half of 2006 was 61,058, + 111% compared to the first half of the previous year, with an average of 20 hours per capita (23 hours during 2005).



The main activities were:

- by 59% aimed at the sales force of the various channels/lines, completing the project on the sale of value begun in 2005, continuing to focus on the introduction of new figures (agents and telesellers), concentrating on segmented and targeted advertising information and communication;
- by 28% dedicated to the role specialisation, transversal skills and technical ones;
- by 13% dedicated to the development of managerial skills and organisational conducts.

At the same time, in March 2006 Seat Corporate University began publishing a two-monthly magazine aimed at SMEs, full of articles and information dedicated to Business Communication, through which certain specific training initiatives were been launched for SEAT Pagine Gialle customers.

Seat Corporate University has also supported the sales network in the realisation of "*Customer Clinics*", i.e. meetings with customers concentrating on the most efficient advertising communication methods for SMEs, shops and professional activities.

Industrial relationships

The first half of 2006 was characterised by important actions focussed mainly on the Company Restructuring Plan for the management of further redundancies in 2006.

In particular:

- trade union agreement signed at the Ministry of Employment on January 18, 2006;
- presentation of the Salary Integration Plan and reassessment application (CIGS) for the second half of 2006 with an application presented to the Ministry of Employment on February 22, 2006;
- beginning of Company Contract negotiations for the level two.

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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 litigation that has not been settled by Telecom Italia Media S.p.A., pursuant to art. 2506-quater, paragraph 3, of the Italian Civil Code. The following items relate to this obligation:

- a 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 at December 31, 2000, as well as the writing off of capital and its replenishment. Cecchi Gori Group Fin.Ma.Vi S.p.A., in liquidation, notified an appeal before the Court of Cassation against the judgment issued by the Court of Appeals of Rome on November 8, 2005;
- a dispute 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.). The judge hearing the appeal accepted some of the preliminary objections and demurrers submitted by Telecom Italia Media S.p.A. before the court of first instance and again submitted in the appeal proceedings and rejected all the appellants' arguments, finding that they had no capacity to claim that the pledge agreement is null and/or void or to claim damages. The counterparty has challenged the appeal judgment;
- a dispute 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 was held on April 28, 2006. The Court of Appeals of Rome will proceed to issue the judgment; and
- a dispute heard by the Court of Milan to assess the liability in tort of Telecom Italia Media S.p.A. 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 S.p.A. to payment of € 500 million. To date, the parties have already proceeded to file both their legal briefs and statements of defense, and, therefore, it is expected that the court will issue the judgment.

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 favor 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

Board of Directors

The General Shareholders' Meeting on April 27, 2006 appointed the Board of Directors for the three-year period ending 2008 (according to the By-Laws, the appointment is made by a voting mechanism based on competing lists of candidates), re-electing all its previous members. It should be noted that the Company promptly made the only proposed list available on its website, with information about the personal and professional background of candidates.

The CVs of the Board members may be consulted on the Company's website.

The Board of Directors' meeting held after the Shareholders' Meeting also assessed the existence of the requirements of independence.

The Board of Directors' meetings were seven during the first half of the year; during these meetings, the Board was supported by the Company's top management.

As recommended by the Code of Conduct of Listed Companies, the Directors and Statutory Auditors were provided with the necessary documentation and information regarding the issues on the agenda before the date of each Board meeting. As required by Article 14 of the Code, moreover, the Managing Director reported to the Board on the main new laws and regulations of interest for the Company.

Internal Audit Committee

The Board of Directors' meeting held after the Shareholders' Meeting on April 27, 2006 appointed the Internal Audit Committee, composed only of non-executive directors, re-electing Messrs. Lino Benassi - Chairman - and Marco Reboa (both of them being independent directors) and appointing Mr. Marco Lucchini to replace Mr. Nicola Volpi.

The Internal Audit Committee met twice during the first half of 2006 and twice during the period from the end of the first half-year and the date on which the report was approved. Apart from the members of the Internal Audit Committee, the meetings were attended by the Chairman of the Board of Statutory Auditors or an Auditor delegated by the latter and the Internal Audit manager (who also acts as the person responsible for internal control). Furthermore, depending on the various issues on the agenda, meetings were also attended by representatives of Company's Independent Auditors and top management.

In particular, among other activities, the Internal Audit Committee performed the following:

- it monitored the development of the Internal Audit organisational and operational model;
- it examined and assessed the progress of the internal auditing program for 2006 and the results of the performed actions;
- it met with the top management of the Administration, Finance and Audit Departments, the Chairman of the Board of Statutory Auditors and the Partner of the Independent Auditors firm to examine the essential features of the Half-year Report at June 30, 2006;
- it examined the issues emerging from the audit with the Partner of the Independent Auditors firm;
- it obtained and assessed qualitative and quantitative information on the progress of trade accounts receivable following the improvements of collection processes;
- it examined and acknowledged the changes made in relation to Legislative Decree No. 231/2001 and Legislative Decree No. 61/2002, with particular reference to market abuse legislation and the extension of the SEAT's organisational, operating and control model to subsidiaries.

The bodies and departments with control responsibilities did not report any noteworthy deficiencies in the internal audit system set up and running in the SEAT Pagine Gialle group during the period covered by this report.

Compensation Committee

The Board of Directors' meeting held after the Shareholders' Meeting on April 27, 2006 appointed the Compensation Committee, re-electing its previous members.

During the first half of the year, the Committee met twice, in which it set the Managing Director's objectives for 2006, which the variable component of his compensation is linked to.

Board of Statutory Auditors

The Meeting held on April 27, 2006 appointed the Board of Statutory Auditors (according to the By-Laws, the appointment is made by a voting mechanism based on competing lists of candidates), re-electing all its previous members.

The CVs of the Statutory Auditors may be consulted on the Company's website.

During the first half of 2006, there were three meetings of the Board of Statutory Auditors.

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Shareholders' Meeting

The General Shareholders' Meeting held on April 27, 2006 appointed the Company Boards for the three-year period ending 2008 and resolved to approve the financial statements of SEAT Pagine Gialle S.p.A. at December 31, 2005, already prepared in accordance with IAS/IFRS. It also appointed Reconta Ernst & Young S.p.A. as Independent Auditors for auditing the separate and consolidated financial statements for the six-year period ending with 2011.

Supervisory Committee

The Board of Directors' meeting held after the Shareholders' Meeting on April 27, 2006 appointed the Supervisory Committee (set up pursuant to Legislative Decree No. 231/2001), re-electing its previous members.

During the first half of 2006, the Supervisory Committee met twice and during these meetings specifically:

- it continued its activity of training and communicating with the various corporate functions under Legislative Decree No. 231/2001;
- it verified that activities were performed complying with market abuse legislation, preliminary to consequent amendments to the organisational, operating and control model;
- it monitored subsidiaries activities with reference to the issues under Legislative Decree No. 231/2001 according to the principles and guidelines issued by the Parent Company.



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First half-year 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

➤ Consolidated balance sheet at June 30, 2006

Assets

	At 06.30.2006	At 12.31.2005	Change	Note	At 06.30.2005
(euro/thousand)					
Non-current assets					
Intangible assets with indefinite useful life	3,572,151	3,574,260	(2,109)	(5)	3,574,696
Intangible assets with finite useful life	553,499	624,703	(71,204)	(7)	696,119
Property, plant and equipment	50,182	49,648	534	(8)	38,457
Investments accounted for at equity	254	254	-	(9)	225
Other non-current financial assets	1,623	1,330	293	(10)	1,240
Deferred tax assets, net	93,469	101,820	(8,351)	(32)	84,122
Other non-current assets	906	1,126	(220)	(13)	1,295
Total non-current assets	(A) 4,272,084	4,353,141	(81,057)		4,396,154
Current assets					
Inventories	15,868	12,444	3,424	(11)	11,787
Trade accounts receivable	623,754	669,740	(45,986)	(12)	653,060
Current tax assets	14,079	6,267	7,812	(32)	4,452
Other current assets	79,027	70,891	8,136	(13)	90,477
Current financial assets	6,654	2,387	4,267	(14)	4,617
Cash and cash equivalents	190,431	202,158	(11,727)	(15)	84,023
Total current assets	(B) 929,813	963,887	(34,074)		848,416
Total assets	(A+B) 5,201,897	5,317,028	(115,131)		5,244,570

Liabilities and Shareholders' equity

	At 06.30.2006	At 12.31.2005	Change	Note	At 06.30.2005
(euro/thousand)					
Equity of the Group					
Share capital	248,565	248,012	553	(16)	247,539
Additional paid-in capital	447,503	441,893	5,610	(16)	437,097
Reserve for exchange rate adjustments	(9,520)	(8,258)	(1,262)	(16)	(7,109)
Reserve for transition to IAS/IFRS	181,576	181,576	-	(16)	179,826
Reserve for stock options	10,081	9,223	858	(16)	6,795
Reserve for hedging instruments on interest rate risks	4,668	(14,262)	18,930	(16)	(37,344)
Other reserves	80,403	(9,996)	90,399	(16)	(11,058)
Income (loss) for the period	(69,344)	131,905	(201,249)		(46,534)
Total equity of the Group	(A) 893,932	980,093	(86,161)	(16)	769,212
Minority interests					
Share capital and reserves	16,521	12,861	3,660		9,644
Income (loss) for the period	(2,401)	6,756	(9,157)		3,384
Total Minority interests	(B) 14,120	19,617	(5,497)	(16)	13,028
Total shareholders' equity	(A+B) 908,052	999,710	(91,658)		782,240
Non-current liabilities					
Non-current financial debts	2,197,567	2,273,792	(76,225)	(19)	2,361,813
Non-current financial debts to associates	1,255,723	1,252,897	2,826	(19)	1,250,225
Non-current reserves to employees	50,750	52,788	(2,038)	(22)	54,028
Deferred income taxes and non-current tax debts	-	2,059	(2,059)	(32)	341
Other non-current liabilities	22,994	22,788	206	(24)	22,799
Total non-current liabilities	(C) 3,527,034	3,604,324	(77,290)		3,689,206
Current liabilities					
Current financial debts	177,591	196,926	(19,335)	(25)	182,226
Current financial debts to associates	17,375	17,375	-	(25)	17,375
Trade accounts payable	256,356	292,754	(36,398)	(27)	224,184
Reserves for current risks and charges	45,231	50,366	(5,135)	(26)	50,445
Current tax payables	44,062	40,958	3,104	(32)	33,301
Payables for services to be rendered and other current liabilities	226,196	114,615	111,581	(27)	265,593
Total current liabilities	(D) 766,811	712,994	53,817		773,124
Total liabilities	(C+D) 4,293,845	4,317,318	(23,473)		4,462,330
Total liabilities and Shareholders' equity	(A+B+C+D) 5,201,897	5,317,028	(115,131)		5,244,570

➤ Consolidated statement of operations for the first half of 2006

(euro/thousand)	1 st half-year 2006	1 st half-year 2005	Change		Note	Year 2005
			Absolute	%		
Sales of goods	15,776	10,698	5,078	47.5	(29)	33,232
Rendering of services	557,815	545,097	12,718	2.3	(29)	1,391,379
Revenues from sales and services	573,591	555,795	17,796	3.2	(29)	1,424,611
Other income and revenues	2,724	2,806	(82)	(2.9)	(30)	5,969
Total revenues	576,315	558,601	17,714	3.2		1,430,580
Materials	(24,275)	(25,680)	1,405	5.5	(30)	(68,211)
External services	(251,663)	(182,550)	(69,113)	(37.9)	(30)	(450,785)
Salaries, wages and employee benefits	(116,563)	(105,085)	(11,478)	(10.9)	(30)	(219,128)
Other valuation adjustments	(17,130)	(20,059)	2,929	14.6	(12)	(40,771)
Provision to reserves for risks and charges, net	(9,408)	(9,004)	(404)	(4.5)	(26)	(19,888)
Other operating expenses	(2,283)	(2,770)	487	17.6		(5,237)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net	154,993	213,453	(58,460)	(27.4)		626,560
Amortisation, depreciation and write-downs	(96,266)	(95,907)	(359)	(0.4)	(7-8)	(194,458)
Non-recurring costs, net	(4,328)	(6,523)	2,195	33.7	(30)	(11,144)
Restructuring costs, net	(618)	(663)	45	6.8	(30)	(764)
Operating income	53,781	110,360	(56,579)	(51.3)		420,194
Interest expenses	(129,561)	(149,827)	20,266		(31)	(284,753)
Interest income	5,602	13,367	(7,765)		(31)	24,185
Write-up (write-down) on investments accounted for at equity	-	16	(16)		(9)	45
Gains (losses) on disposal of investments	(16)	(144)	128			4,198
Income (loss) before income taxes, discontinued operations and Minority interests	(70,194)	(26,228)	(43,966)			163,869
Income taxes	(1,551)	(16,922)	15,371		(32)	(25,383)
Income from discontinued operations	-	-	-			175
Income (loss) before Minority interests	(71,745)	(43,150)	(28,595)			138,661
Loss (income) of Minority interests	2,401	(3,384)	5,785			(6,756)
Income (loss) for the period	(69,344)	(46,534)	(22,810)			131,905
SEAT Pagine Gialle S.p.A. shares	8,285,517,982	8,251,290,482				8,267,065,482
- ordinary	8,149,443,196	8,115,215,696				8,130,990,696
- savings	136,074,786	136,074,786				136,074,786
Earning per share (in euro)	(0.00839)	(0.00565)				0.01601
Diluted earning per share (in euro)	(0.00838)	(0.00565)				0.01600

➤ Consolidated cash flow statement for the first half of 2006 (indirect method)

(euro/thousand)	1 st half-year 2006	1 st half-year 2005	Change	Year 2005
Cash inflow from operating activities				
Income (loss) for the period before Minority interests	(71,745)	(43,150)	(28,595)	138,661
Amortisation, depreciation and write-downs	96,266	95,907	359	194,458
Interest expenses, net (*)	123,237	135,870	(12,633)	259,781
Costs for stock options	2,728	3,844	(1,116)	7,907
Income taxes for the period	1,551	16,922	(15,371)	25,383
(Gains) losses on disposal of non-current assets	32	70	(38)	(4,104)
(Write-up) write-down of assets	3	(1)	4	(220)
Change in working capital	95,436	96,065	(629)	(15,859)
Change in non-current liabilities	(5,569)	1,883	(7,452)	(413)
Exchange rate adjustments and other movements	2,719	(469)	3,188	835
Cash inflow from operating activities (A)	244,658	306,941	(62,283)	606,429
Cash outflow for investments				
Purchase of intangible assets with indefinite useful life	(31)	-	(31)	(7,587)
Purchase of intangible assets with finite useful life	(9,834)	(8,213)	(1,621)	(25,838)
Purchase of property, plant and equipment	(7,281)	(8,385)	1,104	(20,199)
Other investments	(16)	(20)	4	(40)
Proceeds from disposal of non-current assets	446	241	205	9,806
Change in scope of consolidation	(8,831)	-	(8,831)	(7,884)
Exchange rate adjustments and other movements	2,258	(10,395)	12,653	(6,361)
Cash outflow for investments (B)	(23,289)	(26,772)	3,483	(58,103)
Cash outflow for financing				
Non-current loans proceeds	256,000	-	256,000	-
Repayments of non-current loans	(355,012)	(220,364)	(134,648)	(234,064)
Current loans proceeds	-	40,000	(40,000)	40,000
Repayments of current loans	-	-	-	(40,000)
Payment of interest expenses, net	(112,895)	(126,472)	13,577	(236,150)
Payment of transaction costs on loans	(1,525)	(25,920)	24,395	(26,052)
Change in financial assets and financial debts	785	(2,700)	3,485	(1,006)
Increase in share capital from exercised stock options	5,856	-	5,856	5,576
Paid dividends	(24,923)	(158)	(24,765)	(158)
Exchange rate adjustments and change in the scope of consolidation	(1,382)	1,591	(2,973)	7,809
Cash outflow for financing (C)	(233,096)	(334,023)	100,927	(484,045)
Increase (decrease) in cash and cash equivalents in the period (A+B+C)	(11,727)	(53,854)	42,127	64,281
Cash and cash equivalents at the beginning of the period	202,158	137,877	64,281	137,877
Cash and cash equivalents at the end of the period	190,431	84,023	106,408	202,158

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

Net financial debt

	At 06.30.2006	At 12.31.2005	Change	Note	At 06.30.2005
(euro/thousand)					
Net financial debt	3,568,281	3,634,581	(66,300)		3,798,861
Transaction costs on loans and securitisation costs not yet amortised	(112,316)	(122,474)	10,158	(19)	(132,688)
Net market value of hedging instruments on interest rate risks	(6,254)	23,178	(29,432)	(21)	55,738
"Net financial debt - book value"	3,449,711	3,535,285	(85,574)		3,721,911
of which:					
- Non-current financial debts	3,453,290	3,526,689	(73,399)	(19)	3,612,038
- Current financial debts	194,966	214,301	(19,335)	(25)	199,601
- Non-current financial assets (*)	(1,460)	(1,160)	(300)	(10)	(1,088)
- Current financial assets	(6,654)	(2,387)	(4,267)	(14)	(4,617)
- Cash and cash equivalents	(190,431)	(202,158)	11,727	(15)	(84,023)

(*) This item does not include financial assets available for sale.

➤ Changes in consolidated Shareholders' equity from December 31, 2005 to June 30, 2006

(euro/thousand)	Equity of the Group				Minority interests			Total
	Share capital	Other reserves	Income (loss) for the period	Total	Share capital	Income (loss) for the period	Total	
At December 31, 2005	248,012	600,176	131,905	980,093	12,861	6,756	19,617	999,710
Allocation of 2005 year result		89,784	(131,905)	(42,121)	3,601	(6,756)	(3,155)	(45,276)
Exercise of stock options	553	5,303		5,856				5,856
Changes in the reserve for hedging instruments on interest rate risks		18,930		18,930				18,930
Exchange rate adjustments, change in scope of consolidation and other adjustments		(1,395)		(1,395)	13		13	(1,382)
Income (loss) for the period		1,913	(69,344)	(67,431)	46	(2,401)	(2,355)	(69,786)
At June 30, 2006	248,565	714,711	(69,344)	893,932	16,521	(2,401)	14,120	908,052

➤ Changes in consolidated Shareholders' equity from December 31, 2004 to June 30, 2005

(euro/thousand)	Equity of the Group				Minority interests			Total
	Share capital	Other reserves	Income (loss) for the period	Total	Share capital	Income (loss) for the period	Total	
At December 31, 2004	247,539	522,699	79,930	850,168	3,659	6,129	9,788	859,956
Allocation of 2004 year result		79,930	(79,930)		5,971	(6,129)	(158)	(158)
Changes in the reserve for hedging instruments on interest rate risks		(39,843)		(39,843)				(39,843)
Exchange rate adjustments, change in scope of consolidation and other adjustments		1,626		1,626	14		14	1,640
Income (loss) for the period		3,795	(46,534)	(42,739)		3,384	3,384	(39,355)
At June 30, 2005	247,539	568,207	(46,534)	769,212	9,644	3,384	13,028	782,240

➤ Accounting principles and notes

1. Corporate information

SEAT Pagine Gialle group operates on the Italian and UK markets of local advertising for small and medium-sized enterprises. Its publishing and advertising businesses are mainly focused on telephone directories and information services. The Group operates also in the Directory Assistance market in Germany, Spain, France and Italy and in the Business Information and merchandising markets in Italy.

At the reporting date, the Parent Company SEAT Pagine Gialle S.p.A. had its registered office in Milan, Via Grosio 10/4. The share capital is € 248,586 thousand.

The main businesses of the Group are described in the Report on operations, in the section "Economic and financial performance of the Business Areas".

2. Preparation criteria

The first half-year financial statements of the Group 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"), in accordance with the relevant CONSOB regulations. In detail, the first half-year financial statements of SEAT Pagine Gialle group have been prepared in accordance with IAS 34 – Interim Financial Reporting. As provided by this standard, the 2006 half-year financial statements of the SEAT Pagine Gialle group do not include all the information required for a consolidated annual report and, for this reason, it should be read together with the financial statements of SEAT Pagine Gialle group for 2005.

The SEAT Pagine Gialle group adopted the IAS/IFRS as of January 1, 2005, following the entry into force of European Regulation No. 1606 of July 19, 2002.

The first half-year financial statements of the Group have been prepared on the basis of the historic cost principle, except for hedging 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 half-year financial statements include the interim 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.

Subsidiaries are consolidated on a line-by-line basis starting from the acquisition date, 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. Furthermore, as provided by the SIC 12, entities created to accomplish a narrow and well definite objective, such as "special purpose entity" (SPE), are fully consolidated if the Group has the power to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to its activity even though no equity interest is held. In accordance with this principle, the special purpose entity Meliadi Finance S.r.l. has been fully consolidated even though the Group does not hold any stake in the company.

Moreover, the following consolidation steps are taken:

- recording of the total amount of assets, liabilities, costs and revenues, regardless of the stake held in the companies and recognising to minority interests, under specific headings, their share of equity and their result for the period;
- 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 since its amount is not significant.

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Associates are consolidated using the equity method.

The acquisition of the new subsidiaries has been accounted for using the purchase method, with the consequent allocation of the business combination cost at the fair value of the assets, liabilities and contingent liabilities acquired at the acquisition date. In the acquisition year, the consolidated financial statements include the result of these companies for the period between the date of acquisition and the period-end.

The minority interests represent the portion not held by the Group of the statement of operations and net assets of the subsidiaries. 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 consistent with those adopted for preparing the 2005 financial statements.

No new accounting principles have been applied during the first half of 2006.

2.3 Management assumptions and accounting estimates

The preparation of the first half-year 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 actual 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, employee 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 combinations are capitalised at fair value at the acquisition date. After initial recording, intangible assets are recognised at cost net of amortisation and any cumulative impairment losses. 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 are 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. The 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 its estimated useful life;
- *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 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 accounted for in the statement of operations at the time they are incurred.

The *development costs*, incurred on a specific project, are capitalised only when it is possible to demonstrate that it is technically feasible to complete the intangible asset so that it is available for use or sale, that there is the intention to complete such asset so that it can be used or sold, the ways in which it will likely generate future economic benefits, the availability of technical, financial and other resources to complete the development and the 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.

The book value of the development costs is reviewed annually so that any impairment loss 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 is initially valued at cost, since it 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 portion of the assets.

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 consequence, 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 the related property, plant and equipment can produce. All the other costs are recognised in the statement of operations when they are incurred.

The maintenance costs to keep the efficiency of the assets are accounted for as expenses 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 prorata for the period in which these assets were available, with the exception of assets purchased during the year.

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Impairment loss of assets

At every reporting date, the SEAT Pagine Gialle group checks if any impairment losses of assets are incurred. 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 value in use. 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 recognised impairment loss. 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 has 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 SEAT Pagine Gialle group's 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 the associate is included in the carrying value of the investment and is not subject to amortisation. After initial recording, the Group decides whether it is necessary to recognise any impairment loss. The statement of operations reflects the Group's share of the associate's result for the period. If an associate charges adjustments directly to equity, the Group states its share and recognises it, where applicable, in the statement of changes in Shareholders' equity.

The reporting date of the associates is aligned with that of the SEAT Pagine Gialle group; the accounting principles used comply with those used by the Group for transactions and events of the same kind and in similar circumstances.

Effects of foreign currency translation

The interim financial statements of subsidiaries denominated in foreign currencies not belonging to the Euro-zone are translated in euros by applying period-end exchange rates (current exchange rate method) to each item on the balance sheet and the average exchange rates for the period to each item on the statement of operations. Differences arising from the translation of equity at the beginning of the period and of the result for the period to period-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 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 of 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 differences are recognised directly to equity up to the disposal of the net investment, when they are then recognised in the statement of operations. Non-monetary items valued at historic cost in foreign currency are translated 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 this value is determined.

The exchange rates used are as follows

Currency/euro	Average exchange rate for the 1 st half-year 2006	Exchange rate at June 30, 2006	Average exchange rate for the 1 st half-year 2005	Exchange rate at June 30, 2005	Average exchange rate for the 2005 year	Exchange rate at December 31, 2005
Pound sterling	1.4556	1.4449	1.4579	1.4832	1.4624	1.4592
US dollar	0.8133	0.7866	0.7784	0.8270	0.8038	0.8477

Financial assets

IAS 39 provides for the following types of financial instruments: financial assets at fair value with adjustments recognised in the statement of operations, loans and receivables, held-to-maturity investments and available-for-sale assets. Initially, all financial assets are recorded at fair value, increased by any 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 financial year.

All standard purchases and sales of financial assets (i.e. transactions with delivery of the assets in the period generally envisaged by regulations and conventions in the market) 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 due date and fixed or determinable payments, 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 incurs, in addition to through the amortisation process;
- *loans and receivables*, 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 related asset is derecognised or when an impairment loss incurs, in addition to 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. They are accounted for at fair value. Gains and losses on assets held for trading 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 so designated or are not classified under any previous categories. They include, in particular, the investments in companies other than subsidiaries, associates and joint-ventures. 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 period.

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Cash and cash equivalents

Cash and cash equivalents include cash in hand, on-demand 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 transaction costs.

Derivatives

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

In accordance with IAS 39, derivatives are accounted for as *hedging instruments* only when, at the inception of the hedge, they are formally designated as hedging instruments, the hedging is 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 the financial instrument is designated to hedge fluctuations in the current value of an asset or liability arising from a certain risk 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 the financial instrument is designated to hedge fluctuations in the cash flows of an asset or liability recognised in the balance sheet or 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.

Inventories

Inventories are valued at the lower of their purchase or production cost and their market value.

In detail they include:

- *raw materials*, which are accounted for 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 print directories and are 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 original amount net of any allowance for doubtful accounts, which is accrued based on the credit risk assessment at the period-end.

Securitised trade receivables

In securitisation transactions involving the assignment of trade receivables, the receivables remain in the assignor Company's balance sheet if the risks and benefits associated thereto are not transferred with the transaction.

The vehicle, formed especially for the transaction in accordance with Law No. 130/99 and not belonging to the SEAT Pagine Gialle group, is fully consolidated pursuant to SIC 12.

The transaction costs are recognised as financial expenses over the duration of the transaction.

Reserves for risks and charges

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

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 — the liability, if significant, is discounted at a rate, before taxes, 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 include:

- *reserve for tax liabilities*: the amount of this reserve depends on a prudential evaluation of tax cases;
- *reserve for sales agents' termination indemnities*: based on the Collective Economic Agreement in force, it represents the liabilities at period-end towards sales agents in force 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;
- *reserve for risks and charges on 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 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 expected average remaining working life of employees and on the remuneration received by the employees 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 pension 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.

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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 stock options fair value at the grant date is recognised as a cost in the statement of operations during the vesting period, in straight-line monthly quotas, debiting a specific equity reserve. The fair value is estimated by an independent expert using a binomial model without taking into account any performance conditions, but taking into account market conditions. Changes in the fair value after the grant date have no effect on the initial valuation. Accrued 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 diluted earning per share.

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 leased 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 to recognise revenues 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 date later than the period-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*: they 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 income taxes

Current income taxes were accounted for in the statement of operations by applying the actual annual average rates to the pre-tax result for the period, in accordance with IAS 34.

Income taxes due on items recognised directly to equity are charged directly to equity and accounted for by applying the tax rates in force.

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

Deferred taxes

Deferred taxes are calculated at year-end by applying the *liability method* on the temporary differences at the balance sheet date between the tax values relating to assets and liabilities and their values recognised in the balance sheet at the end of the previous year.

Deferred tax liabilities are recognised based on all the taxable temporary differences existing at the latest balance sheet date between the tax values relating to assets and liabilities and their values recognised in the balance sheet.

Deferred tax assets are recognised based on all the deductible temporary differences and tax assets and liabilities carried forward to the extent to which there is reasonable certainty of future taxable amounts against which they may be offset. Exceptions include:

- deferred taxes arising from initial recognition of goodwill or an asset or liability in a transaction other than 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;
- taxable temporary differences relating to investments in subsidiaries and associates where the reversal of such differences can be controlled and it is unlikely to occur in the foreseeable future.

The value of deferred tax assets accounted for at the beginning of the year is reviewed at the end 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 annually reviewed 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 temporary 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 in the balance sheet net of value added tax except when such tax applied to the purchase of goods or services:

- is not deductible, in which case it is shown as part of the purchase cost of the asset or part of the cost item recognised in the statement of operations;
- is related to trade receivables and payables which are recognised in the balance sheet including the value of the tax itself.

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 as tax receivable or payable depending on the balance.

Earning per share

Earning per share is calculated by dividing the result for the period of the Group for the number of ordinary shares outstanding during the six-month period. Diluted earning per share is calculated by using the weighted average number of the ordinary shares outstanding during the half-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.

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4. Business combinations

In the first half of 2006, the SEAT Pagine Gialle group included the following companies in its consolidation area:

- Telegate Auskunftsdienste GmbH, whose 100% interest was acquired in June 2006;
- Meliadi Finance S.r.l., special purpose entity formed specially for the securitisation of trade receivables in accordance with the Italian Law No. 130/99, which is not part of the SEAT Pagine Gialle group and is consolidated in full pursuant to SIC 12.

The fair value of identifiable assets and liabilities of these companies at the date of their first consolidation was as follows

(euro/thousand)	Fair value at the acquisition date
Non-current assets	8,831
Working capital, net	1,138
Financial assets, cash and cash equivalents	65
Total	10,034

The overall cost of the business combination was € 10,065 thousand, inclusive of directly attributable costs. Non-current assets refer primarily to the acquisition of the 11881, 11882 and 11889 voice portals owned by the German company.

5. Intangible assets with indefinite useful life

Intangible assets with indefinite useful life amounted to € 3,572,151 thousand at June 30, 2006 (€ 3,574,260 thousand at December 31, 2005) and are detailed as follows

(euro/thousand)	1 st half-year 2006			1 st half-year 2005
	Goodwill	Goodwill on consolidation	Total	Total
Opening value	3,182,784	391,476	3,574,260	3,565,020
Acquisition of subsidiaries		31	31	
Exchange rate adjustments		(2,140)	(2,140)	9,676
Ending value	3,182,784	389,367	3,572,151	3,574,696

They include:

- *goodwill* amounting to € 3,182,784 thousand, of which € 3,169,868 thousand relating to goodwill arising from mergers carried out in prior years;
- *goodwill on consolidation* amounting to € 389,367 thousand at June 30, 2006 (€ 391,476 thousand at December 31, 2005) and consisting of the difference between the acquisition value of fully consolidated investments and the value of their corresponding portion of equity at the date of acquisition.

6. Impairment test of intangible assets with indefinite useful life

No impairment losses were identified at the reporting date. It was not therefore necessary to bring forward the impairment tests scheduled for the end of the year.

7. Intangible assets with finite useful life

Intangible assets with finite useful life amounted to € 553,499 thousand at June 30, 2006 (€ 624,703 thousand at December 31, 2005) and are detailed as follows

	1 st half-year 2006					1 st half-year 2005
	Customer Data Base	Software	Industrial patents, trademarks, concessions and licences	Other intangible assets	Total	Total
(euro/thousand)						
<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)
Net opening value	580,738	21,100	1,960	20,905	624,703	777,654
- Investments		3,636	321	5,877	9,834	8,213
- Amortisation	(81,033)	(6,717)	(381)	(1,733)	(89,864)	(89,908)
- Exchange rate adjustments and other movements		2,674	8,833	(2,681)	8,826	160
<i>Cost</i>	972,400	109,642	15,517	34,534	1,132,093	1,098,162
<i>Accumulated amortisation</i>	(472,695)	(88,949)	(4,784)	(12,166)	(578,594)	(402,043)
Net ending value	499,705	20,693	10,733	22,368	553,499	696,119

Intangible assets with finite useful life include:

- *Customer Data Base*, with a value of € 499,705 thousand at June 30, 2006 (€ 580,738 thousand at December 31, 2005). The Customer Data Base is the information and relationship asset relating to the customer base, built over time by Seat S.p.A.. It is an indivisible set of organised data and information, data 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 half-year was € 81,033 thousand;
- *software*, amounting to € 20,693 thousand at June 30, 2006 (€ 21,100 thousand at December 31, 2005), which includes capitalised costs for purchases from third parties and inner production of proprietary and licensed software programs used, in particular, in the sales, publishing and administrative functions;
- *industrial patents, trademarks, concessions and licenses*, increased by € 8,773 thousand during the first half of 2006 mainly due to the inclusion in the consolidation area of Telegate Auskunftsdienste GmbH. The company was acquired at the end of June 2006. The purchase price, as described in paragraph 4 – Business combinations, was attributed to the value of voice portals held by the company – 11881, 11882, 11889 – in the amount of € 8,831 thousand;
- *other intangible assets*, amounting to € 22,368 thousand at June 30, 2006 (€ 20,905 thousand at December 31, 2005), which refer primarily to software projects under development (€ 16,559 thousand).

Investments for the period amounted to € 9,834 thousand (€ 8,213 thousand in the first half of 2005) and concerned:

- the development of the SEM project (a multimedia publishing system) for the creation of an integrated production platform, specifically for the directories and for handling the multimedia advertising information, the first prototype of which had been released at the end of 2005;
- the development of the SAP project – from order to cash – for the adoption of the SAP platform from the front-end to the final back-office phase;
- the development of new software for online products.

8. Property, plant and equipment

Property, plant and equipment amounted to € 50,182 thousand at June 30, 2006 (€ 49,648 thousand at December 31, 2005). They are accounted for net of accumulated depreciation of € 103,031 thousand, for a ratio to gross value of 67.25% (67.04% at December 31, 2005). This item is detailed as follows

(euro/thousand)	1 st half-year 2006				1 st half-year 2005
	Property	Machineries and equipment	Other fixed assets	Total	Total
<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)
Net opening value	18,083	13,926	17,639	49,648	35,697
- Investments	291	2,779	4,211	7,281	8,385
- Disposals		(136)	(54)	(190)	(156)
- Depreciation and write-downs	(554)	(2,250)	(3,598)	(6,402)	(5,996)
- Other movements	(103)	156	(208)	(155)	527
<i>Cost</i>	24,314	52,831	76,068	153,213	132,183
<i>Accumulated depreciation</i>	(6,597)	(38,356)	(58,078)	(103,031)	(93,726)
Net ending value	17,717	14,475	17,990	50,182	38,457

Property, plant and equipment include:

- € 17,717 thousand at June 30, 2006 (€ 18,083 thousand at December 31, 2005) for the *property* of Cipi S.p.A., in Milan and Catania, and the TDL Infomedia group in the UK;
- € 14,475 thousand at June 30, 2006 (€ 13,926 thousand at December 31, 2005) for *machineries and equipment*. Investments for the first half of 2006, of € 2,779 thousand (€ 851 thousand in the first half of 2005), were designated, in particular, to upgrade the call centers within the Telegate group;
- € 17,990 thousand at June 30, 2006 (€ 17,639 thousand at December 31, 2005) for *other fixed assets*, including € 11,379 thousand for IT equipment and systems. Investments for the period amounted to € 4,211 thousand (€ 3,329 thousand in the first half of 2005), including € 3,417 thousand for the purchase of EDP systems and € 556 thousand for the purchase of furniture.

The accumulated depreciation (€ 103,031 thousand) is deemed adequate to cover the depreciation of all types of fixed assets, based on their estimated residual useful life. The following table shows a summary of the depreciation rates used

	1 st half-year 2006	1 st half-year 2005
Property	3%	3%
Machineries and equipment	10-25%	10-25%
Other fixed assets	10-25%	10-25%

9. Investments accounted for at equity

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 bond of the same value, issued by this company and guaranteed by SEAT Pagine Gialle S.p.A..

10. Other non-current financial assets

Other non-current financial assets, of € 1,623 thousand at June 30, 2006 (€ 1,330 thousand at December 31, 2005), include:

- loans to employees for € 1,460 thousand, issued at market rates for transactions of this type;
- a 2.2% interest in the share capital of Emittenti Titoli S.p.A. for € 110 thousand;
- a 10% interest in the share capital of Mobile Commerce Ltd. for € 6 thousand.

11. Inventories

Inventories amounted to € 15,868 thousand at June 30, 2006 (€ 12,444 thousand at December 31, 2005) and are detailed in the following table

	At 12.31.2005	Change during the period				At 06.30.2006
		Increase (Decrease)	Provision (reversal)	Change in scope of consolidation and exchange rate adjustments	Total	
(euro/thousand)						
Raw materials, suppliers and consumable items	6,943	1,371		(15)	1,356	8,299
Merchandising products	3,257	943			943	4,200
Work in progress and semi-finished goods	1,766	1,320			1,320	3,086
Finished goods	478	(273)	78		(195)	283
Total inventories	12,444	3,361	78	(15)	3,424	15,868

12. Trade accounts receivable

Trade accounts receivable amounted to € 623,754 thousand at June 30, 2006 (€ 669,740 thousand at December 31, 2005) and are detailed in the following table

	1 st half-year 2006			1 st half-year 2005
	Trade accounts receivable	Allowance for doubtful trade accounts receivable	Net value	Net value
(euro/thousand)				
Opening value	793,740	(124,000)	669,740	684,297
Provisions to allowance		(16,893)	(16,893)	(19,879)
Utilisations of allowance		18,761	18,761	22,926
Other movements	(48,055)	201	(47,854)	(34,284)
Ending value	745,685	(121,931)	623,754	653,060

Trade accounts receivable amounted to € 623,754 thousand at June 30, 2006 (net of the allowance of € 121,931 thousand), of which € 2,525 thousand is due after more than 12 months. They include receivables from services yet to be rendered amounting to € 159,937 thousand, gross of VAT (€ 90,379 thousand at December 31, 2005).

In June 2006, SEAT Pagine Gialle S.p.A. launched a trade receivables securitisation program pursuant to Law No. 130/1999, for a five-year scheduled period. For more information on the transaction refer to the section "Main events during the first half of 2006" in the Report on operations. Securitised receivables continue to be recognised in "trade accounts receivable" in accordance with IAS 39, since SEAT Pagine Gialle S.p.A. continues to bear the operating risks and benefits thereof.

The *allowance for doubtful trade accounts receivable*, of € 121,931 thousand at June 30, 2006, is considered adequate to cover estimated losses. It has been utilised during the period for € 18,761 thousand (€ 22,926 thousand in the first half of 2005) and supplemented with an ordinary provision of € 16,893 thousand.

All trade receivables fall due within 5 years.

13. Other assets (current and non-current)

Other current and non-current assets amounted to € 79,933 thousand at June 30, 2006 (€ 72,017 thousand at December 31, 2005) and are detailed as follows

(euro/thousand)	At 06.30.2006	At 12.31.2005	Change
Other current assets			
- <i>Sale commission advances and other receivables from agents</i>	53,180	52,334	846
- <i>Advances to suppliers</i>	10,604	5,475	5,129
- <i>Prepaid expenses</i>	8,320	7,716	604
- <i>Other operating receivables</i>	6,923	5,366	1,557
Total other current assets	79,027	70,891	8,136
Other non-current assets			
- <i>Receivables from Tax Authority for advanced payments on reserve for termination indemnities</i>	583	845	(262)
- <i>Cash collateral deposits and securities</i>	270	244	26
- <i>Other non-operating receivables</i>	53	37	16
Total other non-current assets	906	1,126	(220)

In detail:

- *sale commission advances and other receivables from agents*, of € 53,180 thousand at June 30, 2006, are shown net of the related allowance for doubtful accounts of € 3,378 thousand at June 30, 2006 (€ 3,121 thousand at December 31, 2005). The item includes € 2,916 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 € 10,604 thousand at June 30, 2006, include € 9,079 thousand for advances paid to the printer Ilte S.p.A. (€ 4,023 thousand at December 31, 2005);
- *other current operating receivables*, amounting to € 6,923 thousand at June 30, 2006, refer primarily to receivables from employees and social security institutions.

14. Current financial assets

Current financial assets, of € 6,654 thousand at June 30, 2006, include € 6,254 thousand relating to the market value of the hedging instruments entered into to hedge interest rate risks, € 243 thousand for finance and loans mainly to employees and € 157 thousand related to the market value of the hedging instruments entered into to hedge the euro/sterling exchange rate risk.

15. Cash and cash equivalents

This item decreased by € 11,727 thousand compared to December 31, 2005 and is detailed in the following table

(euro/thousand)	At 06.30.2006	At 12.31.2005	Change
Bank deposits	189,087	200,071	(10,984)
Postal deposits	1,278	2,003	(725)
Cash	66	84	(18)
Total cash and cash equivalents	190,431	202,158	(11,727)

Cash and cash equivalents include € 99,692 thousand at the special purpose entity Meliadi Finance S.r.l., generated by the collection of receivables transferred by SEAT Pagine Gialle S.p.A. in the framework of the securitisation program. In case of use, this liquidity is subject to the payment of payables of the special purpose vehicle itself.

16. Shareholders' equity

Shareholders' equity is detailed as follows

(euro/thousand)	At 12.31.2005	Change during the period				At 06.30.2006
		Loss coverage/ allocation of previous year result	Dividends	Exercised stock options	Other changes and exchange differences	Total
Share capital	248,012			553		248,565
- <i>ordinary shares</i>	243,930			553		244,483
- <i>savings shares</i>	4,082					4,082
Additional paid-in capital	441,893			5,610		447,503
Other reserves	49,927	95		(307)		49,715
Retained earnings	(68,181)	131,810	(42,121)	1,797	(2,137)	21,168
Reserve for transition to IAS/IFRS	181,576					181,576
Reserve for hedging instruments on interest rate risks	(14,262)				18,930	4,668
Reserve for stock options	9,223			(1,797)	2,655	10,081
Income (loss) for the period	131,905	(131,905)			(69,344)	(69,344)
Equity of the Group	980,093		(42,121)	5,856	(49,896)	893,932
Other reserves	12,936	6,756	(3,155)		59	16,596
Reserve for transition to IAS/IFRS	(75)					(75)
Income (loss) for the period	6,756	(6,756)			(2,401)	(2,401)
Minority interests	19,617		(3,155)		(2,342)	14,120
Shareholders' equity	999,710		(45,276)	5,856	(52,238)	908,052(*)

(*) of which € 226,449 thousand subject to tax imposition in case of distribution.

Share capital

Share capital amounted to € 248,565 thousand at June 30, 2006 (€ 248,012 thousand at December 31, 2005).

The share capital is composed of No. 8,149,443,196 ordinary shares and No. 136,074,786 savings shares, all of which have a par value of € 0.03 each. Share capital increased in the first half of 2006 by € 553 thousand for the issue of No. 18,452,500 ordinary shares following the exercise of the same number of options by the beneficiaries of the "2004 Stock Option Plan for Employees".

At the reporting date, share capital amounted to € 248,586 thousand due to the further issue of No. 700,000 ordinary shares, following the exercise of the same number of options by the beneficiaries of the "2004 Stock Option Plan for Employees".

In the share capital, € 13,741 thousand is pending taxation. Deferred tax liabilities have not been calculated on this amount, as the Company is not planning to pay off the capital.

Additional paid-in capital

The additional paid-in capital amounted to € 447,503 thousand at June 30, 2006 (€ 441,893 thousand at December 31, 2005). It increased during the period by € 5,610 thousand, following the increase in share capital which took place in the first half of 2006 due to the exercise of No. 18,452,500 options relating to the "2004 Stock Option Plan for Employees" at the price of € 0.3341 per share.

A portion of additional paid-in capital (€ 142,760 thousand) is considered pending taxation, due to the realignment made in 2005 of the value of the *Customer Data Base* for financial statement purposes with its value for tax purposes, pursuant to Law No. 342/2000. Deferred tax liabilities have not been calculated on this amount as the Company is not planning to pay it off.

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Other reserves

Other reserves amounted to € 267,208 thousand at June 30, 2006 (€ 158,283 thousand at December 31, 2005) and are detailed as follows

(euro/thousand)	At 06.30.2006	At 12.31.2005	Change
Reserve for transition to IAS/IFRS	181,576	181,576	
Reserve for stock options	10,081	9,223	858
Reserve for hedging instruments on interest rate risks	4,668	(14,262)	18,930
Reserve for exchange rate adjustments	(9,520)	(8,258)	(1,262)
Other reserves	80,403	(9,996)	90,399
Total other reserves	267,208	158,283	108,925

The *reserve for stock options* amounted to € 10,081 thousand at June 30, 2006 (€ 9,223 thousand at December 31, 2005). It increased during the period due to the following movements:

- a reduction of € 1,797 thousand due to the options exercised during the period;
- an increase of € 2,655 thousand following the valuation, in accordance with IFRS 2, of the stock option plans for which the maturity period has not yet concluded.

The *reserve for hedging instruments on interest rate risks* shows a positive balance of € 4,668 thousand at June 30, 2006, increased by € 18,930 thousand compared to December 31, 2005 (a negative balance of € 14,262 thousand). The change substantially reflected the higher market value of the hedging instruments entered into to hedge interest rate risks that were already effective at the beginning of the period.

17. Dividends distributed to Shareholders

On April 27, 2006, the General Shareholders' Meeting of SEAT Pagine Gialle S.p.A. resolved to distribute the following dividends:

- € 0.0050, gross of legal withholding, for each of the 8,149,443,196 ordinary shares outstanding at the detachment date (May 22, 2006);
- € 0.0101, gross of legal withholding, for each of the 136,074,786 savings shares.

Total dividends amounted to € 42,121 thousand, of which € 20,353 thousand not yet paid at June 30, 2006.

Taxes on dividends are calculated based on Articles 44 and 89 of the Italian Presidential Decree No. 917 of December 22, 1986.

18. Earning per share

The earning per share is based on the following data

	At 06.30.2006	At 06.30.2005
Number of SEAT Pagine Gialle S.p.A. shares	8,285,517,982	8,251,290,482
- ordinary	8,149,443,196	8,115,215,696
- savings	136,074,786	136,074,786
Par value per share	€ 0.030	0.030
Result for the period of SEAT Pagine Gialle group	€/thousand (69,344)	(46,534)
Earning per share	€ (0.00839)	(0.00565)
Diluted earning per share	€ (0.00838)	(0.00565)

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. Financial debts

This item is detailed as follows

(euro/thousand)	At 06.30.2006	At 12.31.2005	Change
<i>Debts due to The Royal Bank of Scotland Plc Milan Branch (gross value)</i>	2,009,539	2,349,100	(339,561)
<i>less transaction costs</i>	(66,539)	(75,371)	8,832
Debts due to The Royal Bank of Scotland Plc Milan Branch (net value)	1,943,000	2,273,729	(330,729)
<i>Debts due to Lighthouse International Company S.A. (gross value)</i>	1,300,000	1,300,000	
<i>less transaction costs</i>	(44,277)	(47,103)	2,826
Debts due to Lighthouse International Company S.A. (net value)	1,255,723	1,252,897	2,826
<i>Asset backed securities (gross value)</i>	256,000		256,000
<i>less securitisation costs</i>	(1,500)		(1,500)
Asset backed securities (net value)	254,500		254,500
Debts to other lenders	67	63	4
Total non-current financial debts	3,453,290	3,526,689	(73,399)
Current portion of non-current financial debts	155,661	171,112	(15,451)

- *Debts due to The Royal Bank of Scotland Plc Milan Branch* are referred to the "Term and Revolving Facilities Agreement". At June 30, 2006, they amounted to € 1,943,000 thousand (€ 2,273,729 thousand at December 31, 2005), net of transaction costs not yet amortised for € 66,539 thousand.

This loan was drawn in 2004 and refinanced in the first half of 2005 for a total amount of € 2,530.1 million and at June 30, 2006 it is organised as follows:

- tranche A, for € 1,650.7 million, repayable, in accordance with the amortisation plan, with six-month instalments till June 2012 and bearing interest at a floating interest rate p.a. equal to Euribor plus 1.91%;
- tranche B, for € 514.5 million, repayable in a single instalment in June 2013 and bearing interest at a floating interest rate p.a. equal to Euribor plus 2.41%; and
- 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. It is requested to pay a commitment fee of 0.56% p.a. for the unused commitments.

The financing agreement requires SEAT Pagine Gialle S.p.A. to comply with specific *covenants*, 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 principal instalments which are payable in each reference period). The result of the check carried out on these *covenants* at June 30, 2006 (reference date) was positive.

- *Financial debts due to Lighthouse International Company S.A.* amounted to € 1,255,723 thousand at June 30, 2006, net of € 44,277 thousand for transaction costs not yet amortised at the period-end. The ten-year loan bearing fixed interest rate of 8% p.a. falls due in 2014.

At June 30, 2006, € 17,375 thousand of debt for interests accrued and not yet settled is recognised as a current financial liability.

- *Asset backed securities* amounted to € 256,000 thousand at June 30, 2006 (gross of transaction costs). They were issued by the special purpose vehicle Meliadi Finance S.r.l. to finance the purchase of the trade receivable portfolio sold to it by SEAT Pagine Gialle S.p.A., in the framework of the securitisation program started in June 2006, as described in the section "Main events during the first half of 2006".

These securities, guaranteed by the trade receivable portfolio, were subscribed to through a private placement by an institutional investor. They expire in 2014 and bear a floating interest rate in line with the commercial paper rate. They are accounted for net of securitisation costs not yet amortised at June 30, 2006 (€ 1,500 thousand).

The overall average cost of the financial debts of SEAT Pagine Gialle S.p.A. was 5.9% p.a. over the first half of 2006 (6.6% p.a. over the first half of 2005).

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20. Guarantees provided, major 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 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 a guarantee of € 350,000 thousand for any possible additional charges relating to the bond issued by Lighthouse International Company S.A.

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

(euro/thousand)	Expiration date-within						Total
	06.30.2007	06.30.2008	06.30.2009	06.30.2010	06.30.2011	beyond 5 years	
The Royal Bank of Scotland Plc Milan Branch	155,661	160,895	191,365	225,504	238,480	1,193,295	2,165,200
Lighthouse International Company S.A.						1,300,000	1,300,000
Asset backed securities						256,000	256,000
Debts due to other lenders		27	40				67
Total financial debts (gross value)	155,661	160,922	191,405	225,504	238,480	2,749,295	3,721,267

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 of SEAT Pagine Gialle S.p.A. 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, according to its own risk management policies. Derivatives are used only to reduce the risk exposure to foreign exchange and interest rates referred to cash flows and assets and liabilities. No speculative activity is allowed.

Furthermore, the Company is exposed to the risk related to trade receivables. Over the past few years, the Company implemented sophisticated customers' creditworthiness assessment systems. These systems will be completed with the installation, expected at the end of 2006, of the Credit Scoring system by Experian S.r.l., already used by banks and main companies operating in consumer credit market.

The market risk policy of SEAT Pagine Gialle group

This policy consists of:

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

Hedging instruments on interest rate risks

The "Senior" debt with The Royal Bank of Scotland Plc Milan Branch bears a floating interest rate equal to Euribor plus certain margins. In order to reduce the exposure to the interest rate risk, hedging agreements have been entered into in the past with main international financial counterparties.

SEAT Pagine Gialle S.p.A relies on third parties (banks and financial institutions) in order to determine the market value of the derivative financial instruments.

The market value of Interest Rate Swaps (IRSs) is the current value of the difference between the fixed rates payable and for receivable, and interest based on market rate curves for the IRS due dates.

IRS involve or may involve the exchange of interest rates flows, calculated on the notional value of the derivatives at a fixed or floating rate on the due dates agreed upon by the parties. The notional amount does not represent the amount exchanged between the parties and therefore does not represent the measure of exposure to credit risk, which is limited to the total interest differentials that will be exchanged on the settlement dates.

The market value of collars is the difference between the market price for the purchase of the floor options previously sold and the market price for the sale of the cap options previously purchased. The price of these options is calculated based on the interest rates' expected levels at their relevant maturity dates, the strike price at each maturity date and the volatility of interest rates.

At June 30, 2006, the following agreements were effective:

- a) two *Interest Rate Swaps*, entered into in prior years, which allow 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 prior years to enhance the previous hedging instruments. Through these hedging agreements a variable band of a floating six-month Euribor rate was fixed with a maximum (in a range between 4.30% and 5.08%) and a minimum threshold (in a range between 2.59% and 3.42%);
- c) a *Forward Rate Agreement*, entered into in the previous year, through which an average Euribor rate of 2.17% has been fixed on € 350 million of notional amount with reference to the fourth quarter of 2006; and
- d) five *Interest Rate Swaps*, entered into in February and March 2006, with reference to the loans expected to be outstanding in the period from December 2009 to June 2012, through which the floating six-month Euribor rate has been replaced by a fixed rate of about 3.75% on € 325 million of notional amount.

The notional amount and fair value of the hedging agreements at June 30, 2006 are as follows

	Notional amount	Fair value
(euro/million)		
Interest Rate Swap	1,579.75	4.26
Interest Rate Collar	1,214.52	0.97
Forward Rate Agreement	350.00	1.02

Actually, derivative contracts allow the Company an overall hedging of about 83% of the financial exposure in 2006, about 85.6% during the 2007-2009 period and 80% during the 2010-2011 period.

22. Non-current reserves to employees

This item is detailed as follows

(euro/thousand)	1 st half-year 2006					1 st half-year 2005
	Net liabilities for reserve for defined benefit pension plans	Reserve for severance indemnities	Reserve for defined contribution pension plans	Net liabilities for reserve for termination indemnities of Managing Directors	Total	Total
Opening value	19,935	32,273		580	52,788	52,916
Provisions	2,075	1,731	474	297	4,577	4,012
Contributions to plan assets	(2,878)			(725)	(3,603)	(4,785)
Utilisations		(2,981)	(477)		(3,458)	(2,019)
Actuarial (gains) losses	(284)	594			310	525
Exchange rate adjustments and other movements	(187)	22	3	298	136	3,379
Ending value	18,661	31,639		450	50,750	54,028

Net liabilities for reserve for defined benefit pension plans

Net liabilities for reserve for defined benefit pension plans amounted to € 18,661 thousand at June 30, 2006 and were recognised net of assets (€ 69,383 thousand), assigned to this reserve (€ 88,044 thousand).

They refer primarily to the pension plan in force in the TDL Infomedia group.

The amounts related to the pension plan assets, the liabilities to employees and the related costs recognised in the statement of operations have been determined on the basis of valuations carried out by an independent expert, using the *Projected Unit Method* in accordance with IAS 19.

These assumptions, based on estimates and in line with the valuations made during the previous year, may differ from the actual future outcome.

Reserve for severance indemnities

The *reserve for severance indemnities*, of € 31,639 thousand at June 30, 2006 (€ 32,273 thousand at December 31, 2005), was accounted for (since it is considered as a defined benefit pension plan) in accordance with IAS 19.

23. Share-based payments

The stock option plans in force at June 30, 2006 are recognised in accordance with IFRS 2.

Beneficiaries	Grant date	Number of granted options	Number of expired options	Vesting date	Strike price (euro)	Number of exercised options	Number of outstanding options at 06.30.2006	Fair value (euro/thousand)	of which accrued in the 1 st half of 2006
2004 stock option plan									
Employees of SEAT Pagine Gialle S.p.A.	06-07-2004	59,265,000	(850,000)	09-30-2005	0.3341	(31,277,500)	27,137,500	5,590	
Employees of other Group companies	06-30-2004	14,900,000	(1,425,000)	09-30-2005	0.3341	(2,950,000)	10,525,000	1,322	
Managing Director	11-25-2004	5,000,000		09-30-2005	0.3341		5,000,000	400	
2005 stock option plan									
Employees of SEAT Pagine Gialle S.p.A.	04-08-2005	62,500,000	(1,900,000)	09-30-2006	0.3221		60,600,000	5,215	1,695
Employees of SEAT Pagine Gialle S.p.A.	11-04-2005	1,600,000		09-30-2006	0.3915		1,600,000	200	109
Employees of other Group companies	04-08-2005	14,235,000	(450,000)	09-30-2006	0.3221		13,785,000	1,186	557
Managing Director	04-08-2005	5,000,000		09-30-2006	0.3221		5,000,000	498	167
Total		162,500,000	(4,625,000)			(34,227,500)	123,647,500	14,441	2,528
2005 Telegate stock option plan									
Employees of Telegate A.G.	05-12-2005	293,000	(30,000)	05-12-2007	14.28		263,000	548	124
Employees of Telegate A.G.	07-29-2005	7,000		07-29-2007	17.22		7,000	16	4
Employees of Telegate A.G.	06-01-2006	400,000		06-01-2008	16.09		400,000	912	72
Total		700,000	(30,000)				670,000	1,476	200
Total SEAT Pagine Gialle group		163,200,000	(4,655,000)			(34,227,500)	124,317,500	15,887	2,728

Stock option costs amounted to € 2,728 thousand in the first half of 2006 (€ 3,844 thousand in the first half of 2005) and were included in the statement of operations as non-recurring costs.

24. Other non-current liabilities

Other non-current liabilities amounted to € 22,994 thousand at June 30, 2006 (€ 22,788 thousand at December 31, 2005) and are detailed in the following table

(euro/thousand)	1 st half-year 2006					1 st half-year 2005
	Reserve for sales agents	Reserve for restructuring expenses	Reserve for operating risks and charges	Other non operating liabilities	Total	Total
Opening value	19,465	1,546	1,750	27	22,788	22,028
Provisions	1,870	24			1,894	2,083
Utilisations	(878)	(169)	(273)		(1,320)	(1,556)
Reversal to statement of operations		(855)			(855)	
Actuarial (gains) losses	487				487	244
Ending value	20,944	546	1,477	27	22,994	22,799

The balances at June 30, 2006 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 has been accounted for as financial expense (€ 487 thousand).

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It should be noted that the *reserve for sales agents' termination indemnities*, of € 20,944 thousand at June 30, 2006, increased during the period by € 1,870 thousand and represents the accrued liability at period-end to sales agents in force for the indemnity due to them under current regulations if the agency relationship is interrupted.

25. Current financial debts

Current financial debts amounted to € 194,966 thousand at June 30, 2006 (€ 214,301 thousand at December 31, 2005) and refer to:

- the current portion of the financial debts for € 155,661 thousand, relating to the refinancing with The Royal Bank of Scotland Plc Milan Branch, falling due in December 2006 and June 2007;
- the debt for interests accrued and not yet settled for € 17,375 thousand on the loan from the associate Lighthouse International Company S.A.;
- the Parent Company's debt due to Shareholders for € 20,783 thousand for the distribution of dividends;
- payables to banks and other current financial payables for € 1,147 thousand.

26. Reserves for current risks and charges

This item is detailed as follows

(euro/thousand)	1 st half-year 2006				1 st half-year 2005
	Reserve for commercial risks	Reserves for contractual risks and other operating risks	Reserve for restructuring costs	Total	Total
Opening value	16,144	29,477	4,745	50,366	60,890
Provisions	8,682	1,306		9,988	10,544
Utilisations	(9,006)	(2,729)	(2,758)	(14,493)	(16,530)
Reversal to statement of operations		(580)	(93)	(673)	(2,873)
Other movements		44	(1)	43	(1,586)
Ending value	15,820	27,518	1,893	45,231	50,445

In particular:

- the *reserve for commercial risks*, of € 15,820 thousand at June 30, 2006, relates to possible charges payable in relation to non-complete performance of contractual commitments for PAGINEGIALLE®, PAGINEBIANCHE® and Annuari;
- the *reserves for contractual risks and other operating risks*, of € 27,518 thousand at June 30, 2006 (€ 29,477 thousand at December 31, 2005), mainly include i) € 13,618 thousand for reserves for litigation and actions in progress enacted by agents and employees; and ii) € 12,975 thousand for 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 costs for services, have been contested and will only be paid if the pending legal proceedings have a final negative judgment;
- the *reserve for restructuring costs – current portion*, of € 1,893 thousand at June 30, 2006, should be considered together with the non-current portion (€ 546 thousand at June 30, 2006). It has been established to provide for future charges expected under corporate restructuring plans. The reserve was utilised during the period for € 2,758 thousand, of which € 2,411 thousand following the final phases of the Parent Company's workforce reorganisation and downsizing plan, which will be completed by the end of the year.

27. Trade accounts payable and other current liabilities

Trade accounts payable and other current liabilities are detailed as follows

(euro/thousand)	At 06.30.2006	At 12.31.2005	Change
Payables due to suppliers	163,862	186,890	(23,028)
Payables due to sales agents	52,621	63,330	(10,709)
Payables due to employees	26,321	28,479	(2,158)
Payables due to social security institutions	12,045	12,374	(329)
Payables due to directors and statutory auditors	1,507	1,681	(174)
Total trade accounts payable	256,356	292,754	(36,398)
Payables for services to be rendered	212,626	101,370	111,256
Advances from customers	4,366	3,752	614
Deferred income and other current liabilities	9,204	9,493	(289)
Total payables for services to be rendered and other current liabilities	226,196	114,615	111,581

All *trade accounts payable* are due within 12 months.

The total *payables for services to be rendered and other current liabilities* include € 218 thousand of payables with due dates of more than 12 months (€ 99 thousand at December 31, 2005).

In detail:

- *payables due to sales agents*, of € 52,621 thousand at June 30, 2006 (€ 63,330 thousand at December 31, 2005), should be considered together with the "advanced sales commissions", included in "Other current assets", which amounted to € 53,180 thousand at June 30, 2006 (€ 52,334 thousand at December 31, 2005);
- *payables for services to be rendered*, of € 212,626 thousand at June 30, 2006, refer to advance billing of advertising services, of which € 46,626 thousand already paid by customers.

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 differences between 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 applied to third party transactions. Revenues, costs and results by Business Area include transfers between areas which, by contrast, are eliminated in consolidated financial statements.

The geographic areas of the Group are determined on the basis of the location of the Group's activities and substantially correspond to the legal entities operating in each Business Area.

Figures and notes by Business Area are available in the section "Economic and financial performance of the Business Areas", with focus on trend in operating revenues and costs, and to which reference should be made.

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29. Revenues from sales and services

Revenues from sales and services in the first half of 2006 amounted to € 573,591 thousand, with an increase compared to the same period of the previous year (€ 555,795 thousand). The revenues by Business Area are detailed as follows

(euro/thousand)	1 st half-year	1 st half-year	Change	
	2006	2005	Absolute	%
Italian Directories	417,252	415,193	2,059	0.5
UK Directories	61,233	63,377	(2,144)	(3.4)
Directory Assistance	92,736	73,753	18,983	25.7
Other activities	26,255	15,683	10,572	67.4
Eliminations	(23,885)	(12,211)	(11,674)	n.s.
Total revenues from sales and services	573,591	555,795	17,796	3.2

The section "Economic and financial performance of the Business Areas", in the Report on operations, provides a more detailed analysis of revenues by Business Area.

30. Other revenues and operating costs

30.1 Other income and revenues

Other income and revenues amounted to € 2,724 thousand in the first half of 2006 (€ 2,806 thousand in the first half of 2005) and included € 2,274 thousand for the repayments of cost mainly incurred by the Parent Company (€ 1,855 thousand in the first half of 2005).

30.2 Materials

Materials amounted to € 24,275 thousand in the first half of 2006 (€ 25,680 thousand in the first half of 2005). € 20,670 thousand was referred to paper costs.

30.3 External services

External services amounted to € 251,663 thousand in the first half of 2006 (€ 182,550 thousand in the first half of 2005). They increased by € 69,113 thousand during the period, mainly due to the rise in the costs for:

- *advertising and promotion* (+ € 34,812 thousand), mainly incurred in Italy and France to support the launch of the 118000 and 12.40 Pronto PAGINEBIANCHE® services as well as the 89.24.24 Pronto PAGINEGIALLE® service, due to the higher level of competition arising from the recent liberalisation of the market;
- *call center services* (+ € 13,897 thousand), as a result of the development of the directory assistance services, particularly in France;
- *commissions and other sales agents costs* (+ € 6,893 thousand), due to the decision to incentivize, more than in the first half of 2005, the sales force in the form of higher sales commissions (+ € 2,113 thousand) and the convention organised in Morocco in April 2006 (€ 2,075 thousand). Also training costs were higher, due to a more than 100% increase compared to the first half of 2005 in the number of training hours provided. Moreover, the first half of 2005 benefited by about € 3,492 thousand for reversal of previous years sales commissions no longer due;
- *consulting costs and professional services* (+ € 4,643 thousand), of which € 2,806 thousand was attributable to increased legal and external credit collection firm costs, which reflects SEAT Pagine Gialle S.p.A.'s increasing attention towards the process of credit management and recovery. These costs led to an increase of 25.3% in the collection of doubtful receivables, reducing their ratio to total trade receivables by 4.5% compared to December 2005.

Other costs were substantially in line with the same period of the previous year.

30.4 Salaries, wages and employee benefits

Salaries, wages and employee benefits amounted to € 116,563 thousand in the first half of 2006 (€ 105,085 thousand in the first half of 2005) and are detailed as follows

(euro/thousand)	1 st half-year	1 st half-year	Change	
	2006	2005	Absolute	%
Wages and salaries	87,887	79,418	8,469	10.7
Social security contributions	19,437	17,397	2,040	11.7
Other costs to employees	1,369	1,249	120	9.6
Costs to directors, project workers and trainees	3,323	3,009	314	10.4
Provision to reserves to employees	4,547	4,012	535	13.3
Total salaries, wages and employee benefits	116,563	105,085	11,478	10.9

Salaries, wages and employee benefits increased by € 11,478 thousand, +10.9%, compared to the same period of the previous year. This change was primarily due for € 3,453 thousand to the consolidation of Cipi S.p.A., as from the fourth quarter of 2005, and for € 5,489 thousand to the increase of personnel in the call centers of the Telegate group and Prontoseat S.r.l..

The Group workforce, including directors, project workers and trainees, was 6,656 units at June 30, 2006 (6,105 units at December 31, 2005).

The average workforce (FTE for foreign companies) was 5,156 during the period (4,128 in the first half of 2005).

30.5 Non-recurring costs, net

They amounted to € 4,328 thousand in the first half of 2006 and were detailed as follows

(euro/thousand)	1 st half-year	1 st half-year	Change	
	2006	2005	Absolute	%
Costs for stock options	2,728	3,844	(1,116)	(29.0)
Other non-recurring costs	1,600	2,579	(979)	(38.0)
Provisions to reserve for non-operating risks and charges		100	(100)	n.s.
Total non-recurring costs, net	4,328	6,523	(2,195)	(33.7)

Other *non-recurring costs*, amounting to € 1,600 thousand in the first half of 2006, largely relate to legal expenses incurred for disputes concerning competition in Italy and the UK.

30.6 Restructuring costs, net

Net restructuring costs amounted to € 618 thousand in the first half of 2006 and were detailed as follows

(euro/thousand)	1 st half-year	1 st half-year	Change	
	2006	2005	Absolute	%
Restructuring costs	1,542	2,096	(554)	(26.4)
Provisions to reserve for company's restructuring	24		24	n.s.
Reversal of reserve for company's restructuring	(948)	(1,433)	485	33.8
Total restructuring costs, net	618	663	(45)	(6.8)

They refer for € 1,542 thousand to *restructuring costs* of the sales area and the Parent Company's workforce which were partially offset, for € 948 thousand, by the reversal of the reserve for company's restructuring.

31. Interest income and expense

31.1 Interest expense

Interest expense amounted to € 129,561 thousand in the first half of 2006 (€ 149,827 thousand in the first half of 2005) and is detailed as follows

(euro/thousand)	1 st half-year	1 st half-year	Change	
	2006	2005	Absolute	%
Interest expenses on the loan to The Royal Bank of Scotland Plc Milan Branch	68,030	81,612	(13,582)	(16.6)
Interest expenses on the loan to Lighthouse International Company S.A.	54,951	58,803	(3,852)	(6.6)
Other financial interest and charges	5,394	1,834	3,560	n.s.
Exchange rate expenses	1,186	7,578	(6,392)	(84.3)
Total interest expense	129,561	149,827	(20,266)	(13.5)

It decreased by € 20,266 thousand compared to the same period of the previous year and included:

- € 68,030 thousand (€ 81,612 thousand in the first half of 2005) for interest expenses on the "Senior Credit Agreement" between SEAT Pagine Gialle S.p.A. and The Royal Bank of Scotland Plc Milan Branch, which decreased compared to the first half of 2005 due to the positive effect of the debt restructuring which took place in June 2005;
- € 54,951 thousand (€ 58,803 thousand in the first half of 2005) for interest expenses on the "Subordinated" loan with the associate Lighthouse International Company S.A. They decreased by € 3,852 thousand compared to the same period of the previous year due to the tax regulations introduced in July 2005, according to which these interests are no longer subject to tax deductions;
- € 5,394 thousand (€ 1,834 thousand in the first half of 2005) for other financial interest and charges, including € 3,312 thousand for actuarial losses on non-current assets and liabilities (€ 820 thousand in the first half of 2005) and € 1,149 thousand (€ 11 thousand in the first half of 2005) for interest payable on bank overdraft;
- € 1,186 thousand (€ 7,578 thousand in the first half of 2005) for *exchange rate expenses*, recognised as a consequence of hedging instruments on the euro/sterling exchange rate risks and counterbalanced by exchange rate income, as described in the following item.

31.2 Interest income

Interest income, of € 5,602 thousand in the first half of 2006 (€ 13,367 thousand in the first half of 2005), is detailed as follows

(euro/thousand)	1 st half-year	1 st half-year	Change	
	2006	2005	Absolute	%
Actuarial gains	2,590	230	2,360	n.s.
Interest income from bank accounts	1,953	1,107	846	76.4
Exchange rate income	891	11,878	(10,987)	(92.5)
Other interest income	168	152	16	10.5
Total interest income	5,602	13,367	(7,765)	(58.1)

This item refers to:

- € 2,590 thousand (€ 230 thousand in the first half of 2005) for *actuarial gains* on non-current assets and liabilities;
- € 1,953 thousand (€ 1,107 thousand in the first half of 2005) for *interest income* arising from the use of short-term cash deposits with banks at rates equivalent to Euribor, on the whole;
- € 891 thousand (€ 11,878 thousand in the first half of 2005) for *exchange rate income*, mainly recognised as a consequence of hedging instruments on the euro/sterling exchange rate risks, partly counterbalanced by the exchange rate expenses.

32. Income taxes

Income taxes for the first half of 2006 are detailed as follows

(euro/thousand)	1 st half-year	1 st half-year	Change	
	2006	2005	Absolute	%
Current income taxes	4,972	4,559	413	9.1
Deferred tax assets	(4,449)	(8,236)	3,787	46.0
Deferred tax liabilities	1,678	20,593	(18,915)	(91.9)
Income taxes referred to previous years	(650)	6	(656)	n.s.
Total income taxes	1,551	16,922	(15,371)	(90.8)

32.1 Net deferred tax assets

Net deferred tax assets amounted to € 93,469 thousand (€ 99,761 thousand at December 31, 2005) and were stated net of deferred tax liabilities of € 81,353 thousand (€ 77,462 thousand at December 31, 2005).

The change recorded in the six-month period was mainly due to lower net deferred tax assets recognised directly to equity (€ 8,973 thousand), which were partially offset by € 2,771 thousand of positive deferred income taxes recognised in the period.

32.2 Current tax assets

Current tax assets amounted € 14,079 thousand at June 30, 2006 (€ 6,267 thousand at December 31, 2005) and refer to

(euro/thousand)	At 06.30.2006	At 12.31.2005	Change
Direct tax receivables	4,619	3,733	886
Indirect tax receivables	9,460	2,534	6,926
Total current tax assets	14,079	6,267	7,812

Indirect tax receivables refer to VAT receivables.

32.3 Current tax payables

Current tax payables amounted to € 44,062 thousand at June 30, 2006 (€ 40,958 thousand at December 31, 2005) and are detailed as follows

(euro/thousand)	At 06.30.2006	At 12.31.2005	Change
Income tax payables	27,095	23,486	3,609
Other tax payables	16,967	17,472	(505)
Total current tax payables	44,062	40,958	3,104

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33. Related party transactions

In compliance with IAS 24 and with Article 2, paragraph h of the Regulations for Issuers by CONSOB No. 11971/1999 (as subsequently amended), the table below summarises the economic and financial effects of transactions with related parties on the financial statements of the SEAT Pagine Gialle group for the first half of 2006.

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

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

(euro/thousand)	Towards associates	Descriptions
Interest expenses	54,951	they refer to interest expenses on the long-term "Subordinated" loan to Lighthouse International Company S.A..
Non-current financial debts	1,255,723	they refer to the "Subordinated" loan to Lighthouse International Company S.A. of € 1,300,000 thousand, net of € 44,277 thousand for transaction costs incurred at the inception of the loan and not yet amortised at June 30, 2006.
Current financial debts	17,375	they refer to the financial debt to Lighthouse International Company S.A. for interests accrued and not yet settled at the end of the period.

Annex 1

List of 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 communication to SMEs)	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
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
TELEGATE AUSKUNFTDIENSTE GmbH (call center services)	Martinsried -Munich (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
MELIADI FINANCE S.r.l. * (special purpose vehicle)	Milan	Euro	10,000	-	-	-

(*) special purpose entity formed specially for the securitisation program of trade receivables in accordance with the Italian Law No. 130/99, which is not part of the SEAT Pagine Gialle group and is consolidated in full pursuant to SIC 12.

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Annex 2

List of investments accounted for using the equity method

Company (business)	Registered Office	Share capital		Ordinary shares held		% held by di SEAT Pagine Gialle S.p.A.
				%	by	
Associates						
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



First half-year Financial Statements of SEAT Pagine Gialle S.p.A.

.....1 Putting you in contact with the future
Investing in technology to expand your horizons

➤ Balance sheet of SEAT Pagine Gialle S.p.A. at June 30, 2006

Assets

	At 06.30.2006	At 12.31.2005	Change	Note	At 06.30.2005
(euro/thousand)					
Non-current assets					
Intangible assets with indefinite useful life	3,187,161	3,187,161	-	(4)	3,187,161
Intangible assets with finite useful life	535,652	615,782	(80,130)	(6)	687,833
Property, plant and equipment	11,279	10,864	415	(7)	9,039
Investments	386,811	386,561	250	(8)	265,502
Other non-current financial assets	1,598	110,718	(109,120)	(9)	176,211
Deferred tax assets, net	70,140	80,743	(10,603)	(31)	58,908
Other non-current assets	693	927	(234)	(12)	1,161
Total non-current assets	(A) 4,193,334	4,392,756	(199,422)		4,385,815
Current assets					
Inventories	9,653	8,398	1,255	(10)	9,885
Trade accounts receivable	562,687	588,480	(25,793)	(11)	590,385
Current tax assets	2,223	1,853	370		2,755
Other current assets	70,519	62,058	8,461	(12)	87,738
Current financial assets	6,635	2,349	4,286	(13)	4,610
Current financial assets from subsidiaries	111,900	3,033	108,867	(14)	78,694
Cash and cash equivalents	58,965	158,403	(99,438)	(15)	44,540
Total current assets	(B) 822,582	824,574	(1,992)		818,607
Total assets	(A+B) 5,015,916	5,217,330	(201,414)		5,204,422

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Liabilities and Shareholders' equity

	At 06.30.2006	At 12.31.2005	Change	Note	At 06.30.2005
(euro/thousand)					
Shareholders' equity					
Share capital	248,565	248,012	553	(16)	247,539
Additional paid-in capital	447,503	441,893	5,610	(16)	437,097
Reserve for transition IAS/IFRS	161,750	161,750	-		160,412
Reserve for stock options	7,850	7,552	298	(16)	5,703
Reserve for hedging instruments on interest rate risks	4,668	(14,262)	18,930	(16)	(37,344)
Retained earnings	43,404	-	43,404	(16)	-
Other reserves	49,715	49,927	(212)		49,620
Income (loss) for the period	(40,669)	84,715	(125,384)		(46,127)
Total Shareholders' equity	(A) 922,786	979,587	(56,801)		816,900
Non-current liabilities					
Non-current financial debts	1,943,000	2,273,729	(330,729)	(19)	2,361,687
Non-current financial debts due to subsidiaries and associates	1,417,097	1,252,897	164,200	(19)	1,250,225
Non-current reserves to employees	28,193	29,293	(1,100)	(23)	29,207
Other non-current liabilities	20,944	19,465	1,479	(25)	19,197
Total non-current liabilities	(B) 3,409,234	3,575,384	(166,150)		3,660,316
Current liabilities					
Current financial debts	214,886	261,949	(47,063)	(22)	252,819
Trade accounts payable	206,253	231,643	(25,390)	(27)	192,209
Payables for services to be rendered and other current liabilities	193,303	97,040	96,263	(27)	225,588
Reserve for current risk and charges	30,580	35,644	(5,064)	(26)	35,253
Current tax payables	38,874	36,083	2,791		21,337
Total current liabilities	(C) 683,896	662,359	21,537		727,206
Total liabilities	(B+C) 4,093,130	4,237,743	(144,613)		4,387,522
Total liabilities and Shareholders' equity	(A+B+C) 5,015,916	5,217,330	(201,414)		5,204,422

➤ Statement of operations of SEAT Pagine Gialle S.p.A. for the first half of 2006

(euro/thousand)	1 st half-year 2006	1 st half-year 2005	Change		Note	Year 2005
			Absolute	%		
Sales of goods	7,518	7,903	(385)	(4.9)	(28)	22,328
Rendering of services	409,734	407,290	2,444	0.6	(28)	1,039,485
Revenues from sales and services	417,252	415,193	2,059	0.5	(28)	1,061,813
Other income and revenues	2,753	2,583	170	6.6	(29)	6,229
Total revenues	420,005	417,776	2,229	0.5		1,068,042
Materials	(20,257)	(21,574)	1,317	6.1	(29)	(56,516)
External services	(171,544)	(135,919)	(35,625)	(26.2)	(29)	(337,728)
Salaries, wages and employees benefits	(42,679)	(42,113)	(566)	(1.3)	(29)	(85,213)
Other valuation adjustments	(13,558)	(15,958)	2,400	15.0	(11)	(31,987)
Provision to reserves for risks and charges, net	(8,647)	(9,016)	369	4.1	(26)	(18,041)
Other operating expenses	(1,423)	(1,445)	22	1.5	(29)	(3,347)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net	161,897	191,751	(29,854)	(15.6)		535,210
Amortisation, depreciation and write-downs	(89,723)	(90,184)	461	0.5	(4-7)	(181,379)
Non-recurring costs, net	(2,910)	(4,173)	1,263	30.3	(29)	(7,348)
Restructuring costs, net	(1,542)	(2,040)	498	24.4	(29)	(2,659)
Operating income	67,722	95,354	(27,632)	(29.0)		343,824
Interest expenses	(127,760)	(150,123)	22,363		(30)	(281,738)
Interest income	23,546	23,568	(22)		(30)	33,667
Write-up (write-down) of investments	-	-	-			447
Gains (losses) on disposal of investments	(16)	(136)	120			(432)
Income (loss) before income taxes	(36,508)	(31,337)	(5,171)			95,768
Income taxes	(4,161)	(14,790)	10,629		(31)	(11,053)
Income (loss) for the period	(40,669)	(46,127)	5,458			84,715

SEAT Pagine Gialle S.p.A. shares	8,285,517,982	8,251,290,482	8,267,065,482
- <i>ordinary</i>	8,149,443,196	8,115,215,696	8,130,990,696
- <i>savings</i>	136,074,786	136,074,786	136,074,786
Earning per share (in euro)	(0.00492)	(0.00560)	0.01029
Diluted earning per share (in euro)	(0.00492)	(0.00560)	0.01028

➤ Cash flow statement of SEAT Pagine Gialle S.p.A. for the first half of 2006 (indirect method)

(euro/thousand)	1 st half-year 2006	1 st half-year 2005	Change	Year 2005
Cash inflow from operating activities				
Income (loss) for the period	(40,669)	(46,127)	5,458	84,715
Amortisation, depreciation and write-downs	89,723	90,184	(461)	181,379
Interest expenses, net (*)	103,238	125,922	(22,684)	247,073
Costs for stock options	1,971	3,227	(1,256)	6,454
Income taxes for the period	4,161	14,790	(10,629)	11,053
(Gains) losses on disposal of non-current assets	16	200	(184)	502
(Write-up) write-downs of assets	-	-	-	(447)
Change in working capital	80,658 (**)	82,685	(2,027)	9,484
Other changes	336	1,889	(1,553)	2,248
Cash inflow from operating activities (A)	239,434	272,770	(33,336)	542,461
Cash outflow for investments				
Purchase of intangible assets with finite useful life	(7,250)	(4,976)	(2,274)	(21,224)
Purchase of property, plant and equipment	(2,768)	(1,442)	(1,326)	(6,367)
Other investments	(250)	(16)	(234)	(18,377)
Proceeds from disposal of non-current assets	281	148	133	26,758
Cash outflow for investments (B)	(9,987)	(6,286)	(3,701)	(19,210)
Cash outflow for financing				
Non-current loans proceeds	266,986	-	266,986	-
Repayments of non-current loans	(448,414)	(220,364)	(228,050)	(230,364)
Current loans proceeds	-	40,000	(40,000)	40,000
Repayments of current loans	-	-	-	(40,000)
Payment of interest expenses, net	(102,096)	(124,199)	22,103	(228,533)
Payment of transaction costs on loans and securitisation costs	(1,525)	(25,920)	24,395	(26,052)
Change in financial assets and financial debts	(27,924)	680	(28,604)	6,666
Increase in share capital from exercised stock options	5,856	-	5,856	5,576
Paid dividends	(21,768)	-	(21,768)	-
Cash outflow for financing (C)	(328,885)	(329,803)	918	(472,707)
Increase (decrease) in cash and cash equivalents in the period (A+B+C)	(99,438)	(63,319)	(36,119)	50,544
Cash and cash equivalents at the beginning of the period	158,403	107,859	50,544	107,859
Cash and cash equivalents at the end of the period	58,965	44,540	14,425	158,403

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

(**) The amount does not include € 1,146 thousand of non-operating debt to Monte Titoli recorded as counter-party of Shareholders' equity.

Net financial debt

	At 06.30.2006	At 12.31.2005	Change	Note	At 06.30.2005
(euro/thousand)					
Net financial debt	3,514,573	3,613,486	(98,913)		3,637,737
Transaction costs on loans and securitisation costs not yet amortised	(112,316)	(122,474)	10,158	(19)	(132,688)
Net market value of hedging instruments on interest rate risks	(6,254)	23,178	(29,432)	(21)	55,738
"Net financial debt - book value"	3,396,003	3,514,190	(118,187)		3,560,787
of which:					
- Non-current financial debts	3,360,097	3,526,626	(166,529)	(19)	3,611,912
- Current financial debts	214,886	261,949	(47,063)	(22)	252,819
- Non-current financial assets (*)	(1,480)	(110,600)	109,120	(9)	(176,100)
- Current financial assets	(188,535)	(5,382)	(113,153)	(13-14)	(83,304)
- Cash and cash equivalents	(58,965)	(158,403)	99,438	(15)	(44,540)

(*) This item does not include financial assets available for sale.

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➤ Changes in Shareholders' equity of SEAT Pagine Gialle S.p.A. from December 31, 2005 to June 30, 2006

	Share capital	Additional paid-in capital	Other reserves	Income (loss) for the period	Total
(euro/thousand)					
At December 31, 2005	248,012	441,893	204,967	84,715	979,587
Changes during the period					
- Allocation of 2005 year result			42,594	(84,715)	(42,121)
- Exercise of stock options	553	5,610	(307)		5,856
- Change in the reserve for hedging instruments on interest rate risks			18,930		18,930
- Income (loss) for the period			1,203	(40,669)	(39,466)
At June 30, 2006	248,565	447,503	267,387	(40,669)	922,786

➤ Changes in Shareholders' equity of SEAT Pagine Gialle S.p.A. from December 31, 2004 to June 30, 2005

	Share capital	Additional paid-in capital	Other reserves	Income (loss) for the period	Total
(euro/thousand)					
At December 31, 2004	247,539	541,845	76,943	33,316	899,643
Changes during the period					
- Opening balance adjustments for adoption IAS 39			(23,632)		(23,632)
- Allocation of 2004 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)		
- Change in the reserve for hedging instruments on interest rate risks			(16,211)		(16,211)
- Income (loss) for the period			3,227	(46,127)	(42,900)
At June 30, 2005	247,539	437,097	178,391	(46,127)	816,900

➤ 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.

At the reporting date, the Company has its registered offices in Milan, Via Grosio 10/4. The share capital is € 248,586 thousand.

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

2. Preparation criteria

The first half-year 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"), in accordance with the relevant CONSOB regulations. In detail, the financial statements of the SEAT Pagine Gialle S.p.A. for the first half of 2006 have been prepared in accordance with IAS 34 — Interim Financial Reporting. As envisaged in this standard, the financial statements of the SEAT Pagine Gialle S.p.A. for the first half 2006 do not include all the information required for an annual report and should be read together with the SEAT Pagine Gialle S.p.A. financial statements for 2005.

As from January 1, 2005, SEAT Pagine Gialle S.p.A. has adopted IAS/IFRS standards following the entry into force of European Regulation No. 1606 of July 19, 2002.

The first half-year 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 used are consistent with those adopted for preparing the 2005 financial statements.

No new accounting standards have been applied during the first half of 2006.

2.2 Management assumptions and accounting estimates

The preparation of the first half-year 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, employee 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.

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3. Accounting policies

For a summary of the accounting standards adopted, reference should be made to the section "First half-year Financial Statements of the Group", except for the valuation criteria relating to "Investments", illustrated below.

Investments

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 are recognised in the statement of operations under "write-up (write-down) of 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 liable for them.

The cost of investments in foreign companies is converted into euro at the historic acquisition or subscription exchange rates.

4. Intangible assets with indefinite useful life

This item amounted to € 3,187,161 thousand at June 30, 2006 and refers to goodwill arising on mergers carried out in prior years.

5. Impairment test of intangible assets with indefinite useful life

No possibility of impairment losses was identified at the reporting date. It was not therefore necessary to bring forward the impairment tests envisaged for the end of the current period.

6. Intangible assets with finite useful life

(euro/thousand)	1 st half-year 2006					1 st half-year 2005
	Customer Data Base	Software	Other intangible assets	Work in progress	Total	Total
<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)
Net opening value	580,738	17,934	3,447	13,663	615,782	770,844
- Investments		2,346	252	4,652	7,250	4,976
- Amortisation and write-downs	(81,033)	(5,488)	(859)		(87,380)	(87,987)
- Other movements		2,537		(2,537)		
<i>Cost</i>	972,400	92,461	11,007	15,778	1,091,646	1,072,392
<i>Accumulated amortisation</i>	(472,695)	(75,132)	(8,167)		(555,994)	(384,559)
Net ending value	499,705	17,329	2,840	15,778	535,652	687,833

Work in progress amounted to € 15,778 thousand at June 30, 2006 (€ 13,663 thousand at December 31, 2005) and referred primarily to software projects in progress.

Investments for the first half of 2006 amounted to € 7,250 thousand (€ 4,976 thousand in the first half of 2005) and concerned:

- the development of new software for online products;
- the continuation during the half-year period of the development of the SEM project (a multimedia publishing system), the first prototype of which had been released at the end of 2005;
- the continuation during the half-year period of the work on implementing the SAP project – from order to cash – with a view to adopt the SAP platform from the front-end to the final back-office phase.

7. Property, plant and equipment

(euro/thousand)	1 st half-year 2006				1 st half-year 2005
	Property	Machineries and equipment	Other fixed assets	Total	Total
<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)
Net opening value	1,289	1,296	8,279	10,864	10,009
- Investments	7	2	2,759	2,768	1,442
- Disposals		(5)	(5)	(10)	(215)
- Depreciation and write-downs	(217)	(203)	(1,923)	(2,343)	(2,197)
- Other movements		30	(30)		
<i>Cost</i>	2,203	5,487	46,913	54,602	50,166
<i>Accumulated depreciation</i>	(1,124)	(4,367)	(37,833)	(43,323)	(41,127)
Net ending value	1,079	1,120	9,080	11,279	9,039

Property, plant and equipment amounted to € 11,279 thousand at June 30, 2006 (€ 10,864 thousand at December 31, 2005) and are stated net of accumulated depreciation of € 43,323 thousand (€ 41,882 thousand at December 31, 2005).

This item includes *other fixed assets* amounted to € 9,080 thousand at June 30, 2006 (€ 8,279 thousand at December 31, 2005), of which € 8,385 thousand for EDP systems.

Investments for the first half of 2006 amounted to € 2,768 thousand (€ 1,442 thousand for the first half of 2005) mainly relate to the purchase of EDP systems, including servers and other IT equipment.

Accumulated depreciation represents 79% of the gross value of property, plant and equipment (unchanged compared to December 31, 2005).

The following table shows a summary of the depreciation rates used

	1 st half-year 2006	1 st half-year 2005
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.

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8. Investments

Investments in subsidiaries and associates at June 30, 2006 amounted to € 386,811 thousand (€ 386,561 thousand at December 31, 2005) and are detailed as follows:

- € 386,602 thousand for investments in subsidiaries;
- € 209 thousand for investments in associates.

This item is analysed in annexes 1 and 2.

During the period, this item increased by € 250 thousand following the cover, in February 2006, of Prontoseat S.r.l.'s operating losses for 2005.

9. Other non-current financial assets

Other non-current financial assets amounted to € 1,598 thousand at June 30, 2006 (€ 110,718 thousand at December 31, 2005) and include:

- loans to employees of € 1,460 thousand, issued at market rates for transactions of this type;
- a 2.2% interest in the share capital of Emittenti Titoli S.p.A. for € 110 thousand.

At December 31, 2005, other non-current financial assets included the financial receivable from the subsidiary TDL Infomedia Ltd. reclassified for € 108,038 thousand under "other current financial assets" following the restructuring of the financing agreement into a revolving line facility.

10. Inventories

This item is made up as follows

	At 12.31.2005	Change during the period			At 06.30.2006
		Increase (decrease)	Provision (reversal)	Total	
(euro/thousand)					
Raw materials, suppliers and consumable items	6,165	265		265	6,430
Work in progress and semi-finished goods	1,756	1,318		1,318	3,074
Finished goods	477	(406)	78	(328)	149
- Finished goods (gross value)	607	(406)		(406)	201
- Allowance for finished goods	(130)		78	78	(52)
Total inventories	8,398	1,177	78	1,255	9,653

Evaluation at the average weighted cost of the raw materials in stock is essentially in line with their appraisal at current values.

11. Trade accounts receivable

This item is made up as follows

(euro/thousand)	1 st half-year 2006				1 st half-year 2005
	Trade accounts receivable	Trade accounts receivable from subsidiaries	Allowance for doubtful trade accounts receivable	Net value	Net value
Opening value	686,999	16,450	(114,969)	588,480	617,618
Provision to allowance			(13,200)	(13,200)	(15,731)
Utilisation of allowance			14,883	14,883	18,453
Other movements	(38,515)	11,039		(27,476)	(29,955)
Ending value	648,484	27,489	(113,286)	562,687	590,385
<i>of which subject to securitisation program</i>	<i>249,753</i>	<i>12,264</i>	<i>(6,893)</i>	<i>255,124</i>	

Trade accounts receivable amounted to € 562,687 thousand (net of an allowance for doubtful accounts of € 113,286 thousand) and include receivables for services to be rendered amounting to € 159,937 thousand gross of VAT.

In June 2006, SEAT Pagine Gialle S.p.A. launched a trade receivables securitisation program pursuant to Law No. 130/1999, for a five-year period. For more information on the transaction, refer to the section "Main events during the first half of 2006" in the Report on operations. Securitised receivables continue to be recognised in "trade accounts receivable" pursuant to IAS 39, since SEAT Pagine Gialle S.p.A. continues to bear the operating risks and benefits thereof. At June 30, 2006, securitised receivables amounted to € 249,753 thousand due by customers and € 12,264 thousand due by the subsidiary Telegate Italia S.r.l..

Trade accounts receivable from subsidiaries amounted to € 27,489 thousand at June 30, 2006 and included € 24,481 thousand for receivables from Telegate Italia S.r.l. for the amount due on telephone traffic generated by the 89.24.24 Pronto PAGINEGIALLE® service.

The *allowance for doubtful trade accounts receivable*, of € 113,286 thousand at June 30, 2006, is considered adequate to cover estimated losses.

All trade receivables fall due within 5 years.

Information concerning the securitisation transactions pursuant to Law No. 130/99 (CONSOB notification No. 97003369)

It should be noted that the assignments of receivables to the vehicle Meliadi Finance S.r.l., which took place during the half-year period, amounted to € 355,531 thousand (turnover). Total collections during the period amounted to € 90,955 thousand and the receivables outstanding at June 30, 2006 amounted to € 262,017 thousand.

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12. Other assets (current and non-current)

This item is made up as follows

(euro/thousand)	At 06.30.2006	At 12.31.2005	Change
Other current assets			
- <i>Sale commission advances and other receivables from agents</i>	53,162	52,334	828
- <i>Advances to suppliers</i>	9,958	5,165	4,793
- <i>Other current receivables from subsidiaries</i>	4,728	989	3,739
- <i>Prepaid expenses</i>	1,076	1,697	(621)
- <i>Other current receivables</i>	1,595	1,873	(278)
Total other current assets	70,519	62,058	8,461
Total other non-current assets	693	927	(234)

In detail:

- *sale commission advances and other receivables from agents* amounted to € 53,162 thousand at June 30, 2006 and were recognised net of the allowance for doubtful accounts amounting to € 3,378 thousand. They included € 2,916 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 € 9,958 thousand at June 30, 2006, include € 9,079 thousand for advances paid to the printer Ilte S.p.A.;
- *other current receivables from subsidiaries* amounted to € 4,728 thousand at June 30, 2006 and include € 2,783 thousand for receivables from Eurédit S.A. relating to 2005 dividends that have been resolved but not yet distributed at the end of the period and € 1,356 thousand for trade advances paid to the subsidiary Cipi S.p.A..

Other non-current assets amounted to € 693 thousand at June 30, 2006 and related for € 583 thousand to receivables from Tax Authority for advanced payments on reserve for termination indemnities (Law No. 662 of December 23, 1996, and subsequent amendments and interpretations, written up in accordance with legal criteria).

13. Current financial assets

Current financial assets amounted to € 6,635 thousand at June 30, 2006 (€ 2,349 thousand at December 31, 2005) and include € 6,254 thousand for the net market value of the hedging instruments entered into to hedge interest rate risks.

14. Current financial receivables from subsidiaries

At June 30, 2006 current financial receivables from subsidiaries amounted to € 111,900 thousand (€ 3,033 thousand at December 31, 2005) and include € 108,366 thousand for financial receivables from TDL Infomedia Ltd. and € 3,534 thousand for financial receivables from treasury transactions, of which € 2,197 thousand from Cipi S.p.A. and € 770 thousand from Prontoseat S.r.l..

15. Cash and cash equivalents

This item decreased by € 99,438 thousand compared to December 31, 2005 and includes

(euro/thousand)	At 06.30.2006	At 12.31.2005	Change
Bank deposits	57,648 (*)	156,392	(98,744)
Postal deposits	1,274	1,995	(721)
Cash	43	16	27
Total cash and cash equivalents	58,965	158,403	(99,438)

(*) of which € 5,280 thousand related to current account receivables from Meliadi Finance S.r.l..

16. Shareholders' equity

Shareholders' equity is detailed as follows

(euro/thousand)	At 12.31.2005	Change during the period				At 06.30.2006
		Resolution of Shareholders' Meeting on April 27, 2006	Exercised stock options	Other movements	Total	
Share capital	248,012		553		553	248,565
- ordinary shares	243,930		553		553	244,483
- savings shares	4,082					4,082
Shareholders' contributions to future share capital increases	307		(307)		(307)	
Additional paid-in capital	441,893		5,610		5,610	447,503
Other reserves						
- Legal reserve	49,508	95			95	49,603
- Reserve for grants to research	80					80
- Reserve for grants to equity	32					32
- Retained earnings		42,499	1,673	(768)	43,404	43,404
- Reserve for transition to IAS/IFRS	161,750					161,750
- Reserve for hedging instruments on interest rate risks	(14,262)			18,930	18,930	4,668
- Reserve for stock options	7,552		(1,673)	1,971	298	7,850
Income (loss) for the period	84,715	(84,715)		(40,669)	(125,384)	(40,669)
Shareholders' equity	979,587	(42,121)	5,856	(20,536)	(56,801)	922,786(*)

(*) of which € 226,449 thousand subject to tax imposition in case of distribution.

Share capital

The share capital amounted to € 248,565 thousand at June 30, 2006 (€ 248,012 thousand at December 31, 2005).

It consists of No. 8,149,443,196 ordinary shares and No. 136,074,786 savings shares, all of which have a par value of € 0.03 each. Share capital increased in the first half of the year by € 553 thousand through the issue of No. 18,452,500 ordinary shares, with a nominal value of € 0.03, following the exercise of the same number of options by the beneficiaries of the "2004 Stock Option Plan for Employees".

It should be noted that at the reporting date, share capital amounted to € 248,586 thousand due to the further issue of No. 700,000 ordinary shares, following the exercise of the same number of options by the beneficiaries of the "2004 Stock Option Plan for Employees".

It should be noted that, in terms of share capital, the amount of € 13,741 thousand is pending taxation. Deferred tax liabilities have not been calculated on this amount 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 € 447,503 thousand at June 30, 2006 (€ 441,893 thousand at December 31, 2005). It increased by € 5,610 thousand in the first half of the year, following the issue of ordinary shares which took place in the period, as previously mentioned. A portion of the additional paid-in capital (€ 142,760 thousand) is pending taxation, due to the alignment during 2005 of the value of the *Customer Data Base* for financial statement purposes with its value for tax purposes, pursuant to Law No. 342/2000. Deferred tax liabilities have not been calculated on this amount as the Company is not planning to pay it off.

Retained earnings

The "Retained earnings" reserve amounted to € 43,404 thousand at June 30, 2006. The following movements occurred during the six-month period:

- an increase of € 42,499 thousand due to the allocation of retained earnings for 2005 as resolved by the Shareholders' Meeting on April 27, 2006;
- an increase of € 1,673 thousand due to the exercise of options relating to the "2004 Stock Option Plan for the Employees";
- a decrease of € 768 thousand due to 2005 dividend distribution costs accounted for directly to Shareholders' equity (IAS 32).

Reserve for hedging instruments on interest rate risks

The "Reserve for hedging instruments on interest rate risks" shows a positive balance of € 4,668 thousand at June 30, 2006, up by € 18,930 thousand compared to December 31, 2005 (a negative balance of € 14,262 thousand). The increase substantially reflects the higher market value of the hedging instruments entered into to hedge interest rate risks that were already effective at the beginning of the period.

Reserve for stock options

The "Reserve for stock options" amounted to € 7,850 thousand at June 30, 2006 (€ 7,552 thousand at December 31, 2005). It increased during the period due to the following movements:

- a reduction of € 1,673 thousand due to the options exercised during the period;
- an increase of € 1,971 thousand following the valuation, in accordance with IFRS 2, of the stock option plans for which the maturity period has not yet concluded.

17. Dividends distributed to Shareholders

On April 27, 2006, the General Shareholders' Meeting of SEAT Pagine Gialle S.p.A. resolved to distribute an ordinary dividend for a total amount of € 42,121 thousand, at the rate of € 0.0050 per ordinary share and € 0.0101 per savings share. For more details refer to note 17 of the first half-year Financial Statements of the Group.

18 . Earning per share

The earning per share is based on the following data

		At 06.30.2006	At 06.30.2005
Number of SEAT Pagine Gialle S.p.A. shares		8,285,517,982	8,251,290,482
- <i>ordinary</i>		8,149,443,196	8,115,215,696
- <i>savings</i>		136,074,786	136,074,786
Par value per share	€	0.030	0.030
Result for the period of SEAT Pagine Gialle S.p.A.	€/thousand	(40,669)	(46,127)
Earning per share	€	(0.00492)	(0.00560)
Diluted earning per share	€	(0.00492)	(0.00560)

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. Financial debts

This item is detailed as follows

(euro/thousand)	At 06.30.2006	At 12.31.2005	Change
<i>Debts due to The Royal Bank of Scotland Plc Milan Branch (gross value)</i>	2,009,539	2,349,100	(339,561)
<i>less transaction costs</i>	(66,539)	(75,371)	8,832
Debts due to The Royal Bank of Scotland Plc Milan Branch (net value)	1,943,000	2,273,729	(330,729)
<i>Debts due to Lighthouse International Company S.A. (gross value)</i>	1,300,000	1,300,000	
<i>less transaction costs</i>	(44,277)	(47,103)	2,826
Debts due to Lighthouse International Company S.A. (net value)	1,255,723	1,252,897	2,826
<i>Debts due to Meliadi Finance S.r.l. (gross value)</i>	162,874		162,874
<i>less securitisation costs</i>	(1,500)		(1,500)
Debts due to Meliadi Finance S.r.l. (net value)	161,374		161,374
Total non-current financial debts	3,360,097	3,526,626	(327,903)
Current portion of non-current financial debts	155,661	171,000	(15,339)

- *Debts due to The Royal Bank of Scotland Plc Milan Branch*, of € 1,943,000 thousand at June 30, 2006 (€ 2,273,729 thousand at December 31, 2005), were recognised net of the transaction costs not yet amortised, which amounted to € 66,539 thousand (€ 75,371 thousand at December 31, 2005);
- *debts due to Lighthouse International Company S.A.*, of € 1,255,723 thousand at June 30, 2006 (€ 1,252,897 thousand at December 31, 2005), were recognised net of the transaction costs not yet amortised, which amounted to € 44,277 thousand (€ 47,103 thousand at December 31, 2005);
- *debts due to Meliadi Finance S.r.l.*, of € 161,374 thousand at June 30, 2006, were recognised net of the costs incurred for organising the securitisation program, which are still to be amortised and amounted to € 1,500 thousand.

They represent the period-end net balance between the total value of the securitised receivables (€ 355,531 thousand), the amount already collected at June 30, 2006 (€ 90,955 thousand), the deferred price and the amount paid to the special purpose vehicle as a discount.

A more detailed description of the financial agreements at June 30, 2006 is provided in the "Report on operations".

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20. Guarantees provided, major 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 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 a guarantee of € 350,000 thousand for any possible additional charges relating to the bond issued by Lighthouse International Company S.A..

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

(euro/thousand)	Expiration date - within						Total
	06.30.2007	06.30.2008	06.30.2009	06.30.2010	06.30.2011	beyond 5 years	
The Royal Bank of Scotland Plc Milan Branch	155,661	160,895	191,365	225,504	238,480	1,193,295	2,165,200
Lighthouse International Company S.A.						1,300,000	1,300,000
Meliadi Finance S.r.l.					162,874 (*)		162,874
Total financial debts (gross value)	155,661	160,895	191,365	225,504	401,354	2,493,295	3,628,074

(*) Debts due to Meliadi Finance S.r.l. are long-term liabilities in relation to a five-years securitisation program entered into on June 2006.

21. 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 risk, in relation to normal commercial transactions with customers.

For more details refer to note 21 in the first half-year Financial Statements of the Group.

22. Current financial debts

Current financial debts amounted to € 214,886 thousand at June 30, 2006 and include

(euro/thousand)	At 06.30.2006	At 12.31.2005	Change
Current portion of non-current financial debts to The Royal Bank of Scotland Plc Milan Branch	155,661	171,000	(15,339)
Debts due to Shareholders for dividends	20,783		20,783
Current financial debts due to subsidiaries	20,423	47,989	(27,566)
Current financial debts due to associates	17,375	17,375	
Net financial debts related to market value of hedging instruments on interest rate risks		24,558	(24,558)
Other current financial debts	644	1,027	(383)
Total current financial debts	214,886	261,949	(47,063)

- *Debts due to Shareholders for dividends*, of € 20,783 thousand at June 30, 2006, refer to the dividends resolved and not yet paid at the end of the period;
- *current financial debts due to subsidiaries*, of € 20,423 thousand at June 30, 2006, include financial debts due to Telegate A.G. for € 10,259 thousand and current account debts due to Telegate Holding GmbH for € 8,172 thousand. These financial debts are regulated at market rates;
- *current financial debts due to associates*, of € 17,375 thousand at June 30, 2006, refer to interest payable on the "Subordinated" loan from Lighthouse International Company S.A..

23. Non-current reserves to employees

This item is detailed as follows

	1 st half-year 2006			Total	1 st half-year 2005
	Reserve for severance indemnities	Reserve for defined contribution pension plans	Reserve for termination indemnities of Managing Directors		Total
(euro/thousand)					
Opening value	28,713		580	29,293	28,717
Provisions	1,150	444	297	1,891	1,786
Utilisation/repayment		(447)	(725)	(1,172)	(1,830)
Actuarial (gains) losses	558			558	576
Reversal to statement of operations	(2,701)			(2,701)	
Other movements	23	3	298	324	(42)
Ending value	27,743		450	28,193	29,207

The *reserve for severance indemnities*, of € 27,743 thousand at June 30, 2006, was accounted for (since it is considered as a defined benefit pension plan) in compliance with IAS 19.

24. Share-based payments

The stock option plans in force at June 30, 2006 are accounted for in compliance with IFRS 2.

	Grant date	Number of granted options	Number of expired options	Vesting date	Strike price (euro)	Number of exercised options	Number of outstanding options at 06.30.2006	Fair value	<i>of which accrued in the 1st half of 2006</i>
Beneficiaries									(euro/thousand)
2004 stock option plan									
Employees of SEAT Pagine Gialle S.p.A.	06-07-2004	59,265,000	(850,000)	09-30-2005	0.3341	(31,277,500)	27,137,500	5,590	
Managing Director	11-25-2004	5,000,000		09-30-2005	0.3341		5,000,000	400	
2005 stock option plan									
Employees of SEAT Pagine Gialle S.p.A.	04-08-2005	62,500,000	(1,900,000)	09-30-2006	0.3221		60,600,000	5,215	1,695
Employees of SEAT Pagine Gialle S.p.A.	11-04-2005	1,600,000		09-30-2006	0.3915		1,600,000	200	109
Managing Director	04-08-2005	5,000,000		09-30-2006	0.3221		5,000,000	498	167
Total		133,365,000	(2,750,000)			(31,277,500)	99,337,500	11,903	1,971

Stock option costs, of € 1,971 thousand for the first half of 2006 (€ 3,227 thousand in the first half of 2005), are included in the statement of operations under non-recurring costs.

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25. Other non-current liabilities

Other non-current liabilities amounted to € 20,944 thousand at June 30, 2006 and consist only of the reserve for sales agents' termination indemnities, which shows the following movements in the period

(euro/thousand)	1 st half-year 2006	1 st half-year 2005
Opening value	19,465	17,861
Provisions	1,870	2,056
Utilisations	(878)	(956)
Actuarial (gains) losses	487	236
Ending value	20,944	19,197

The *reserve for sales agents' termination indemnities* increased by € 1,479 thousand during the first half of 2006. It reflects the accrued liabilities at period-end due to sales agents in force for their indemnity in the event their agency contract is interrupted, as required by current regulations.

At June 30, 2006 the reserve for sales agents' termination indemnities, in view of expected and future cash flows, has 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 has been accounted for as financial expense (€ 487 thousand).

26. Reserves for current risks and charges

This item is detailed as follows

(euro/thousand)	1 st half-year 2006				1 st half-year 2005
	Reserve for commercial risks	Reserve for contractual risks and other operating risks	Reserve for restructuring costs	Total	Total
Opening value	16,144	16,183	3,317	35,644	40,535
Provisions	8,682	228		8,910	10,472
Utilisations	(9,006)	(2,294)	(2,411)	(13,711)	(14,398)
Reversal to statement of operations		(263)		(263)	(1,356)
Ending value	15,820	13,854	906	30,580	35,253

Specifically:

- the *reserve for commercial risks*, of € 15,820 thousand at June 30, 2006, relates to cover the claims for publishing errors on PAGINEGIALLE®, PAGINEBIANCHE® and Annuari;
- the *reserve for contractual risks and other operating risks*, of € 13,854 thousand at June 30, 2006, includes € 7,202 thousand to cover pending litigation and € 5,727 thousand for lawsuits with sales agents and employees;
- the *reserve for restructuring costs*, of € 906 thousand at June 30, 2006, was used during the period for € 2,411 thousand to account for the expenses incurred during the final phases of the workforce downsizing and reorganisation plan that has been implemented in the last two years.

27. Trade accounts payable and other current liabilities

Trade accounts payable and other current liabilities are detailed as follows

(euro/thousand)	At 06.30.2006	At 12.31.2005	Change
Payables due to suppliers	113,950	131,747	(17,797)
Payables due to sales agents	52,619	63,330	(10,711)
Payables due to subsidiaries	14,392	8,404	5,988
Payables due to employees	14,271	17,285	(3,014)
Payables due to social security institutions	9,546	9,215	331
Payables due to directors and statutory auditors	1,475	1,662	(187)
Total trade accounts payable	206,253	231,643	(25,390)
Payables for services to be rendered	187,607	91,885	95,722
Advances from customers	4,365	3,752	613
Deferred income and other current liabilities	1,331	1,403	(72)
Total payables for services to be rendered and other current liabilities	193,303	97,040	96,263

All trade accounts payable fall due within 12 months.

Payables for services to be rendered and other current liabilities due beyond 12 months amounted to € 218 thousand.

In detail:

- payables due to sales agents, of € 52,619 thousand at June 30, 2006, are to be matched with the item "sale commission advances and other receivables from agents", included in "Other current assets", of € 53,162 thousand at June 30, 2006;
- payables for services to be rendered, of € 187,607 thousand at June 30, 2006, refer to advertising services invoiced in advance, of which € 46,626 thousand already paid by customers.

28. Revenues from sales and services

Revenues from sales and services in the first half of 2006 amounted to € 417,252 thousand, a slight increase compared to the same period of the previous year (€ 415,193 thousand). In particular:

- "print" revenues amounted to € 314,776 thousand in the first half of 2006 (€ 332,380 thousand in the first half of 2005);
- "online" revenues amounted to € 43,319 thousand in the first half of 2006, an increase of 5.4% compared to the same period of the previous year;
- "voice" revenues increased by 57% in the period to € 42,538 thousand (€ 27,097 thousand in the first half of 2005), 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, in the section "Economic and financial performance of the Business Areas — Italian Directories", provides a more detailed analysis of revenues.

29. Other revenues and operating costs

29.1 Other income and revenues

This item amounted to € 2,753 thousand in the first half of 2006 (€ 2,583 thousand in the first half of 2005) and included € 2,530 thousand for repayments of cost.

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29.2 Materials

Materials amounted to, € 20,257 thousand in the first half of 2006, decreased by € 1,317 thousand compared to the same period of the previous year, in detail:

- *paper consumption*, of € 17,313 thousand in the first half of 2006, decreased by € 122 thousand due to the reduction in the number of signature marks. In the first half of 2006, 25,798 tons of paper (25,941 tons in the first half of 2005) and 6.3 million of sheets (4.9 million in the first half of 2005) were used. The increase in the number of sheets is due to the use of a reduced format which involves an increase in the number of sheets for the same volumes;
- *purchase of merchandise and finished goods for resale*, of € 3,446 thousand in the first half of 2006 (€ 4,376 thousand in the first half of 2005), refers to the purchase of customised items used for merchandising activities.

29.3 External services

External services amounted to € 171,544 thousand in the first half of 2006, an increase of € 35,625 thousand compared to the first half of 2005, largely due to the costs for the launch and implementation of the new Directory Assistance service 12.40 Pronto PAGINEBIANCHE® and the costs incurred to strengthen the sales network. In detail, higher *advertising costs* (+ € 12,404 thousand) were incurred to launch the new 12.40 Pronto PAGINEBIANCHE® subscriber information service and to support the 89.24.24 Pronto PAGINEGIALLE® service, due to the higher level of competition arising from the recent liberalisation of the market. The *costs for call center services* increased by € 4,401 thousand during the first half of 2006, following the rise in managed calls. *Commission costs and other sales agents costs* increased by € 6,821 thousand compared to the first half of 2005. This increase was due to the decision to provide greater incentives than in the previous year to the sales force – through higher sales bonuses and the convention organised in Morocco in April 2006 – and to higher investments in *training*. The *legal and external credit collection firm costs* increased by € 2,806 thousand in the first half of 2006, reflecting the Company's increasing attention towards the process of credit management and recovery. These costs led to an increase of 25.3% in the collection of doubtful receivables, reducing their ratio to total trade receivables by 4.5% compared to December 2005.

29.4 Salaries, wages and employee benefits

Salaries, wages and employee benefits amounted to € 42,679 thousand in the first half of 2006 and they were substantially in line with the figure recorded in the first half of 2005 (€ 42,113 thousand).

The workforce at June 30, 2006, including directors, project workers and trainees, amounted to 1,435 units (1,331 units at December 31, 2005), whilst the average workforce during the period was 1,325 units (1,279 units in the first half of 2005).

29.5 Other operating expenses

Other operating expenses, of € 1,423 thousand in the first half of 2006 (€ 1,445 thousand in the first half of 2005), include € 489 thousand for indirect taxes and duties and € 267 thousand for entertainment expenses.

29.6 Non-recurring costs, net

These costs amounted to € 2,910 thousand in the first half of 2006. They include € 1,971 thousand for costs incurred in respect of the 2005 stock option plan (as described in note 23 of the first half-year Financial Statements of the Group at June 30, 2006) and € 939 thousand mainly for legal expenses incurred for disputes concerning competition.

29.7 Restructuring costs, net

Net restructuring costs, of € 1,542 thousand in the first half of 2006 (€ 2,040 thousand in the first half of 2005), refer to the costs incurred as part of the process to reorganise the Sales Area.

30. Interest income and expense

30.1 Interest expense

Interest expense for the first half of 2006 amounted to € 127,760 thousand (€ 150,123 thousand in the first half of 2005). This item includes € 68,030 thousand for interest expense on the "Senior Credit Agreement" loan with The Royal Bank of Scotland Plc Milan Branch and € 54,951 thousand on the "Subordinated" loan with Lighthouse International Company S.A..

For a more detailed description, reference should be made to the "Interest expense" item (note 31.1) in the first half-year Financial Statements of the Group.

30.2 Interest income

Interest income amounted to € 23,546 thousand in the first half of 2006 (€ 23,568 thousand in the first half of 2005) and includes:

- € 17,398 thousand for *dividends from subsidiaries* recognised from TDL Infomedia Ltd. for € 9,438 thousand, from Consodata S.p.A. for € 2,936 thousand, from Eurédit S.A. for € 2,783 thousand and from Telegate A.G. for € 2,241 thousand;
- € 2,484 thousand for *income from other non-current financial assets*, of which € 2,465 thousand for interest income on loan allowed at market rates to the subsidiary TDL Infomedia Ltd.;
- € 2,811 thousand for *other interest income*, relating mainly to interest income from the use of short-term cash deposits with banks (€ 1,346 thousand) and current account transactions and short-term loans to subsidiaries (€ 1,280 thousand);
- € 853 thousand for *exchange rate income* recognised largely as a consequence of hedging instruments on the euro/sterling exchange rate risk and partially offset by exchange rate losses.

31. Income taxes

Income taxes for the first half of 2006 are detailed as follows

(euro/thousand)	1 st half-year	1 st half-year	Change	
	2006	2005	Absolute	%
Current income taxes	2,635	2,408	227	9.4
Deferred tax assets	(40)	(7,880)	7,840	99.5
Deferred tax liabilities	1,564	20,262	(18,698)	(92.3)
Income taxes referred to previous years	2		2	n.s.
Total income taxes	4,161	14,790	(10,629)	(71.9)

In compliance with IAS 34, income taxes were recognised by applying the effective annual average income tax rate expected for the current fiscal year to the income before taxes.

Net deferred tax assets

Net deferred tax assets amounted to € 70,140 thousand at June 30, 2006 (€ 80,743 thousand at December 31, 2005) and are shown net of deferred tax liabilities of € 78,695 thousand (€ 74,946 thousand at December 31, 2005).

They decreased during the first half of 2006, mainly due to: i) lower net deferred tax assets recognised directly to equity (€ 8,945 thousand), ii) deferred income taxes recognised in the period (€ 1,524 thousand).

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32. Related party transactions

In compliance with IAS 24 and with Article 2, paragraph h, of the Regulations for Issuers by CONSOB No. 11971/1999 (as subsequently amended), the table below summarises the economic and financial effects of transactions with related parties on the financial statements of SEAT Pagine Gialle S.p.A. for the first half of 2006.

All the transactions entered into by companies of the Group with related parties, including intra-group operations, are ordinary operations regulated at market conditions or on the basis of specific norms and regulations. 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
Revenues from sales and services	29,617	they include € 27,632 thousand for revenues on call rebate from Telegate Italia S.r.l. and € 1,896 thousand for royalties on Europages from Eurédit S.A..
Other income and revenues	304	they refer to repayment of rental expenses from Prontoseat S.r.l. for € 229 thousand.
Materials and external services	21,887	they refer for € 11,196 thousand to costs for call center services towards Telegate Italia S.r.l.. They also include € 5,716 thousand for sale costs from Consodata S.p.A. for direct marketing services and € 3,440 thousand for goods and prizes for sales force provided by Cipi S.p.A..
Salaries, wages and employee benefits	130	they refer to costs for seconded personnel.
Other operating expenses	83	they refer to costs for the purchase of entertainment goods and services provided by Cipi S.p.A..
Interest income	21,143	it refers to dividends from TDL Infomedia Ltd. (€ 9,438 thousand), Consodata S.p.A. (€ 2,936 thousand), Eurédit S.A. (€ 2,783 thousand) and Telegate A.G. (€ 2,241 thousand), to interest income on the long-term loan to TDL Infomedia Ltd., which was renegotiated at the beginning of May as a revolving line facility (€ 2,465 thousand), to current accounts and short-term financing, of which € 1,249 thousand to TDL Infomedia Ltd..
Interest expenses	56,008	it refers for € 54,951 to interest expense on the long-term "Subordinated" loan from Lighthouse International Company S.A., for € 701 thousand to interest expense on current accounts and short-term deposits (of which € 607 thousand to Telegate A.G.) and for € 356 thousand to interest expense and charges on non-current financial debt to Meliadi Finance S.r.l..
Income taxes	426	they refer to net amount recognised to the Italian subsidiaries which entered into the Italian tax consolidation agreement.
Other non-current financial assets	20	they refer to advanced payments to Meliadi Finance S.r.l. for costs related to securitisation program.
Current financial assets	111,900	they include € 108,366 thousand for the revolving line facility granted to TDL Infomedia Ltd., € 2,967 thousand for current account receivables from subsidiaries (of which € 2,197 thousand from Cipi S.p.A. and € 770 thousand from Prontoseat S.r.l.) and € 567 thousand for financial receivables to Meliadi Finance S.r.l..
Trade accounts receivable	27,489	they include € 24,481 thousand for trade accounts receivable from Telegate Italia S.r.l., € 1,900 thousand from Eurédit S.A. and € 969 thousand from TDL Infomedia Ltd..
Other current assets	4,728	they include € 2,783 thousand for the receivable for the dividend resolved but not yet paid by Eurédit S.A. and € 1,356 thousand for advanced payments to Cipi S.p.A..
Bank deposits	5,280	they refer to current account receivables from Meliadi Finance S.r.l..
Non-current financial debts	1,417,097	they refer for € 1,255,723 thousand to the "Subordinated" loan from Lighthouse International Company S.A. of € 1,300,000 thousand stated net of € 44,277 thousand for transaction costs not yet amortised at the end of the period and for € 161,374 thousand to the debts due Meliadi Finance S.r.l., stated net of € 1,500 thousand for securitisation costs not yet amortised at the end of the period.
Current financial debts	37,798	they refer for € 17,375 thousand to payable due to Lighthouse International Company S.A. for interest expense of the period, for € 10,259 thousand to payables due to Telegate A.G. for cash deposits, for € 10,164 thousand to current account debts, of which € 8,172 thousand due to Telegate Holding GmbH.
Trade accounts payable	14,392	they refer to operating accounts payable for services rendered by the subsidiaries. In detail, they include € 5,726 thousand for payables due to Telegate Italia S.r.l., € 5,576 thousand to Eurédit S.A. and € 2,255 thousand to Consodata S.p.A..
Payables for services to be rendered and other current liabilities	193	they refer to liabilities to subsidiaries for prepayment of income taxes, according to the Italian tax consolidation agreement (€ 149 thousand to Cipi S.p.A.).
Investments	283	they refer to the purchase of intangible assets under development from Consodata S.p.A..

Annexes

Annex 1

Investments in subsidiaries and associates

	At 12.31.2005			Change during the period	At 06.30.2006		
	Cost	Write-downs	Net value	Coverage of losses	Cost	Write-downs	Net value
(euro/thousand)							
Subsidiaries	488,867	(102,515)	386,352	250	489,117	(102,515)	386,602
CIPi S.p.A.	8,328		8,328		8,328		8,328
CONSODATA GROUP Ltd.	21,515	(21,257)	258		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	(269)	162	250	681	(269)	412
SEAT CORPORATE UNIVERITY S.c.a.r.l.	10		10		10		10
TDL INFOMEDIA Ltd.	271,571	(80,944)	190,627		271,571	(80,944)	190,627
TELEGATE A.G.	21,563		21,563		21,563		21,563
TELEGATE HOLDING GmbH	104,410		104,410		104,410		104,410
Associates	209		209		209		209
LIGHTHOUSE INTERNATIONAL CO. S.A.	209		209		209		209
Total investments	489,076	(102,515)	386,561	250	489,326	(102,515)	386,811

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Annex 2

Major interests in investments

Ex Art. 120 of Legislative Decree of February 24, 1998, No. 58

(Disclosure pursuant to Art. 126 of Consob resolution No. 11971 of May 14, 1999 as amended)

All investments are held through ownership

Company	Registered office	Share capital	Held by	%	
CIPI S.p.A.	Milan	Euro	1,200,000	SEAT Pagine Gialle S.p.A.	51
CONSODATA S.p.A.	Rome	Euro	2,446,330	SEAT Pagine Gialle S.p.A.	100
CONSODATA GROUP Ltd. in liquidation	London (United Kingdom)	GBP	25,146,140	SEAT Pagine Gialle S.p.A.	100
EUREDIT S.A.	Paris (France)	Euro	2,800,000	SEAT Pagine Gialle S.p.A.	93.562
LIGHTHOUSE INTERNATIONAL COMPANY S.A.	Luxembourg	Euro	31,000	SEAT Pagine Gialle S.p.A.	25
PRONTOSEAT S.r.l.	Turin	Euro	10,500	SEAT Pagine Gialle S.p.A.	100
SEAT CORPORATE UNIVERSITY S.c.a.r.l.	Turin	Euro	10,000	SEAT Pagine Gialle S.p.A.	95
TELEGATE HOLDING GmbH	Munich (Germany)	Euro	26,100	SEAT Pagine Gialle S.p.A.	100
TELEGATE A.G.	Munich (Germany)	Euro	20,987,045	Telegate Holding GmbH	61.85
			SEAT Pagine Gialle S.p.A.	16.43	
11811 NUEVA INFORMACION TELEFONICA S.A.U.	Madrid (Spain)	Euro	222,000	Telegate A.G.	100
11880 TELEGATE GmbH	Wien (Austria)	Euro	35,000	Telegate A.G.	100
DATAGATE GmbH	Munich (Germany)	Euro	60,000	Telegate A.G.	100
11880.COM GmbH	Munich (Germany)	Euro	25,000	Datagate GmbH	100
MOBILSAFE A.G .	Munich (Germany)	Euro	150,000	Datagate GmbH	100
TELEGATE AKADEMIE GmbH	Rostock (Germany)	Euro	25,000	Telegate A.G.	100
TELEGATE FRANCE Sarl	Paris (France)	Euro	1	Telegate A.G.	100
LE 118000 SAS	Paris (France)	Euro	87,000	Telegate France Sarl	100
TELEGATE ITALIA S.r.l.	Turin	Euro	129,000	Telegate A.G.	100
UNO UNO OCHO CINCO CERO GUIAS S.L	Madrid (Spain)	Euro	3,100	Telegate A.G.	100
1818 AUSKUNFT A.G.	Zurich (Switzerland)	CHF	200,000	Telegate A.G.	100
TELEGATE AUSKUNFTDIENSTE GmbH	Munich (Germany)	Euro	25,000	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	TDL Infomedia Ltd.	27
TDL BELGIUM S.A. in liquidation	Brussels (Belgium)	BEF	750,087,200	TDL Infomedia Ltd.	49.6
THOMSON DIRECTORIES Ltd.	Hampshire (United Kingdom)	GBP	1,340,000	TDL Infomedia Ltd.	100
THOMSON DIRECTORIES PENSION COMPANY Ltd.	Hampshire (United Kingdom)	GBP	2	Thomson Directories Ltd.	100
MOBILE COMMERCE Ltd.	Cirencester (United Kingdom)	GBP	497	TDL Infomedia Ltd.	10



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Auditors' review report on the limited review of the Half Year Report prepared in accordance with Article 81 of Consob Regulation, adopted by the resolution no. 11971 of May 14, 1999 and subsequent modifications and integrations

(Translation from the original Italian version)

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

1. We have performed a limited review of the interim separate financial statements and the interim consolidated financial statements, consisting of the balance sheets, income statements, statements of cash flows and changes in stockholders' equity (the "Financial Statements") and related explanatory notes of SEAT Pagine Gialle S.p.A. (Parent Company) and of SEAT Group, included in the Half Year Report for the six-month ended June 30, 2006 of SEAT Pagine Gialle S.p.A.. The Half Year Report is the responsibility of the directors of SEAT Pagine Gialle S.p.A.. Our responsibility is to issue this review report based on our review. In addition, we have read the other sections of the Half Year Report for the sole purposes of verifying their consistency with the financial statements.
2. Our review was conducted in accordance with auditing standards governing the review of interim financial statements recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its resolution No. 10867 of July 31, 1997. A review consists mainly of obtaining information with respect to the accounts included in the financial statements and the consistency of the accounting principles applied through discussions with appropriate members of management, and analytical procedures applied to the financial data presented in such statements. A review does not include performing auditing procedures such as tests of compliance of internal controls and substantive procedures on assets and liabilities. Consequently, the scope of a review engagement provides significantly less assurance than a full scope audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the Half Year Report for the six-month period ended June 30, 2006, as we do in connection with reporting on our full scope audits of the annual separate and consolidated financial statements of SEAT Pagine Gialle S.p.A..

With respect to the separate and consolidated comparative data as of and for the year ended December 31, 2005 and as of and for the six-month period ended June 30, 2005, presented in the Half Year Report, reference should be made to our auditors' report dated April 11, 2006 and September 12, 2005.

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3. Based on our review, we did not become aware of any significant modification that should be made to the Financial Statements and related explanatory notes of SEAT Pagine Gialle S.p.A. (Parent Company) and of SEAT Group, identified in paragraph 1 of this report, in order for them to be in conformity with IAS 34 and the criteria for the presentation of the half year financial report, as required by art. 81 of Consob regulations as approved in its resolution no. 11971 dated May 14, 1999 and subsequent modifications and integrations.

Turin, September 11, 2006

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

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