





## ↗ 2006 Annual Report

Registered office: Via Grosio, 10/4 - 20151 Milan (Italy)  
Secondary office: Via Saffi, 18 - 10138 Turin (Italy)  
Fully paid-up share capital: € 249,878,714.46  
Tax Code: 03970540963  
VAT Code: 03970540963  
Milan Register of Companies No. 03970540963

The SEAT Pagine Gialle group operates in *Italy* and the *United Kingdom* in the local advertising market for small and medium-sized enterprises (SMEs), in which it is present with its publishing and advertising multiplatform 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



“Every shade of white”

With PAGINEBIANCHE D'AUTORE we display creativity of young Italian artists featured on the cover



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## ↗ Company Boards

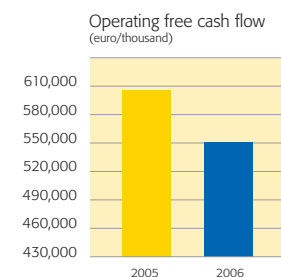
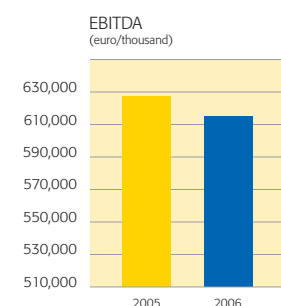
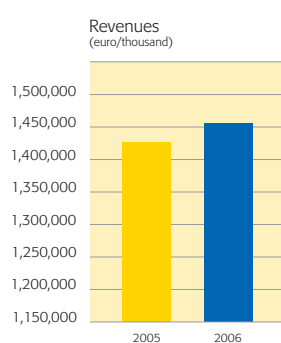
(updated March 13, 2007)

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

(I) Co-opted by the Board of Directors on October 10, 2006, to replace Stefano Mazzotti and Stefano Quadrio Curzio, who resigned.

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

## ➤ Economic and financial highlights of the Group



	Year 2006	Year 2005
<b>(euro/thousand)</b>		
<b>Economic and financial highlights</b>		
Revenues from sales and services	1,460,183	1,424,611
Gross operating profit	659,501	690,733
Operating income before amortisation, depreciation, non-recurring and restructuring cost, net (EBITDA)	611,424	626,560
Operating result (EBIT)	402,118	420,194
Income before income taxes and Minority interests	155,904	163,869
Net income	80,136	131,905
Operating free cash flow (FCF)	548,335	601,515
Capital expenditure	48,323	46,037
Net invested capital <sup>(1)</sup>	4,377,887	4,535,019
<i>of which goodwill and Customer DataBase</i>	3,997,672	4,154,998
<i>of which net operating working capital</i>	298,690	285,598
Equity of the Group <sup>(1)</sup>	1,057,184	980,117
Net financial debt <sup>(2)</sup>	3,405,782	3,634,581
<b>Income ratios</b>		
EBITDA/Revenues	41.9%	44.0%
Operating income/Revenues	27.5%	29.5%
Operating income/Net invested capital	9.2%	9.3%
Net income/Equity of the Group	7.6%	13.5%
Operating free cash flow/Revenues	37.6%	42.2%
Operating working capital/Revenues	20.5%	20.0%
<b>Workforce</b>		
Workforce at the end of the year (units)	6,661	6,105
Average workforce for the year (units)	5,164	4,760
Revenues/Average Workforce	283	299

(1) The items referred to December 31, 2005 have been restated in order to include the actuarial gains (losses), net of deferred income taxes, arising from the evaluation of the defined benefit pension plans, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of the Notes to Financial Statements of the Group.

(2) Net financial debt does not include the transaction costs on loans and the net market value of the hedging instruments on interest rate risks, accounted for as a financial asset of € 103,325 thousand at December 31, 2006.

### Legenda:

**Gross operating profit** - Revenues from sales and services less materials and external services less salaries, wages and employee benefits.

**EBITDA** - Earning before interest, tax, depreciation and amortisation: Gross operating profit less other valuation adjustments and provisions to reserves for risks and charges, net less other income (expenses), net.

**EBIT** - Earning before interest and tax: EBITDA less non-recurring and restructuring costs, net less operating amortisation, depreciation and write-downs, less non-operating amortisation calculated on *Customer DataBase*.

**FCF** - Operating free cash flow: EBITDA less capital expenditure, less change of operating working capital, less change of operating non-current liabilities.

**FTE** - Full Time Equivalent for non-Italian companies; average workforce for Italian companies.



## ➤ Information for Shareholders

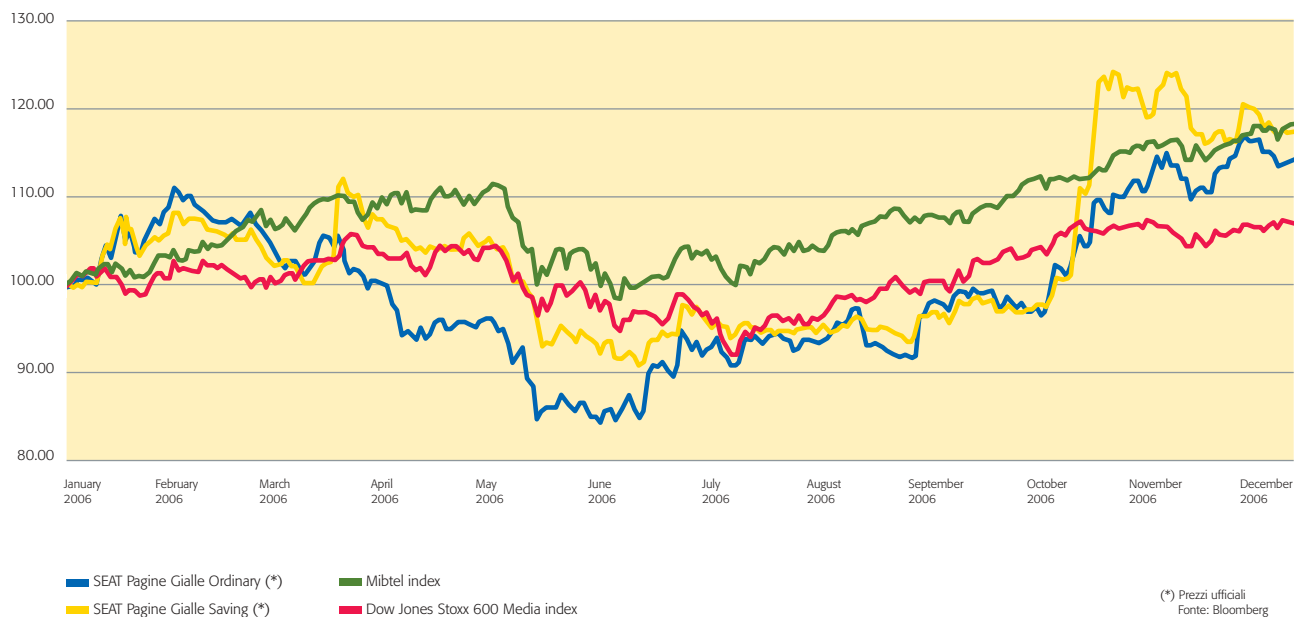
### Shares

		At 12.31.2006		At 12.31.2005
Share capital	euro	249,878,714.46	euro	248,011,964.46
Number of ordinary shares (par value 0.03 euro)	No.	8,193,215,696	No.	8,130,990,696
Number of saving shares (par value 0.03 euro)	No.	136,074,786	No.	136,074,786
Market capitalisation (on average official market price for December 2006)	euro/mln	3,759	euro/mln	3,271
Market ratio of SEAT Pagine Gialle (SPG ordinary) at December 31, 2006				
- on Mibtel index		0.461%		0.482%
- on Dow Jones Stoxx 600 Media Index		1.144%		0.862%
Diluted earning per share (euro)		0.01001		0.01028
Equity per share (euro)		0.12746		0.11849
Dividend per share (euro)				
- ordinary share		0.0070		0.0050
- savings share		0.0076		0.0101
Pay out ratio (%) (*)		70.0%		49.7%
Dividend yield (%) (on December average official market price)				
- ordinary share		1.5%		1.3%
- savings share		2.0%		3.1%
December average price (euro) (**)				
- ordinary share		0.4526		0.3969
- savings share		0.3743		0.3211
Share price max (euro) (**)				
- ordinary share		0.4633		0.4167
- savings share		0.3948		0.3687
Share price min (euro) (**)				
- ordinary share		0.3339		0.2978
- savings share		0.2889		0.2785

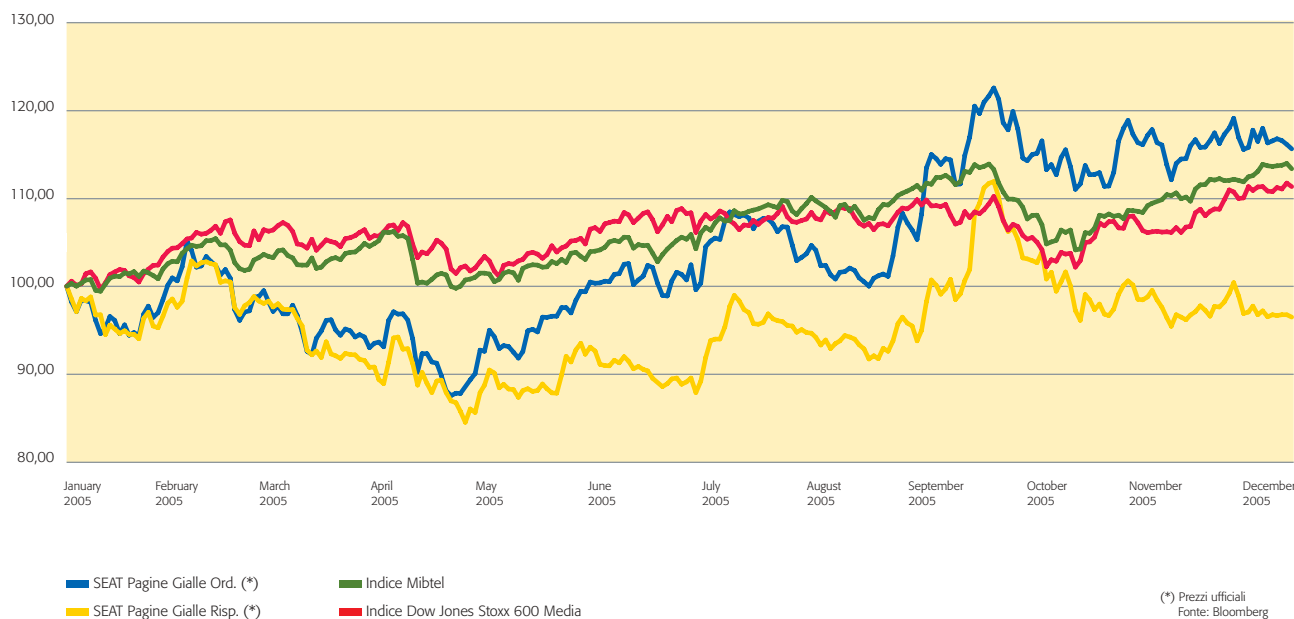
(\*) Pay-out ratio: dividend per share divided earning per share.

(\*\*) Official prices. Source: Bloomberg.

## Stock performance of SEAT Pagine Gialle S.p.A. shares vs. Mibtel and Dow Jones Stoxx 600 Media index - year 2006



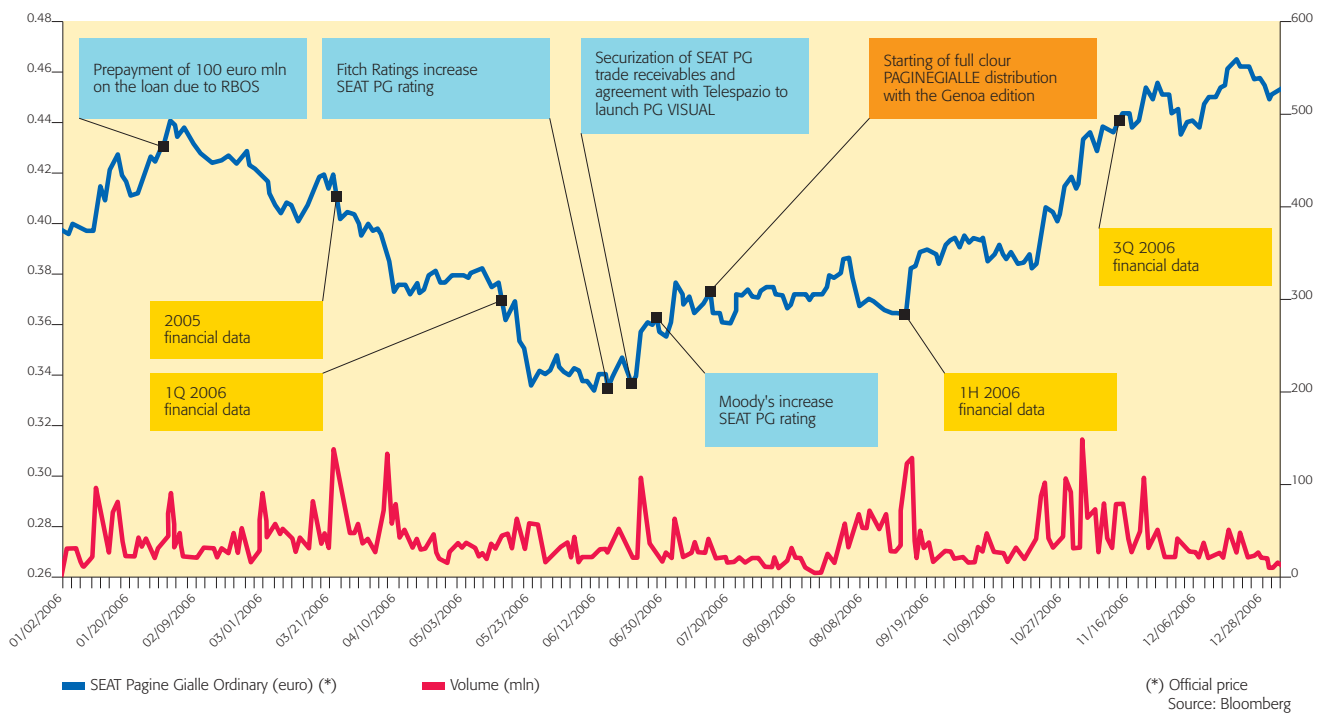
## Stock performance of SEAT Pagine Gialle S.p.A. shares vs. Mibtel and Dow Jones Stoxx 600 Media index - year 2005



## Stock performance of SEAT Pagine Gialle and related volume trading - year 2006

SEAT Pagine Gialle stock closed in 2006 to € 0.4522, 15% up compared to 2005, (€ 0.3931 as at December 30, 2005), showing a performance greater than the average of the other European "directory" stocks (+8.3%).

Average daily volumes of about 37 million shares were traded in 2006.



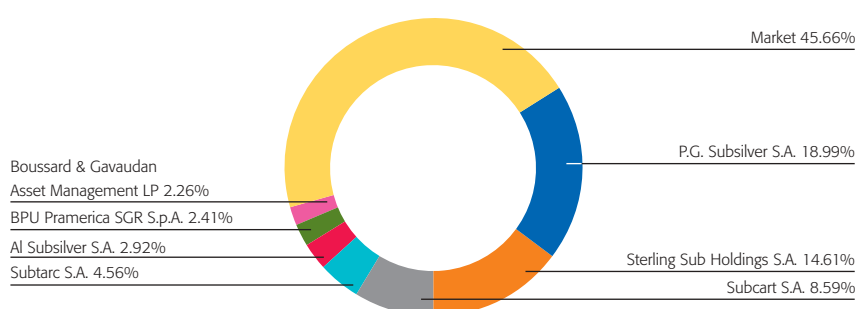
## Shareholders

The following table lists the shareholders of ordinary shares in SEAT Pagine Gialle S.p.A. who held more than a 2% interest in the share capital at December 31, 2006

Shareholders at December 31, 2006	No. of ordinary shares	% of ordinary share capital
P.G. Subsilver S.A.	1,555,920,894	18.99 <sup>(1)</sup>
Sterling Sub Holdings S.A.	1,196,849,420	14.61 <sup>(1)</sup>
Subcart S.A.	703,586,244	8.59 <sup>(1)</sup>
Subtarc S.A.	373,595,387	4.56 <sup>(1)</sup>
AI Subsilver S.A.	239,369,605	2.92 <sup>(1)</sup>
BPU Pramerica SGR S.p.A.	197,468,906	2.41
Boussard & Gavaudan Asset Management LP	184,920,637	2.26

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

## SEAT Pagine Gialle S.p.A. Shareholders at December 31, 2006

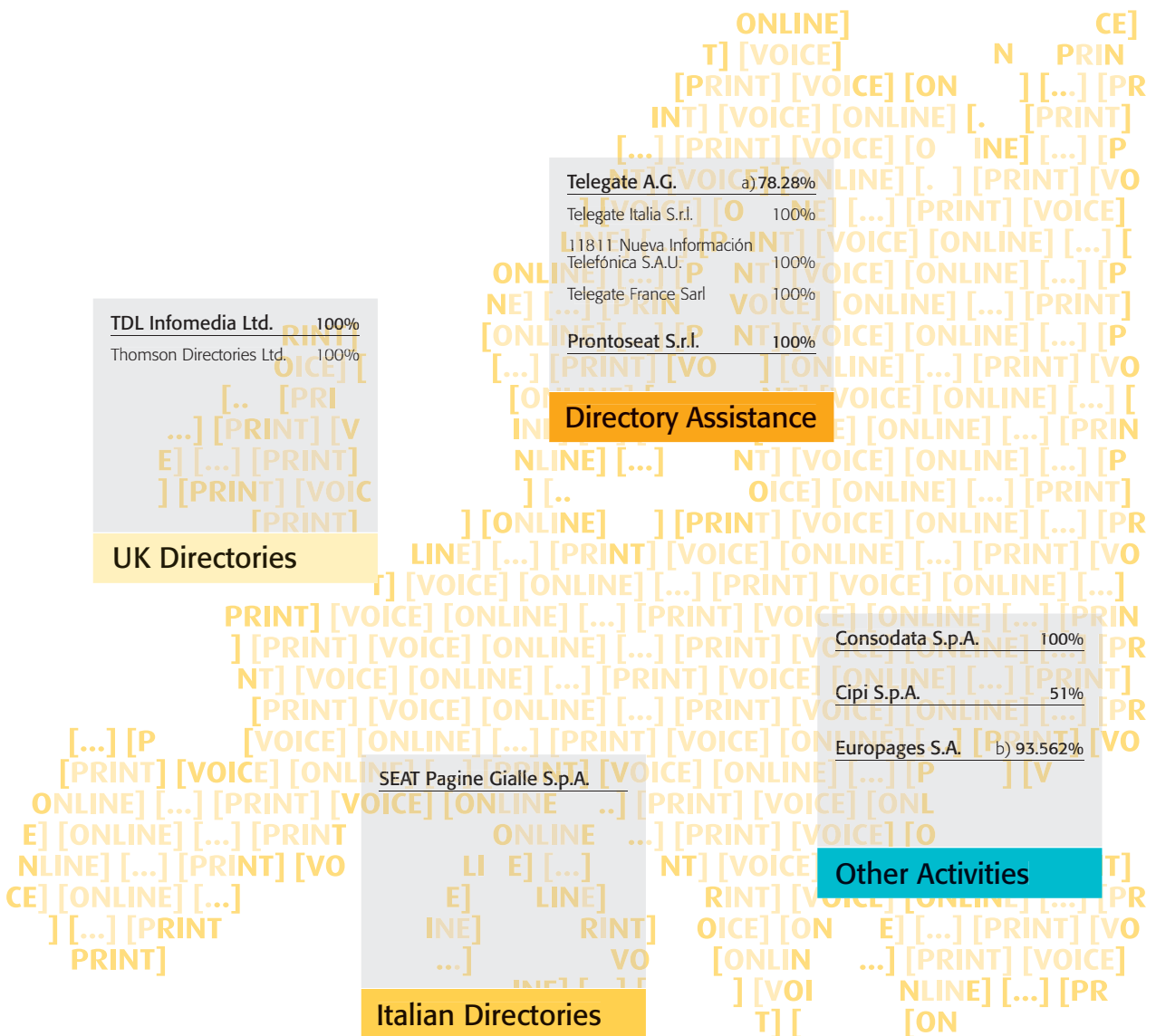




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## ➤ Organisational structure of the Group



### Legenda

- a) 16.43% directly owned and 61.85% through Telegate Holding GmbH.  
 b) New company name for Eurédit S.A. as from October 20, 2006.

## ➤ Market scenario and strategic positioning

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

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

### Italian Directories

In Italy, the reference country for the Group's activities, the gross domestic product in 2006 recorded 1.9% growth (according to the most recent ISTAT data), much higher than the 0.1% rise recorded in 2005. This growth, however, had a limited impact on the results of SEAT Pagine Gialle S.p.A., since it started only from the half of 2006, when most of the print revenues have been already booked. It was substantially sustained by positive export trends rather than from a real resumption of consumption. Although Italian economy has begun a recovery path, it still requires consolidation in order to have a positive effect on the willingness to consume among households and on confidence among SMEs and small retailers. In fact, even though confidence indicators have begun to show an improvement, the effects on the SMEs' willingness to invest in communications are not yet evident and widespread, although growing.

This is the scenario in which SEAT Pagine Gialle S.p.A. has been working, concentrating efforts on the development and up-dating of its multiplatform offering, investing both in quality and the skills of its sales force, in line with the strategy set out in the three-year Business Plan presented to the market at the end of 2004.

#### 1. Market definition and segmentation

At the end of 2004, SEAT Pagine Gialle S.p.A. adopted a new vision for its reference market, based on an understanding of the overall communication needs of medium and small enterprises, retailers and the public administration. This vision had enabled the company to identify an enlarged reference market beyond the directories-only sector, to include all the promotional and advertising communication media (press and local TV, billboards, leafleting, fairs, catalogues, etc.), that SMEs can choose from when allocating their promo-advertising budget.

SEAT Pagine Gialle S.p.A. is competing in this market with generalist and specialised products and services offered on three platforms (print, online, voice), which are suitable to meet the various communication needs of SMEs and have a lower cost/contact than the competing media, thanks to their widespread and high usage. SEAT Pagine Gialle S.p.A. evaluates to hold a 20-21% market-share in this market.

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

Still with the aim to better meeting the communication needs of its customers and raising the value of its media for the advertiser, SEAT Pagine Gialle continued its program, started in 2005, to restyle the existing products and launch new products targeted to new market segments. In particular July 2006 marked the beginning of the distribution of the new full-color PAGINEBIANCHE® and of advertising sales campaign on the new PAGINEGIALLE® print directories, which will be published as from the first quarter of 2007.

In September a new advertising campaign on the new Internet platform PAGINEGIALLE VISUAL® started. This innovative offer was characterised by search techniques no longer depending on just text but also visual and emotional features. PAGINEGIALLE VISUAL® offer consists essentially in sales of advertising videos accompanying traditional advertisements. This allows SMEs to create TV spots, reaching a segmented audience represented by the users of PAGINEGIALLE VISUAL®.

As at December 2006 about 10,000 contacts on PAGINEGIALLE VISUAL® were reached. This result makes SEAT Pagine Gialle as a market leader in this sector too.

PAGINEGIALLE NAV satellite navigator was launched at the end of the year, the first in the world to be developed by a directory company, integrating data from the PAGINEBIANCHE and PAGINEGIALLE databases.

Great attention has been given to the improvement and enhancement of the voice subscriber information services, with the launch of the basic information service 12.40 Pronto PAGINEBIANCHE®, following the liberalisation of the 12xy market. This service completed SEAT's range of voice offer, where the Company has been operating successfully for some years with the value-added service 89.24.24 Pronto PAGINEGIALLE®. One year from liberalisation, consistently with experiences in other European countries, the Italian directory assistance market has undergone a process of gradual consolidation.

## 3. Training and segmentation of the sales force

All the improvement described above were sustained by strong investments in sales force training, focused on the needs to change the commercial approach of the SEAT Pagine Gialle sales agent from "salesperson" to "communication consultant" for the SMEs. For this reason, new IT tools allowing the sales agent to produce the most appropriate commercial offer for each customer and improve the management of sales campaigns have been released. The new organisational structure of the Sales Department became effective: it is organised in four sales units specialised on the main segments of customers ("Top Customers", "Business Sales", "Local Sales" and "Kompass"), in order to gain a better understanding, and provide increased satisfaction, of customers' communication needs. In particular:

- the *Large Customer* Department deals with businesses at national level and complex customers, having sophisticated communications needs. It serves them using highly qualified teams of specialists. Over 2006 a dedicated unit was created in collaboration with the Internet department aimed at the design and development of special online products/projects for customers operating at a national level;
- the *Business Sales* Department deals with the medium-high segment of SMEs, managed through about 1,370 communications consultants distributed throughout the territory. The structure was setting up to support different approaches for high or medium/low segment of potential and existing customers. It has a specific organisational unit targeted to the management of TOP customers. In the Business Sales Departments new units were established, such as the "geo-marketing" unit for the analysis of the potentials of different areas and a "Sales process Implementation" unit to ensure the right implementation of applied sales processes, methods and tools;

- the *Local Sales* Department deals with the mass-market of small businesses having basic local communication needs. It operates both through telephone sales operators and agents on the territory. A sales channel on internet was also introduced in 2006 for internet customers. In 2006, exclusive responsibility for some products (InZona and Idee InVacanza) was assigned to the Local Sales Department since its commercial approach is considered more suitable to match the customer target of such products;
- the *Kompass Business* Unit was reinforced with new managerial resources in order to benefit from the database and the offer specialised for the Business to Business segment. The incentive system for the sales force and the sales areas was reviewed in 2006 on the basis of geo-marketing analysis aimed at optimising local cover.

The segmentation of the offer and sales organisation, combined with the agent's increasingly advisory role, is an important step for ensuring greater value to the high return that SEAT media are able to grant to its advertisers, not always enough aware of it. This phenomenon is, however, more significant on the print products, PAGINEGIALLE® and PAGINEBIANCHE®, where the objective is to improve the strong growth in the number of users from 2002 onwards, reaching 27.5 million (representing 63% of the Italian population between 14 and 74 years of age).

#### **4. Deep attention to customer care activities and processes**

The focus on customer as the key goal of the sales action has also continued through the reinforcement of the customer care processes, in all the after-sales publishing and administrative phases, with the aim to improve the operating processes and reduce mistakes in executing orders. In this regard, good results were achieved by the customer portal [www.seatconvoi.it](http://www.seatconvoi.it), launched in 2005. At the moment this is the fourth customer service channel after the toll-free number, mailbox and e-mail. It has already more than 30,000 registered customers who, for some types of request, only use this communication channel. The customer portal is bound to become the preferred relationship channel between SEAT Pagine Gialle and its customers, through which SEAT can provide value added information services (statistics, number of searches on SEAT media, early information on new offers, community initiatives), conduct polls (useful for developing its offer) and develop customer-retention programs.

Furthermore post-sales activities were segmented to meet customer needs more effectively offering additional services to Top customers. In this contest a call center was set up for the high segment of clientele and 60,000 copies of the two-monthly business communication magazine *Con Voi* are also distributed to Top customers. This is a free publication which seeks to provide support for the Italian SMEs wishing to make their communication strategies more effective. Its online version is available at the website [www.seatconvoi.it](http://www.seatconvoi.it) for all customers.

The prevention actions carried out enabled the Company to reduce the number of claims deriving from mistakes in contract executions by almost 20% compared to 2005 and the customer contacts by 12% through all customer service channels (voice, mail, e-mail and portal). The reduction of customer contacts is a positive indicator which emphasises how the focus on an improved sales quality over recent months has resulted in a lower level of complaints and claims.



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## The Group in Europe

In the United Kingdom the results of the subsidiary **TDL Infomedia** were affected by the extensive re-organisation process of sales and commercial approach, started between the end of 2005 and the beginning of 2006 and carried out by the new management which entered the Company at the beginning of the year. In particular, the new management started a process of "refocusing" on a model of value-added sales which, over recent years, had been abandoned in favour of a commercial approach based on discounts and promotions. This decision had been taken also as a reaction to the strategy of the market leader Yell (affected by the price cap mechanism imposed by the Regulator). In order to support the new strategy the TDL Group started a process for renewing both print offer, through the re-styling of Thomson Local directories and the agreement with Nectar (the leading retention program in the UK), and online, through new partnerships for Webfinder and Business Finder.

These strengthening and repositioning of the Company were achieved in a high competitive scenario due to the re-entering of British Telecom in the market, with the launch of alphabetical and classified directories combined in a single volume, benefiting from its brand reputation, its aggressive pricing policy and its high developed Internet Area.

With regards to this latter point, it is important to emphasise how in the United Kingdom the market for traditional print products has always recorded a reasonable growth till now (taking account of the entry of British Telecom in the market), notwithstanding the strong rise in online advertising. This demonstrates that the SMEs continue to see print products as meeting their communication needs. On the other hand, the Internet is viewed with increasing interest by companies with communication needs at national level.

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

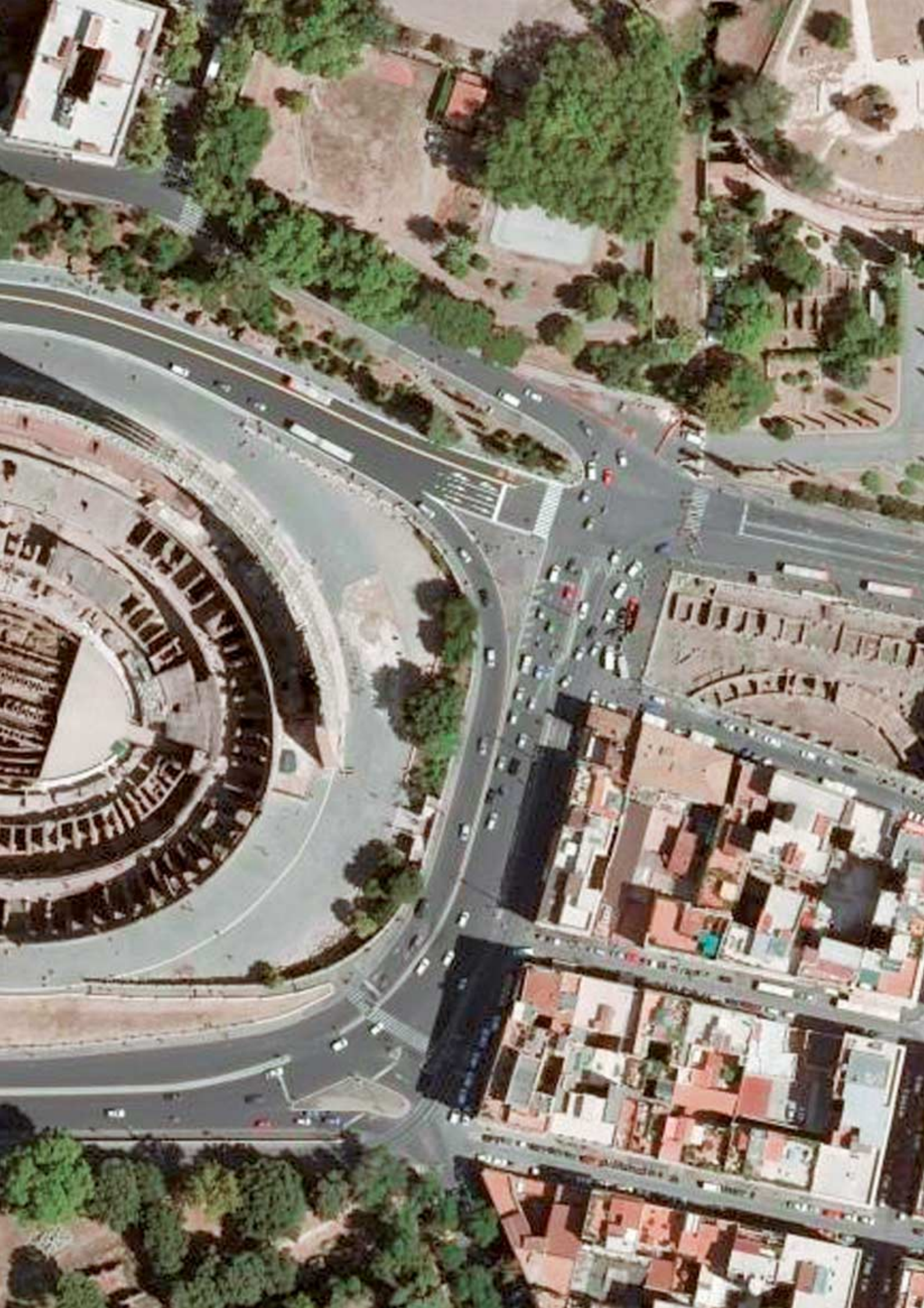
In Germany, where the basic voice services market has reached a phase of maturity, Telegate has pursued a strategy of enhancing the offering with value-added services and new product lines, which will attract users having increasingly more diversified and sophisticated needs and will increase the average call value. The company has also pursued its strategy of extending its platforms, launching an online search portal, exploiting in this way both the strong brand name and the quality of its database.

In Spain, Telegate attained its objective to consolidate its position in order to gradually achieve an adequate level of profitability for the business: these positive effects were already evident in 2006.

In France, the process of market liberalisation was started towards the end of 2005. After an extremely competitive start-up, requiring extensive advertising investments, the second half of 2006 saw a stage of greater stability although still not able to guarantee the overall profitability of the market.

In Italy, Telegate manages an outsourcing service of 12.40 Pronto PAGINEBIANCHE® and 89.24.24 Pronto PAGINEGIALLE® call centers for SEAT Pagine Gialle S.p.A..







Report on operations



**"New outlooks"**

PAGINEGIALLE VISUAL: a new way to plan your journeys

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## ➤ Economic and financial performance of the Group

### ➤ Reclassified statement of operations of the Group

2006 was a very important year for SEAT Pagine Gialle group marked by the internal reorganisation process completion entered into to sustain the growth provided for the 2005-2007 industrial plan. The results for 2006 began to benefit from the investments undertaken both during the 2006 and in the preceding months, to strengthen the sales structures and launch new products and services in the area of print directories, directory assistance and online services.

These one-off costs, which were necessary to achieve the set business development goals, had a significant impact on the results of the first half of 2006, but still made it possible to record significant growth in the second half of 2006, in terms of revenues and operating profit. In Italy, 2006 was characterised by the market success of 12.40 Pronto PAGINEBIANCHE® directory assistance service, the distribution of the full-colour PAGINEBIANCHE® and the sale of advertising spaces on the new Internet platform (PAGINEGIALLE VISUAL®). Abroad, directory assistance services were boosted by the entrance of Telegate group on the French market, and print and internet product improvements were recorded in Thomson group, which strengthened its sales structure and modified its sales approach.

**Revenues from sales and services** in 2006 amounted to € 1,460,183 thousand, up by 2.5% compared to the previous year (€ 1,424,611 thousand).

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

- revenues from the "Italian Directories" (SEAT Pagine Gialle S.p.A.) Business Area reached € 1,077,495 thousand in 2006, up by 1.5% compared to the previous year (€ 1,061,813 thousand), with an upward trend if compared to the previous two years, 2004 and 2005, characterised by a substantial stability. This result was mainly achieved in the second half of 2006, when the great product innovations introduced in the first half of the year and the fine-tuning of the new commercial organisation by sales channel, introduced in January, began to produce their positive effects. The increase in revenues from online (PAGINEGIALLE.it®, € 123,508 thousand, +11.3%) and voice services (89.24.24 Pronto PAGINEGIALLE®, € 75,070 thousand, +12.9%, and 12.40 Pronto PAGINEBIANCHE®, € 28,080 thousand) offset the downturn in print products (-3.9% compared to the previous year). The negative performance of print products regarded in particular PAGINEGIALLE®, for which the reorganisation of the relationship with the high-end customers, begun in 2005, has continued. Moreover, in 2006 they did not yet benefited from the restyling of the two editions Casa and Lavoro (which will be effective starting from the Turin 2007 edition). The full-colour edition of PAGINEBIANCHE® recorded a positive performance, with a 2.5% increase in the second half of 2006, an upward trend in respect to the 2.6% decrease in the first half of the year;

- revenues from the “UK Directories” (Thomson Directories group) Business Area reached € 173,499 thousand in 2006, down by 1.2% compared to the previous year (-1.5% in local currency). The 2006 result reflected the positive performance of online products (+42.9% compared to 2005), which offset the decrease in print revenues. Print products fell by 6.2% on 2005, due to the commercial reorganisation and the refocusing of the sales approach caused by the high competitive presence mainly of British Telecom, Yell and Trinity Mirror. In spite of the contraction in revenues, the average value per advertiser increased by 2.9% on 2005, confirming the effectiveness of the Thomson group offering, which benefits from cross-selling between print and online platforms;
- revenues from the “Directory Assistance” (Telegate group and Prontoseat S.r.l.) Business Area amounted to € 188,696 thousand in 2006, up by 18.4% compared to the previous year. In the Telegate group, revenues increased by 19.1% on the previous year, sustained by the positive results achieved in the Italian and Spanish markets and by the business development in France. Revenues benefited from the increase in the call numbers to the 89.24.24 Pronto PAGINEGIALLE® service, the strong growth of the 12.40 Pronto PAGINEBIANCHE® service in Italy and the agreements signed in 2006 with MGA and the Antena3 television group in Spain for the management in outsourcing of their directory assistance services. Revenues of Prontoseat S.r.l. amounted to € 9,757 thousand in 2006 (+5.4% compared to 2005) due to the growth in traffic volumes produced by the 89.24.24 Pronto PAGINEGIALLE® service;
- revenues from the “Other activities” (Consodata S.p.A., Europages S.A. and Cipi S.p.A.) Business Area amounted to € 76,950 thousand in 2006 (€ 67,641 thousand in 2005). The increase of € 9,309 thousand compared to 2005 was primarily due to Cipi S.p.A. consolidated in 2005 for only three months.

**Materials and external services**, net of the repayments of costs, amounted to € 568,838 thousand in 2006, increasing by € 53,884 thousand on the previous year (€ 514,954 thousand). In detail:

- *industrial costs* amounted to € 214,634 thousand in 2006, up by € 16,858 thousand or 8.5% compared to 2005. They mainly referred to: *i) production costs* (€ 81,901 thousand), increased by 3.8% on the previous year, also for the new full-color printing process of PAGINEBIANCHE®; *ii) paper consumption* (€ 53,345 thousand), decreased by 4.1% on the previous year, thanks to further efficiencies achieved in the printing process, with a reduction of the number of signatures; *iii) call center services* (€ 24,532 thousand), increased by € 15,566 thousand on 2005, due to the launch of the French business with consequent higher use of outsourcing call center services; *iv) database use and updating* (€ 12,773 thousand), increased by € 2,800 thousand due to the development of directory assistance services in France, although benefiting from the price reductions granted to Telegate A.G. by Deutsche Telekom on the acquisition of subscriber data;
- *commission and other agents' costs* amounted to € 121,269 thousand in 2006, up by € 5,069 thousand compared to 2005 (€ 116,200 thousand), due to the higher sales commissions granted to the sales force in order to support the new organisational structure, effective from January, and the launch of new products. The item also included *costs for training*, with a 20% increase in the total number of training hours provided in 2006 compared to the previous year, among which the sale force convention organised in Morocco in April 2006 (no convention was held in 2005);

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- *advertising and promotion costs* amounted to € 96,773 thousand in 2006, an increase of € 22,479 thousand on 2005 (€ 74,294 thousand), due to the advertising costs incurred to launch the new directory assistance service in France (+€ 20,162 thousand).

**Salaries, wages and employee benefits**, net of the repayments of costs, amounted to € 231,844 thousand in 2006, up by € 12,920 thousand on 2005 (+5.9%). This increase was mainly due to the need of larger workforce at the Livorno call center to manage the 12.40 Pronto PAGINEBIANCHE® traffic and the opening of the new Bologna call center at the end of November 2006, following the improvement of the "Local Sales" channel and the insourcing of the Customer Service of SEAT Pagine Gialle S.p.A.. Also Cipi S.p.A., which was consolidated for only three months in 2005, led to an increase in labour costs of € 4,899 thousand.

The Group workforce - including directors, project workers and trainees - was 6,661 units at December 31, 2006 (6,105 units at December 31, 2005). The average workforce (FTE for foreign companies) was 5,164 units (4,760 units in 2005).

**Other valuation adjustments and provisions to reserves for risks and charges, net** amounted to € 47,180 thousand in 2006, down by € 13,479 thousand on the previous year. The item included: *i) provisions to the allowance for doubtful accounts receivable* (€ 37,322 thousand in 2006), decreased by € 3,477 thousand on the previous year (in which the provision was particularly high), as a result of the effectiveness of the actions, carried out in the last two years, in managing and collecting trade receivables; *ii) provisions to the reserve for commercial risks* of € 12,682 thousand in 2006, decreased by € 3,618 thousand compared to 2005, thanks to the effectiveness of the customer care processes: in particular, in 2006, a new call center was opened (in SEAT Pagine Gialle S.p.A.) to assist the higher-end customers, allowing the reduction of the number of claims for mistakes in the contractual executions by almost 20% compared to 2005; *iii) reversal of the reserve for contractual risks* of € 5,089 thousand in 2006 (€ 875 thousand in 2005), of which € 2,216 thousand was due to the disappearance of the VAT risk on receivables factored in Germany and € 1,139 thousand to the reduction of the risks related to ongoing litigation.

Other income (expenses), net in 2006 were negative for € 897 thousand (negative for € 3,514 thousand in 2005). In detail the item included:

- *other expenses* for € 4,975 thousand (€ 5,237 thousand in 2005), including taxation for € 1,117 thousand;
- *other income* for € 4,078 thousand (€ 1,723 thousand in 2005), including € 3,089 thousand for capital gains on the disposal of the Swiss subsidiary 1818 Auskunft AG of the Telegate group in October 2006.

**Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)** amounted to € 611,424 thousand in 2006, down by 2.4% compared to the previous year (€ 626,560 thousand), as a result of the higher operating and advertising costs incurred, particularly in the first half of 2006, to support the launch of the new directory assistance services in Italy and France. These services already recorded good results in terms of call volumes and profitability in the second half of 2006.

It should be noted EBITDA grew strongly (+10.5%) in the second half of 2006 (€ 456,431 thousand) compared to the second half of 2005 (€ 413,107 thousand), since it benefited from the actions taken, starting from 2005, to develop the range of existing products, reorganise the sales structure by customer segments and improve sales agents skills and advisory capability. The operating margin amounted to 41.9% in 2006 (44.0% in 2005).

**Operating amortisation, depreciation and write-downs**, which amounted to € 33,269 thousand in 2006 (€ 32,391 thousand in 2005), referred to the amortisation of intangible assets with finite useful life for € 20,035 thousand and to the depreciation of plant, property and equipment for € 13,234 thousand.

**Non-operating amortisation and write-downs** referred to the *Customer DataBase* and amounted to € 162,067 thousand in 2006, unchanged compared to the previous year.

**Non-recurring and restructuring costs, net** amounted to € 13,970 thousand in 2006 (€ 11,908 thousand in 2005). They included primarily: *i*) € 5,394 thousand of reorganisation costs incurred by SEAT Pagine Gialle S.p.A. for the implementation of the new sales structure based on dedicated sales channels (large customers, SMEs and retailers); *ii*) € 4,768 thousand of costs for stock options; *iii*) € 2,770 thousand of legal expenses incurred primarily for disputes concerning competition in Italy and UK; *iv*) € 980 thousand of provisions to the restructuring reserve, dealing with redundant personnel.

**Operating income** amounted to € 402,118 thousand in 2006 (€ 420,194 thousand in 2005), with a 27.5% ratio to revenues (29.5% in 2005). Operating income shows the same performance as EBITDA, with an increase of € 38,503 thousand compared to the second half of 2005.

**Interest expenses, net** amounted to € 246,209 thousand in 2006 and included financial expense of € 257,583 thousand (€ 284,753 thousand in 2005) and financial income of € 11,374 thousand (€ 24,185 thousand in 2005).

*Financial expenses* includes:

- € 131,273 thousand (€ 150,596 thousand in 2005) for interest expense on the "Senior Credit Agreement" between SEAT Pagine Gialle S.p.A. and The Royal Bank of Scotland Plc Milan Branch. This amount included € 15,843 thousand for the amortisation of transaction costs incurred at the acquisition and refinancing dates. Interest expense on the "Senior" loan decreased by € 19,323 thousand compared to 2005, primarily due to the lower level of average indebtedness. The average cost of the debt, on the other hand, remained substantially stable, benefiting from the lower expenses arising from the hedging operations and the positive effects of the refinancing, which had impacted the statement of operations only for seven months in 2005. They allowed to substantially offset the increase in the Euribor rate during the year;
- € 109,902 thousand (€ 113,754 thousand in 2005) for interest expense on the "Subordinated" loan with the associate Lighthouse International Company S.A.. The item decreased by € 3,852 thousand compared to the previous year due to the tax regulation introduced in July 2005, according to which this interest was no longer subject to tax deductions from that date.  
The item included € 5,652 thousand for the amortisation of transaction costs on loan;
- € 15,027 thousand (€ 7,658 thousand in 2005) for other financial interest and charges, of which *i*) € 4,978 thousand of interest expense on asset backed securities issued by the special purpose entity, Meliadi Finance S.r.l., under the securitisation program; *ii*) € 6,115 thousand for losses on discounting non-current assets and liabilities; and *iii*) € 2,101 thousand of premium points referred to hedging instruments on the euro/sterling exchange rate risk;
- € 1,381 thousand (€ 12,745 thousand in 2005) for exchange rate expenses, recognised as a consequence of changes in the euro/sterling exchange rate.

The overall average cost of the financial debts of SEAT Pagine Gialle S.p.A. was 6% p.a. in 2006 (6.2% in 2005).



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Financial income includes:

- € 4,734 thousand (€ 2,595 thousand in 2005) for interest income arising from short-term cash deposits with banks at market rates;
- € 5,178 thousand (€ 4,734 thousand in 2005) for gains on discounting non-current assets and liabilities;
- € 1,245 thousand (€ 16,463 thousand in 2005) for exchange rate income, recognised as a consequence of changes in the euro/sterling exchange rate.

**Income taxes** for the year were negative for € 74,116 thousand (negative for € 25,383 thousand in 2005) and were detailed as follows

(euro/thousand)	Year 2006	Year 2005	Change	
			Absolute	%
Current income taxes	29,221	24,008	5,213	21.7
Deferred tax assets		(21,771)	21,771	100.0
Provision of deferred tax liabilities	43,116	65,355	(22,239)	(34.0)
Deferred tax assets (liabilities)	2,606	(60,370)	62,976	n.s.
Upfront tax on Customer DataBase		19,448	(19,448)	(100.0)
Income taxes referred to previous years	(827)	(1,287)	460	35.7
<b>Income taxes for the year</b>	<b>74,116</b>	<b>25,383</b>	<b>48,733</b>	<b>n.s.</b>

The increase of € 48,733 thousand compared to 2005 was primarily due to the positive effect generated on income taxes for 2005 by the alignment of the tax value of the *Customer DataBase* to its book value, pursuant to Law No. 342/2000, Article 14. This operation allowed a reversal to the statement of operations of deferred tax liabilities for € 60,370 thousand as a consequence of the payment of an upfront tax of € 19,448 thousand.

**Minority interests** amounted to € 1,652 thousand (€ 6,756 thousand in 2005), mainly due to the Minority of the Telegate group.

The **income for the year**, positive for € 80,136 thousand in 2006, decreased by € 51,769 thousand on the previous year (€ 131,905 thousand). This change is due to the effect on the 2005 result of the alignment of the tax value of the *Customer DataBase* to its book value, pursuant to Law No. 342/2000, Article 14.

Net of this effect, the 2006 result shows a better performance in respect of EBIT, benefiting from the important decrease in the net interest expense due to the effectiveness of the debt management activities.

The consolidated result is similar to the SEAT Pagine Gialle S.p.A. one, since the dividends distributed by the subsidiaries are in line with their economic results for the year.

## → Reclassified balance sheet of the Group

### Foreword

The loan agreement with The Royal Bank of Scotland Plc Milan Branch required SEAT Pagine Gialle S.p.A. to issue the following main guarantees, that are standard for similar transactions:

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

### Net invested capital

**Net invested capital** amounted to € 4,377,887 thousand at December 31, 2006 and decreased by € 157,132 thousand on December 31, 2005. The decrease was mainly due to the amortisation of the *Customer DataBase*, while the operating net invested capital was substantially stable compared to December 31, 2005, despite the investments carried out in 2006. It consists of the following items:

- **goodwill and Customer DataBase** of € 3,997,672 thousand at December 31, 2006, of which € 3,579,001 thousand for goodwill and goodwill on consolidation, and € 418,671 thousand for the *Customer DataBase*. The decrease of € 157,326 thousand on December 31, 2005 was mainly due to the amortisation of the *Customer DataBase* (€ 162,067 thousand), which was partially offset by the increase in goodwill on consolidation linked to euro/sterling exchange rate (€ 4,482 thousand);
- **other non-current assets** amounted to € 166,820 thousand at December 31, 2006, a decrease of € 30,180 thousand compared to December 31, 2005 (€ 197,000 thousand), and included:
  - *operating intangible assets with finite useful life and property, plant and equipment* amounted to € 117,213 thousand at December 31, 2006 (€ 93,613 thousand at December 31, 2005), an increase of € 23,600 thousand on the previous year. The change reflected in particular industrial investments for € 48,323 thousand (€ 46,037 thousand in 2005) and the Telegate Auskunftsdiensete GmbH's consolidation (€ 8,468 thousand), partially offset by amortisation, depreciation and write-downs for € 33,269 thousand.

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*Industrial investments referred to:*

- in SEAT Pagine Gialle S.p.A. (€ 35,099 thousand):
  - the creation of an integrated production platform dedicated to print products characterised by an high level of integration between classic directory contents and editorial information (InZona, Idee InVacanza, Eccomi);
  - the development of the new multimedia publishing system (SEM). It is an integrated production platform for processing multimedia advertising information on all the platform (paper, online and voice);
  - the introduction of the full-color for the PAGINEBIANCHE® print directories and restyling of "Casa" and "Lavoro" of the PAGINEGIALLE® print directories;
  - the development of new online products (PAGINEGIALLE VISUAL) and the restyling of existing ones (PAGINEGIALLE online, TuttoCittà online);
  - the upgrade the software used for managing the Universal Database to meet new regulatory requirements in order to view subscribers' consent to receive promotional, publicity or commercial informations;
  - the development of corporate infrastructure to enable cross-interaction among different company's IT systems (SEM, Directory on line, Billing Evolution, Data Ware House, CACS credit management);
  - the development of the new SAP platform "from order to cash" for the integrated management of the sales order from front-end business (Evolution) up to the final back-office stage of payment from the customer;
  - the creation of a credit scoring system that provides a grading for each sales order, and applies statistical analysis to determine the creditworthiness of each customer;
  - the purchase of EDP systems (€ 4,690 thousand), including servers and other IT equipment;
- in the Telegate group (€ 5,320 thousand):
  - the purchase of EDP systems (€ 4,071 thousand), including servers and other IT equipment;
  - the development of new Internet products;
- in the TDL Infomedia group (€ 2,835 thousand):
  - the development of innovative products in the Internet and data sales area;
  - the restyling of print products, with standardised graphical formats;
  - development of new administrative systems able to improve the productivity and performance of employees;
- *deferred tax assets, net* amounted to € 48,346 thousand at December 31, 2006 (€ 101,837 thousand on December 31, 2005), and included deferred tax assets for € 168,328 thousand, net of deferred tax liabilities for € 119,982 thousand. The decrease of € 53,491 thousand compared to December 31, 2005 was mainly due to
  - i*) € 42,570 thousand for deferred tax liabilities accounted for in SEAT Pagine Gialle S.p.A. (of which € 35,216 thousand for the Customer DataBase and € 5,288 thousand for goodwill),
  - ii*) € 7,780 thousand for the reversal of deferred tax assets, net as a consequence of the change in the fair value of the hedging instruments effective at December 31, 2006 and
  - iii*) € 1,701 thousand for the deferred tax assets, net on the actuarial losses arising from the valuation of defined benefit pension plans, in compliance with IAS 19.

- **non-operating non-current liabilities** amounted to € 434 thousand at December 31, 2006 (€ 3,632 thousand at December 31, 2005) and were essentially referred to the reserve for restructuring expenses (€ 420 thousand). The decrease of € 3,198 thousand on December 31, 2005 was mainly due to the reduction of the deferred tax liabilities;
- **operating non-current liabilities** amounted to € 78,148 thousand at December 31, 2006 (€ 73,996 thousand at December 31, 2005). The item included:
  - *defined benefit pension plans*, of € 26,467 thousand at December 31, 2006 (€ 19,297 thousand at December 31, 2005), net of assets destined to finance these plans (€ 87,150 thousand at December 31, 2006). Both the liabilities and the related assets were valued by an independent expert using the projected unit credit method. In 2006, € 5,991 thousand were paid in to increase the assets servicing the plans. It should be noted € 8,461 thousand at December 31, 2006, representing the accumulated actuarial losses, net, was recognised in the balance sheets with a corresponding entry in Shareholders' Equity, in compliance with IAS 19, paragraph 93A;
  - *reserve for severance indemnities*, of € 29,754 thousand at December 31, 2006 (€ 32,904 thousand at December 31, 2005), was accounted for in compliance with IAS 19, since it is considered a defined benefit provision. At December 31, 2006, € 2,487 thousand of net accumulated actuarial income was recognised directly to Group Shareholders' equity;
  - *reserve for sales agents' termination indemnities*, of € 21,238 thousand at December 31, 2006, increased by € 1,773 thousand on December 31, 2005. It represents the liability at year-end to active sales agents for the indemnity due under current regulations if the agency relationship will be interrupted. This reserve has been discounted to present value by using an average market rate for debts of similar duration, taking into account the expected future cash flows and by estimating its expected future usage also on the basis of the average life of agency contracts;
- **operating working capital** positive for € 298,690 thousand at December 31, 2006 (positive for € 285,598 thousand at December 31, 2005), increased by € 13,092 thousand in 2006. In detail:
  - *trade accounts receivable* (€ 668,681 thousand at December 31, 2006) decreased by € 1,059 thousand on December 31, 2005. The new credit management process adopted by SEAT Pagine Gialle S.p.A. allowed to achieve positive results in terms of DSO, which decreased from 195 days at December 31, 2005 to 187 days at December 31, 2006: however, these effects did not translate into lower trade receivables at year-end, since they were partially offset by higher sales volumes at year-end compared to 2005;
  - *other operating current assets* (€ 65,838 thousand at December 31, 2006) decreased by € 5,044 thousand compared to December 31, 2005, due in particular to the € 5,970 thousand reduction in commission advanced and other operating receivables from agents;
  - *trade accounts payable* (€ 292,919 thousand at December 31, 2006) were substantially stable compared to the previous year, in spite of higher investments and advertising costs incurred in 2006 to launch the new directory assistance services;

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- *payable for services to be rendered and other current liabilities* (€ 102,723 thousand at December 31, 2006) decreased by € 11,432 thousand on December 31, 2005, primarily as a result of the reduction in accounts payable for services to be rendered due to different purchasing and invoicing schedule;
- *provisions for current risks and expenses* (€ 36,502 thousand at December 31, 2006) decreased by € 9,119 thousand on December 31, 2005, mainly due to the elimination of the VAT risk on factored receivables (€ 2,216 thousand), the reduction in risks related to litigations (€ 1,139 thousand) and to the dispute with Deutsche Telekom regarding the supply of subscriber data to Telegate (€ 1,827 thousand);
- **non-operating working capital**, was negative for € 6,713 thousand at December 31, 2006 (negative for € 24,949 thousand at December 31, 2005), and increased by € 18,236 thousand compared to the December 31, 2005. This item included:
  - *income tax payables* for € 5,823 thousand (€ 23,486 thousand at December 31, 2005), decreasing by € 17,663 thousand on December 31, 2005 due to the payment during the year of the upfront tax related to the alignment between the book and tax value of the *Customer DataBase* carried out in 2005;
  - *current tax assets* for € 3,105 thousand (€ 3,733 thousand at December 31, 2005);
  - *current corporate restructuring provisions* amounted to € 2,757 thousand (€ 4,745 thousand at December 31, 2005), decreased by € 1,988 thousand following the utilisation of € 3,328 thousand in 2006 for the Parent company's ongoing restructuring plans, partially offset by a provision of € 1,900 thousand.

## Shareholders' Equity

**Shareholders' equity** amounted to € 1,075,430 thousand at December 31, 2006 (€ 999,734 thousand at December 31, 2005), of which € 1,057,184 thousand of the Group (€ 980,117 thousand at December 31, 2005) and € 18,246 thousand of Minority interests (€ 19,617 thousand at December 31, 2005). The increase of € 77,067 thousand at December 31, 2006, in the equity of the Group, was due to:

- income for the year for € 80,136 thousand;
- exercise of stock options for € 20,434 thousand;
- changes in the market value of the hedging instruments entered into to hedge interest rate risk for € 15,795 thousand.

These effects were partially offset by the distribution of ordinary dividends for € 45,276 thousand and the entry of the net actuarial losses on defined benefit pension funds for € 4,280 thousand.

## Net financial debt

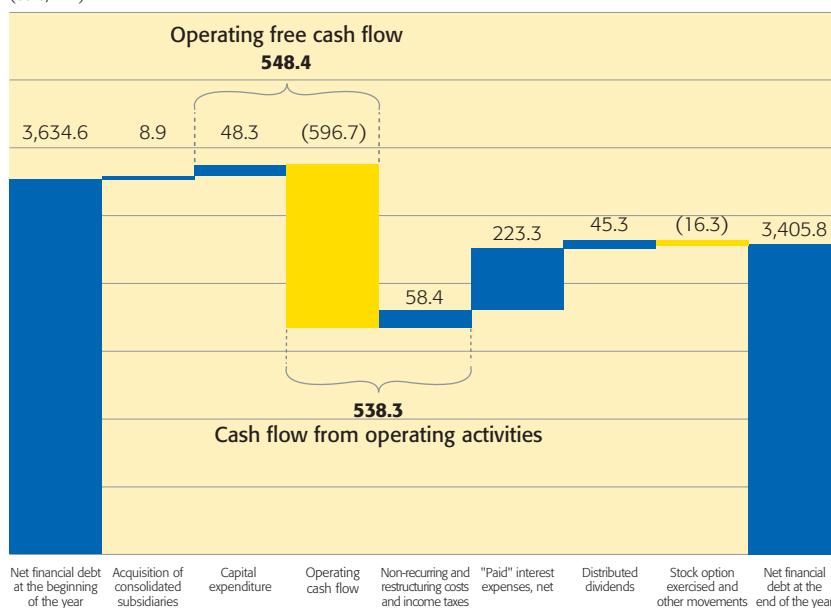
**Net financial debt** amounted to € 3,405,782 thousand at December 31, 2006 (€ 3,634,581 thousand at December 31, 2005) and decreased by € 228,799 thousand during 2006, in spite of the distribution of dividends for € 45,276 thousand and payment of the upfront tax (€ 19,448 thousand) on the alignment of the fiscal value of the *Customer DataBase* to its book carried out last year pursuant to Law No. 342/2000 art. 14 (the terms of which were reiterated by Law No. 26/2005).

It differs from the Net financial debt – “book value”, described below, since it is reported gross of:

- transaction costs for the acquisition and refinancing of the medium and long-term “Senior” loan with The Royal Bank of Scotland Plc Milan Branch, the “Subordinated” loan with Lighthouse International Company S.A. and the launch of the trade receivables securitisation program. These costs amounted to € 102,326 thousand at December 31, 2006, net of accumulated amortisation;
- net assets referred to the market values of the hedging instruments entered into to hedge interest rate risks, which amounted to € 999 thousand at December 31, 2006 (€ 23,178 thousand of net liabilities at December 31, 2005).

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

(euro/mln)





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**Net financial debt – “book value”** amounted to € 3,302,457 thousand at December 31, 2006 (€ 3,535,285 thousand at December 31, 2005) and was detailed as follows:

- **non-current financial debts** amounted to € 3,384,189 thousand at December 31, 2006 (€ 3,526,689 thousand at December 31, 2005) and were made-up as follows

(euro/thousand)	At 12.31.2006	At 12.31.2005	Change
Debts due to The Royal Bank of Scotland Plc Milan Branch	1,870,861	2,273,729	(402,868)
Debts due to Lighthouse International Company S.A.	1,258,549	1,252,897	5,652
Asset backed securities	254,653	-	254,653
Debts to other lenders	126	63	63
<b>Total non-current debts</b>	<b>3,384,189</b>	<b>3,526,689</b>	<b>(142,500)</b>
<b>Current portion of non-current debts</b>	<b>158,301</b>	<b>171,112</b>	<b>(12,811)</b>

- *Debts due to The Royal Bank of Scotland Plc Milan Branch* amounted to € 1,870,861 thousand at December 31, 2006 (net of € 59,528 thousand of transaction costs not yet amortised at December 31, 2006) and related to the “Term and Revolving Facilities Agreement” loan, organised as follows:
  - a) tranche A, for € 1,574.1 million, repayable in accordance with the amortisation plan, with non-constant six-monthly instalments until June 2012, bearing interest at a floating rate equal to Euribor plus a 1.91% spread p.a. until February 2007, and 1.685% subsequently;
  - b) tranche B, for € 514.5 million, repayable in a single instalment in June 2013, bearing interest at a floating rate equal to Euribor plus a 2.41% spread p.a. until February 2007, and 2.26% subsequently;
  - 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 until May 2012, bearing interest at a floating rate equal to that applied to tranche A, if taken down. A non-usage fee of 0.56% p.a. is charged on temporary commitments not drawn.

The reduction in spreads applied to the various tranches from February 2007 is due to the application of a contract clause providing for a gradual reduction in the cost of the debt to reflect the improvement in the ratio between net debt and Group EBITDA.

The financing agreement requires SEAT Pagine Gialle S.p.A. to comply with specific covenants, which are checked on quarterly basis. These covenants refer to the observance of specific ratio between *i)* net debt and EBITDA, *ii)* EBITDA and interest on debt, *iii)* cash flow and debt service (including interest and principal instalments payable in each reference period). The result of the test carried out on these covenants at December 31, 2006 (reference date) was positive.

- *Financial debts due to Lighthouse International Company S.A.* amounted to € 1,258,549 thousand at December 31, 2006, net of € 41,451 thousand for transaction costs not yet amortised at the year-ended (€ 1,252,897 thousand at December 31, 2005).  
The ten-year loan bearing a fixed interest of 8% p.a. falls due in 2014.  
It should be noted SEAT Pagine Gialle S.p.A. issued guarantees for € 350,000 thousand to cover any possible additional charges relating to the bond.
- *Asset backed securities* amounted to € 256,000 thousand at December 31, 2006 (gross of transaction costs). They were issued by the special purpose entity Meliadi Finance S.r.l. to finance the purchase of the trade receivables portfolio sold to it by SEAT Pagine Gialle S.p.A. as part of the securitisation program started in June 2006, as described in the section "Main events in 2006".  
These securities, guaranteed by the trade receivables portfolio, were subscribed through a private placement by an institutional investor. They expire in 2014 and bear a floating interest at the commercial paper rate. They are accounted for net of securitisation costs not yet amortised at December 31, 2006 (€ 1,347 thousand);
- **current financial debts** amounted to € 229,210 thousand at December 31, 2006 (€ 214,301 thousand at December 31, 2005) and included:
  - € 158,301 thousand for the current portions of the loan from The Royal Bank of Scotland Plc Milan Branch, due in June and December 2007;
  - € 47,765 thousand for accrued interest expenses on existing loans, not yet paid;
  - € 20,774 thousand for payables due to Shareholders for dividends distributed but not yet drawn at December 31, 2006;
- **other non-current financial assets** amounted to € 1,424 thousand at December 31, 2006 (€ 1,160 thousand at December 31, 2005) and referred to loans to employees;
- **current financial assets, cash and cash equivalents** amounted to € 309,518 thousand at December 31, 2006 (€ 204,545 thousand at December 31, 2005) and referred to:
  - € 308,195 thousand for cash and cash equivalents (€ 202,158 thousand at December 31, 2005), of which € 103,140 thousand held by the special purpose entity Meliadi Finance S.r.l., and originated from the collections of the trade account receivables transferred by SEAT Pagine Gialle S.p.A. within the securitisation program. These cash was used by the vehicle to purchase a new tranche of trade receivables early in January 2007;
  - € 999 thousand for the net market value of hedging instruments on interest rate risks, described below.

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The "Senior" debt with The Royal Bank of Scotland Plc Milan Branch as well as the asset backed securities issued by the vehicle Meliadi Finance S.r.l. within the securitisation program, bear floating interest rates linked to the Euribor rate. In order to reduce the exposure to risks on floating interest rates, SEAT Pagine Gialle S.p.A. entered into hedging agreements with leading international financial counterparties, all of them referred to the "Senior" debt. The following were effective at December 31, 2006:

- a) three *Interest Rate Collar* contracts, for the period from March 2007 to December 2011, through which a variable band of the floating six-month Euribor rate was fixed with a maximum (from 4.18% to 5.08%) and minimum threshold (from 3% to 3.42%);
- b) five *Interest Rate Swap* contracts entered into in February and March 2006 with reference to the loans expected to be outstanding in the period December 2009 to June 2012, through which the floating six-month Euribor rate has been replaced by a fixed rate at about 3.75% on € 325.0 million of notional total;
- c) two *Forward Rate Agreements (F.R.A.)* entered into between November and December 2006, through which an Euribor rate of 3.78% has been fixed on € 150 million of notional amount with reference to the first half of 2008.

At present, the derivatives entered into by the Company, together with the fix-rate "Subordinated" loan, ensure an almost constant overall coverage of about 86% of the financial exposure during 2007-2009, of which about 47% realised through the fixed-rate "Subordinate" loan and about 53% through hedging instruments.

The expected coverage for the 2010-2011 period stands at about 80% of the financial exposure, 57.5% realised through the fixed-rate "Subordinate" loan, 14.5% through Interest Rate Swap contracts and 28% through Interest Rate Collar contracts.

## → Operating free cash flow of the Group

**Operating free cash flow** generated in 2006 was still high in absolute values (€ 548,335 thousand), though it was € 53.180 thousand lower than that generated in 2005.

This decrease was determined by:

- a decrease in EBITDA of € 15,136 thousand compared to 2005, related to higher operating costs incurred to strengthen the sales structure, to launch new print and online products and new directory assistance services (12.40 Pronto PAGINEBIANCHE® and 118000 in France), as described above in the section "Reclassified statement of operations of the Group";
- an increase in net operating working capital of € 11,924 thousand, with an opposite trend compared to 2005 that presented a decrease of € 19,977 thousand. It was mainly due to the trend of the trade receivables from third parties in SEAT Pagine Gialle S.p.A., which decreased by € 33,231 thousand in 2005 and were substantially stable in 2006 (-€ 5,142 thousand), and to the € 7,642 thousand increase in trade receivables of the Telegate group, deriving from delays in payment for the rebate of telephone traffic by some telephone operators; the majority of these receivables were collected early in 2007.

It should be noted that in the second half of 2006 free cash flow amounted to € 311,809 thousand and increased by € 12,491 thousand compared to the second half of 2005, as it benefited from the various actions carried out since the previous year to strengthen the group's offer and to enhance the high returns that SEAT media are able to ensure to its advertisers.

The ratio of operating free cash flow on revenues from sales and services (37.6% in 2006), though still high, decreased by 42.2% compared to 2005, as well as the ratio of operating free cash flow on EBITDA (89.7% in 2006 and 96.0% in 2005), a consequence of the EBITDA contraction and the operating working capital trend, as described above.

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## Reclassified statement of operations of the Group

(euro/thousand)	Year 2006	Year 2005	Change	
			Absolute	%
<b>Revenues from sales and services</b>	<b>1,460,183</b>	<b>1,424,611</b>	<b>35,572</b>	<b>2.5</b>
Materials and external services (*)	(568,838)	(514,954)	(53,884)	(10.5)
Salaries, wages and employee benefits (*)	(231,844)	(218,924)	(12,920)	(5.9)
<b>Gross operating profit</b>	<b>659,501</b>	<b>690,733</b>	<b>(31,232)</b>	<b>(4.5)</b>
<i>% on revenues</i>	<i>45.2%</i>	<i>48.5%</i>		
Other valuation adjustments and provisions to reserves for risks and charges, net	(47,180)	(60,659)	13,479	22.2
Other income (expenses), net	(897)	(3,514)	2,617	74.5
<b>Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)</b>	<b>611,424</b>	<b>626,560</b>	<b>(15,136)</b>	<b>(2.4)</b>
<i>% on revenues</i>	<i>41.9%</i>	<i>44.0%</i>		
Operating amortisation, depreciation and write-downs	(33,269)	(32,391)	(878)	(2.7)
Non-operating amortisation and write-downs	(162,067)	(162,067)	-	-
Non-recurring and restructuring costs, net	(13,970)	(11,908)	(2,062)	(17.3)
<b>Operating income (EBIT)</b>	<b>402,118</b>	<b>420,194</b>	<b>(18,076)</b>	<b>(4.3)</b>
<i>% on revenues</i>	<i>27.5%</i>	<i>29.5%</i>		
Interest expenses, net	(246,209)	(260,568)	14,359	5.5
Gains (losses) on investments accounted for at equity	(5)	4,243	(4,248)	n.s.
<b>Income before income taxes, discontinued operations and Minority interests</b>	<b>155,904</b>	<b>163,869</b>	<b>(7,965)</b>	<b>(4.9)</b>
Income taxes	(74,116)	(25,383)	(48,733)	n.s.
Income from discontinued operations	-	175	(175)	(100.0)
<b>Income before Minority interests</b>	<b>81,788</b>	<b>138,661</b>	<b>(56,873)</b>	<b>(41.0)</b>
Minority interests	(1,652)	(6,756)	5,104	75.5
<b>Income for the year</b>	<b>80,136</b>	<b>131,905</b>	<b>(51,769)</b>	<b>(39.2)</b>

(\*) Less repayments of cost.

## Reclassified balance sheet of the Group

(euro/thousand)	At 12.31.2006	At 12.31.2005 (*)	Change
Goodwill and Customer DataBase	3,997,672	4,154,998	(157,326)
Other non-current assets (**)	166,820	197,000	(30,180)
Non-operating non-current liabilities	(434)	(3,632)	3,198
Operating non-current liabilities	(78,148)	(73,996)	(4,152)
<b>Operating working capital</b>	<b>298,690</b>	<b>285,598</b>	<b>13,092</b>
- Operating current assets	748,544	755,600	(7,056)
- Operating current liabilities	(449,854)	(470,002)	20,148
Non-operating working capital	(6,713)	(24,949)	18,236
- Non-operating current assets	3,510	3,742	(232)
- Non-operating current liabilities	(10,223)	(28,691)	18,468
<b>Net invested capital</b>	<b>4,377,887</b>	<b>4,535,019</b>	<b>(157,132)</b>
Equity of the Group	1,057,184	980,117	77,067
Minority interests	18,246	19,617	(1,371)
<b>Shareholders' equity (A)</b>	<b>1,075,430</b>	<b>999,734</b>	<b>75,696</b>
<b>Net financial debt</b>	<b>3,405,782</b>	<b>3,634,581</b>	<b>(228,799)</b>
Transaction costs on loans not yet amortised	(102,326)	(122,474)	20,148
Net market value of hedging instruments on interest rate risks	(999)	23,178	(24,177)
<b>Net financial debt - "book value" (B)</b>	<b>3,302,457</b>	<b>3,535,285</b>	<b>(232,828)</b>
of which:			
- Non-current financial debts	3,384,189	3,526,689	(142,500)
- Current financial debts	229,210	214,301	14,909
- Non-current financial assets	(1,424)	(1,160)	(264)
- Current financial assets, cash and cash equivalents	(309,518)	(204,545)	(104,973)
<b>Total (A+B)</b>	<b>4,377,887</b>	<b>4,535,019</b>	<b>(157,132)</b>

(\*) The items referred to December 31, 2005 have been restated in order to include the actuarial gains (losses), net of deferred income taxes, arising from the evaluation of the defined benefit pension plans, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of the Notes to Financial Statements of the Group.

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



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## Operating free cash flow of the Group

(euro/thousand)	Year 2006	Year 2005	Change
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	611,424	626,560	(15,136)
Discounting gains (losses) on operating assets and liabilities	(937)	(787)	(150)
Decrease (increase) in operating working capital	(11,924)	19,977(*)	(31,901)
(Decrease) increase in operating non-current liabilities	(1,829)	1,708	(3,537)
Capital expenditure	(48,323)	(46,037)	(2,286)
(Gains) losses on disposal of non-current assets	(76)	94	(170)
<b>Operating free cash flow</b>	<b>548,335</b>	<b>601,515</b>	<b>(53,180)</b>

(\*) The 2005 amount included an adjustment of € 6,951 thousand to offset the effects on free cash flow resulting from the new VAT taxation in Thomson group.

→ Reconciliation between Shareholders' equity of SEAT Pagine Gialle S.p.A. and consolidated Shareholders' equity at December 31, 2006

	Equity of the Group				Minority interests			Total
	Share capital	Reserves	Income (loss) for the year	Total	Share capital and reserves	Income (loss) for the year	Total	
<b>(euro/thousand)</b>								
<b>SEAT Pagine Gialle S.p.A. at December 31, 2006</b>	<b>249,879</b>	<b>728,394</b>	<b>83,395</b>	<b>1,061,668</b>				<b>1,061,668</b>
Net income (loss) for the year of consolidated companies			40,638	40,638		1,662	1,662	42,300
Share capital and reserves of consolidated companies		254,873		254,873	16,549		16,549	271,422
Book value of consolidated companies		(463,796)		(463,796)				(463,796)
<b>Consolidation adjustments</b>								
Positive difference from acquisition of investments		170,740		170,740				170,740
Intra-group disposals of previous years		(6,959)		(6,959)				(6,959)
Intra-group dividends		43,814	(43,814)					
Exchange differences and other movements		103	(83)	20	45	(10)	35	55
<b>Share capital, reserves and results at December 31, 2006</b>	<b>249,879</b>	<b>727,169</b>	<b>80,136</b>	<b>1,057,184</b>	<b>16,594</b>	<b>1,652</b>	<b>18,246</b>	<b>1,075,430</b>

→ Reconciliation between Shareholders' equity of SEAT Pagine Gialle S.p.A. and consolidated Shareholders' equity at December 31, 2005

	Equity of the Group				Minority interests			Total
	Share capital	Reserves	Income (loss) for the year	Total	Share capital and reserves	Income (loss) for the year	Total	
<b>(euro/thousand)</b>								
<b>SEAT Pagine Gialle S.p.A. at December 31, 2005 (*)</b>	<b>248,012</b>	<b>646,485</b>	<b>84,715</b>	<b>979,212</b>				<b>979,212</b>
Net income (loss) for the year of consolidated companies			49,670	49,670		6,776	6,776	56,446
Share capital and reserves of consolidated companies		240,985		240,985	12,820		12,820	253,805
Book value of consolidated companies		(453,219)	(447)	(453,666)				(453,666)
<b>Consolidation adjustments</b>								
Positive difference from acquisition of investments		170,739		170,739				170,739
Intra-group disposals		(7,189)	230	(6,959)				(6,959)
Intra-group dividends		2,292	(2,292)					
Exchange differences and other movements		107	29	136	41	(20)	21	157
<b>Share capital, reserves and results at December 31, 2005 (*)</b>	<b>248,012</b>	<b>600,200</b>	<b>131,905</b>	<b>980,117</b>	<b>12,861</b>	<b>6,756</b>	<b>19,617</b>	<b>999,734</b>

(\*) The items referred to December 31, 2005 have been restated in order to include the actuarial gains (losses), net of deferred income taxes, arising from the evaluation of the defined benefit pension plans, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of the Notes to Financial Statements of the Group.

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

For the notes please refer to the following sections:

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

## Reclassified statement of operations of SEAT Pagine Gialle S.p.A.

(euro/thousand)	Year 2006	Year 2005	Change	
			Absolute	%
<b>Revenues from sales and services</b>	<b>1,077,495</b>	<b>1,061,813</b>	<b>15,682</b>	<b>1.5</b>
Materials and external services (*)	(410,469)	(389,203)	(21,266)	(5.5)
Salaries, wages and employee benefits (*)	(81,193)	(85,116)	3,923	4.6
<b>Gross operating profit</b>	<b>585,833</b>	<b>587,494</b>	<b>(1,661)</b>	<b>(0.3)</b>
<i>% on revenues</i>	<i>54.4%</i>	<i>55.3%</i>		
Other valuation adjustments and provisions to reserves for risks and charges, net	(40,823)	(50,028)	9,205	18.4
Other income (expenses), net	(2,586)	(2,256)	(330)	(14.6)
<b>Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)</b>	<b>542,424</b>	<b>535,210</b>	<b>7,214</b>	<b>1.3</b>
<i>% on revenues</i>	<i>50.3%</i>	<i>50.4%</i>		
Operating amortisation, depreciation and write-downs	(19,655)	(19,312)	(343)	(1.8)
Non-operating amortisation and write-downs	(162,067)	(162,067)		
Non-recurring and restructuring costs, net	(12,711)	(10,007)	(2,704)	(27.0)
<b>Operating income (EBIT)</b>	<b>347,991</b>	<b>343,824</b>	<b>4,167</b>	<b>1.2</b>
<i>% on revenues</i>	<i>32.3%</i>	<i>32.4%</i>		
Interest expenses, net	(206,025)	(248,071)	42,046	16.9
Write-up (write-down) of investments	-	447	(447)	(100.0)
Gains (losses) on disposal of investments	(39)	(432)	393	(91.0)
<b>Income before income taxes</b>	<b>141,927</b>	<b>95,768</b>	<b>46,159</b>	<b>48.2</b>
Income taxes	(58,532)	(11,053)	(47,479)	n.s.
<b>Income for the year</b>	<b>83,395</b>	<b>84,715</b>	<b>(1,320)</b>	<b>(1.6)</b>

(\*) Less repayments of cost.

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## Reclassified balance sheet of SEAT Pagine Gialle S.p.A.

(euro/thousand)	AI 12.31.2006	AI 12.31.2005 (*)	Change
Goodwill and Customer DataBase	3,605,832	3,767,899	(162,067)
Other non-current assets (**)	486,537	514,442	(27,905)
Non-operating non current liabilities	(47,315)	(49,318)	2,003
Operating working capital	285,279	283,588	1,691
- Operating current assets	648,145	658,645	(10,500)
- Operating current liabilities	(362,866)	(375,057)	12,191
Non-operating working capital	(2,684)	(23,209)	20,525
- Non-operating current assets	3,649	2,144	1,505
- Non-operating current liabilities	(6,333)	(25,353)	19,020
<b>Net invested capital</b>	<b>4,327,649</b>	<b>4,493,402</b>	<b>(165,753)</b>
<b>Shareholders' equity (A)</b>	<b>1,061,668</b>	<b>979,212</b>	<b>82,456</b>
<b>Net financial debt</b>	<b>3,369,306</b>	<b>3,613,486</b>	<b>(244,180)</b>
Transaction costs on loans and securitisation costs not yet amortised	(102,326)	(122,474)	20,148
Net market value of hedging instruments on interest rate risks	(999)	23,178	(24,177)
<b>Net financial debt - "book value" (B)</b>	<b>3,265,981</b>	<b>3,514,190</b>	<b>(248,209)</b>
of which:			
- Non-current financial debts	3,290,015	3,526,626	(236,611)
- Current financial debts	254,521	261,949	(7,428)
- Non-current financial assets	(1,424)	(110,600)	109,176
- Current financial assets, cash and cash equivalents	(277,131)	(163,785)	(113,346)
<b>Total (A+B)</b>	<b>4,327,649</b>	<b>4,493,402</b>	<b>(165,753)</b>

(\*) The items referred to December 31, 2005 have been restated in order to include the actuarial gains (losses), net of deferred income taxes, arising from the evaluation of the reserve for severance indemnities, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of the Notes to Financial Statements of SEAT Pagine Gialle S.p.A..

(\*\*) This item included financial assets available for sale.

## Operating free cash flow of SEAT Pagine Gialle S.p.A.

(euro/thousand)	Year 2006	Year 2005	Change
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	542,424	535,210	7,214
Discounting gains (losses) on operating assets and liabilities	(1,440)	(998)	(442)
Decrease (increase) in operating working capital	(1,691)	20,377	(22,068)
(Decrease) increase in operating non-current liabilities	1,073	2,180	(1,107)
Capital expenditure	(35,099)	(27,591)	(7,508)
(Gains) losses on disposal of non-current assets	(97)	70	(167)
<b>Operating free cash flow</b>	<b>505,170</b>	<b>529,248</b>	<b>(24,078)</b>



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## ➤ Main corporate events of 2006

In addition to the information provided 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 No. 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.

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.

Transaction costs, represented by the interests paid to Meliadi Finance S.r.l. for its financing, plus any additional charges arising from the running of the securitisation program, 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" debt, with a corporate rating of BB-, with a stable outlook.

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

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

### Agreement with Doğan Yayın Holding A.S.

At the end of July 2006, SEAT Pagine Gialle S.p.A. signed a memorandum of understanding with Dogan 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 by the end of the first quarter of 2007 and if an agreement between the parties involved is reached, this will be followed by the setting up of a Joint Venture.

This understanding is consistent with the SEAT Pagine Gialle group's strategy aimed at developing its international presence, already consolidated in the United Kingdom, Germany, France and Spain, in foreign countries with high potentials in the directory market. Turkey, in fact, 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 steady growth of its GDP and the high number of SMEs, Turkey is a potentially interesting country for a multiplatform offer in the directories market.

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## Possible acquisition of the 1288 and 1248 numbers

On November 7, 2006, SEAT Pagine Gialle S.p.A. entered into an agreement with the Spanish group TPI (now controlled by Yell) for the acquisition of *i*) full ownership of 1288 Servizio di Consultazione Telefonica S.r.l., a directory assistance company operating in the Italian directory assistance market with the 1288 number, and *ii*) right of use of the 1248 number, granted to the vendor 11888 Servizio Consulta Telefonica S.A..

The transaction remains conditional on approval by the Competition Authority which, however, decided, following the notice provided by SEAT Pagine Gialle S.p.A. – as required by law in case of M&A transactions higher than specific values – to open an inquiry, currently still pending. The reason for this inquiry is, among other, the large market share SEAT Pagine Gialle S.p.A. could have thanks to the relevant acquisition. This eventuality, in fact, can be considered an indicator of possible reductions in competition.

## Purchase of a real estate complex for the new headquarter of SEAT Pagine Gialle S.p.A.

At the end of December 2006, SEAT Pagine Gialle S.p.A. entered into a preliminary contract of sale with SNOS S.p.A. (a company 51% owned by FinPiemonte S.p.A. and 49% owned by Impresa Rosso S.p.A.) for the purchase of a substantial part of the real estate complex still under restructuring in the district named “ex Officine Savigliano” located in Turin. The aim is to bring together more than 850 employees currently working in the various Turin offices into one centre. Once the purchase has been completed, it will be funded through a finance lease transaction.

The premises which will house SEAT Pagine Gialle S.p.A.’s new offices will have gross floor space of about 26,600 square metres representing a total investment of about € 50 million (including all the modifications and customisation requested). The office space will be in five newly constructed buildings together with a substantial portion of the historic building which was for years the site of “Officine Savigliano”. The remaining 51,000 square metres in the complex will be used as offices, services, commercial centres, shops, bars, restaurants and parking areas.

The new offices will allow to create a working and living environment which can represent the key values of the Company in the best possible way (tradition and innovation, competence and capability to be opened towards the external world, work diligence and attention to personnel needs) and to realise efficiencies with regards to spaces and time for moving and reductions of direct and indirect costs, currently arising from the presence of separate offices.

## ➤ Events subsequent to December 31, 2006

### Early repayment of a portion of the "Senior" debt

In February 2007, SEAT Pagine Gialle S.p.A. made an early repayment of € 104.2 million referred to tranches A and B of the "Senior" debt with The Royal Bank of Scotland Plc Milan Branch.

As per contract, € 79.2 million of the amount repaid was due in June 2007, while the remaining part was due in June 2013.

This voluntary repayment is one of the contractual options the Company has to use liquidity exceeding operational requirements.

### Reduction in the interest cost of the "Senior" debt

As from the second half of February 2007, the cost of the Senior debt has reduced due to a decrease in the spreads applied to the Euribor rate (down from 1.91% to 1.685% with regard to tranches A and C and down from 2.41% to 2.26% with regard to tranche B), as described in the section "Economic and financial performance of the Group". The reductions, as per contract, arise from the achievement of a target ratio between Group debt and EBITDA thanks to the excellent cash generation. A further reduction is expected by the end of 2007.

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## ➤ Outlook on 2007

2006 was an important year for SEAT Pagine Gialle S.p.A. in terms of the reorganisation and innovation processes begun in 2004, aimed at the business development. After first half results impacted by the costs for the launch of new services, in the second half of the year the Company, in fact, benefited from the investments made over 2005 and the first months of 2006. These investments were aimed at the enhancement of the Sales Departments and the launch on the market of new print products and directory assistance and online services. In Italy, during 2006 the new subscriber information service 12.40 Pronto PAGINEBIANCHE®, launched in the last quarter of 2005, has been able to impose itself on the market.

In July 2006 the Company started the distribution of the new PAGINEBIANCHE® in full-color and the advertising campaigns on the restyled PAGINEGIALLE®, which will be published starting from April 2007. In October 2006 advertising sales started on the new Internet platform of PAGINEGIALLE VISUAL®, an innovative offer characterised by search techniques no longer depending on just text but also visual and emotional features.

Product innovations were supported with the enhancement of the sales force now organised by segments of customers (large customers, SMEs and retailers) thanks to the new organisational sales structure designed at the beginning of 2006 and become effective during the year. Substantial investments in training and for the development of IT tools were made to support further sales activities.

As for the foreign subsidiaries, during the reporting period high investments were made in the Telegate Group to enter the Directory Assistance market in France and in Thomson to start the reorganisation process aimed at the strengthening of the sales structure and the enhancement of the print and online offering.

2007 is expected to be the first year in which the SEAT Pagine Gialle group will be able to materially benefit from the actions carried out by the Parent in the last two years and aimed at the internal reorganisation and the enhancement of the offer and sales skills. In Italy, these actions will be able to sustain the growth in revenues, thanks to the acceleration in the Internet Area and the progressive improvement of print products, expected to be substantially stable, after two years of negative performance. In fact during that period these products were impacted from contingent situations depending on the economic environment of the first part of the current decade more than actual market difficulties. The Telegate group, on the contrary, should achieve better margins after the high 2006 investments made to enter the French market.

As a consequence of these dynamics, 2007 consolidated EBITDA is therefore expected to significantly growth, as already reported in the second half of 2006.



## ➤ Economic and financial performance of the Business Areas

		Italian	UK	Directory	Other	Aggregate	Eliminations	Consolidated
		Directories	Directories	Assistance	activities	Total	and other adjustments	Total
<b>(euro/million)</b>								
Revenues from sales and services towards third parties	Year 2006	1,070.4	173.5	161.8	54.5	1,460.2	-	1,460.2
Intercompany revenues from sales and services	Year 2006	7.1	-	26.9	22.5	56.5	(56.5)	-
Revenues from sales and services	Year 2006	1,077.5	173.5	188.7	77.0	1,516.7	(56.5)	1,460.2
	Year 2006	1,061.8	175.6	159.4	67.6	1,464.4	(39.8)	1,424.6
Materials and external services (*)	Year 2006	(410.5)	(61.1)	(109.8)	(43.9)	(625.3)	56.5	(568.8)
Salaries, wages and employee benefits (*)	Year 2006	(81.2)	(67.4)	(62.2)	(20.9)	(231.7)	(0.1)	(231.8)
Gross operating profit	Year 2006	585.8	44.9	16.7	12.1	659.5	-	659.5
	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)	Year 2006	542.4	39.3	17.7	12.0	611.4	-	611.4
	Year 2005	535.2	42.0	37.7	11.7	626.6	-	626.6
Operating income (EBIT)	Year 2006	348.0	35.1	10.6	8.4	402.1	-	402.1
	Year 2005	343.8	35.9	31.1	9.4	420.2	-	420.2
Total assets	December 31, 2006	5,022.7	324.3	144.5	322.8	5,814.3	(586.8)	5,227.5
	December 31, 2005(**)	5,217.5	309.9	158.4	57.6	5,743.4	(426.4)	5,317.0
Total liabilities	December 31, 2006	3,961.1	171.2	64.5	293.0	4,489.8	(337.7)	4,152.1
	December 31, 2005(**)	4,238.3	165.4	71.8	29.3	4,504.8	(187.5)	4,317.3
Net invested capital	December 31, 2006	4,327.6	221.6	61.6	16.1	4,626.9	(249.0)	4,377.9
	December 31, 2005(**)	4,493.4	231.8	35.5	13.2	4,773.9	(238.9)	4,535.0
Capital expenditure	Year 2006	35.1	2.8	6.0	4.4	48.3	-	48.3
	Year 2005	27.6	2.8	13.1	2.7	46.2	(0.2)	46.0
Workforce (average number)	Year 2006	1,344.6	1,004.1	2,391.1	424.0	5,163.8	-	5,163.8
	Year 2005	1,288.4	1,025.0	2,019.4	427.1	4,759.9	-	4,759.9
Sales agents (average number)	Year 2006	1.757	-	-	-	1.757	-	1,757
	Year 2005	1.899	-	-	-	1.899	-	1,899

(\*) Less repayments of cost.

(\*\*) The items referred to December 31, 2005 have been restated in order to include the actuarial gains (losses), net of deferred income taxes, arising from the evaluation of the defined benefit pension plans, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of the Notes to Financial Statements of the Group.

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Main operational data of the Group	Year 2006	Year 2005
<b>Number of published directories</b>		
PAGINEBIANCHE®	103	103
PAGINEGIALLE®	202	202
ThomsonLocal	173	173
<b>Number of distributed directories (values in million)</b>		
PAGINEBIANCHE®	26.5	26.1
PAGINEGIALLE®	21.1	21.1
ThomsonLocal	24.1	24.0
<b>Number of page views (values in million)</b>		
<i>Thirty-minute accesses to website with no interruption</i>		
PAGINEBIANCHE.it®	183.2	159.6
PAGINEGIALLE.it®	78.4	76.7
TUTTOCITTÀ.it®	45.6	34.1
Europages.com	27.0	23.7
<b>Number of users (values in million)</b>		
PAGINEBIANCHE® users <sup>(1)</sup>	24.2	23.7
PAGINEGIALLE® users <sup>(1)</sup>	20.5	21.3
PAGINEBIANCHE.it® unique users <sup>(2)</sup>	3.6	3.4
PAGINEGIALLE.it® unique users <sup>(2)</sup>	2.7	2.8
TUTTOCITTÀ.it® unique users <sup>(2)</sup>	1.9	1.7
Callers to 89.24.24 Pronto PAGINEGIALLE®	4.3	4.9
Callers to 12.40 Pronto PAGINEBIANCHE®	6.2	0.9

(1) Sinottica Eurisko data - number of users during the twelve-month period prior to interview (people among 14 - 74 years). The figures are referred to the years 2005 and 2004, respectively. The figures for 2006 are being prepared by Eurisko.










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

## → Italian Directories

### Market scenario






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

### Revenues by product

			Year 2006 % on total revenues
<b>Print revenues</b>			
	PAGINEGIALLE	Classified directories of Italian business	34.5
	PAGINEBIANCHE	alphabetical directories	35.8
	PAGINEGIALLE Professional	BtoB directory specially designed for entrepreneurs and purchasing managers of SMEs	1.4
	PAGINEBIANCHE Office	CD-Rom delivered with PAGINEGIALLE Lavoro containing complete updated information on over 3 million Italian companies	
	TuttoCittà	road map of Italy	
	Eccomi	the directory specifically created for mothers and families with children from 0 to 5 years old	2.7
	In fiera	it provides to the trade fairs visitors information about the trade fair itself and the city where the trade fair is organised	
<b>Other print products</b>			
<b>Total print revenues</b>			<b>74.4</b>
<b>Online revenues</b>			
	PAGINEGIALLE.it	search engine specialised in business searches	
	PAGINEGIALLE VISUAL	search engine which allows to visualize the results directly on photos of the territory or to move virtually around the streets of various cities	12.0
<b>Other online products (Kompass)</b>			
<b>Total online revenues</b>			<b>12.0</b>

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			Year 2006 % on total revenues
<b>Voice revenues</b>			
	89.24.24 Pronto PAGINEGIALLE	voice service which provides directory assistance value added services	9.6
	12.40 Pronto PAGINEBIANCHE	voice service which provides directory assistance basic services	9.6
<b>Total voice revenues</b>			<b>9.6</b>
<b>Other</b>			
	Direct Marketing	postal and internet mailing lists services	4.1
	Merchandising	personalised promotional products	4.1
	PAGINEGIALLE NAV	satellite navigator which includes the whole database of PAGINEGIALLE and PAGINEBIANCHE	4.1
<b>Product sales and other revenues</b>			<b>4.1</b>
<b>Total</b>			<b>100.0</b>

## Investments in innovation and development of new products

**Capital expenditure**, of € 35.1 million, increased by € 7.5 million compared to 2005. During 2006, the Company focused on three main aspects:

- a) product innovation and consequent development of the production capacity in order to offer products which meet user needs more closely and to ensure flexibility and quick answers;
- b) effectiveness and efficiency of the support systems for sales force;
- c) improvement of customer care systems, credit management and collection of receivables due from clients, and integration of commercial and administrative back office processes.

In particular, in order to improve the Company's production capacity, it should be noted that:

- in May 2006, the *new production platform* became ready to use. It is dedicated to products 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 page lay-out of the various product sections, allowing a high degree of integration between the components internally created and those delegated to outsourcers. All the editions of Idee InVacanza and InZona 2006 were successfully published using the new platform. The integration with the new multimedia publishing system (SEM) is currently underway, in order to improve efficiency and flexibility in the production of advertising content and in the time-to-market for specialised editorial products;

- in August 2006, with the "Sondrio" directory publication, the first cycle of directories realised with the content of the *Universal Database (DBU)* for fixed and mobile phone users of the main telecommunications operators was completed. This database was created in 2005 in compliance with the provisions of the resolutions of the Authorities for Communication and Privacy (AGCom).

In particular, the processes with the transferor operator Telecom Italia S.p.A. to update the information every ten days have been progressively improved, so as to ensure overall quality standards. The new DBU represents the key source for the publication of telephone-based SEAT products, having replaced the direct contracts for the user data supply, previously in place with the individual telephone operators, with whom the agreements for the directories distribution remained effective;

- in September 2006, the innovative *multimedia publishing system (SEM)* was launched. This system is an integrated production platform for processing multimedia advertising information on all the platform (paper, online and voice), which replaced the old system created by SEAT Pagine Gialle in the early 1990s.

The new operational logics now introduced are focused on the publishing validation of the basic content for each economic operator regardless of the media in which it is published/provided. The aim is to ensure data uniformity and quality as well as the possibility of re-using the data in the publishing processes and the preparation of commercial proposals. SEM - realised jointly with two suppliers with recognized European-level experience in graphic and multimedia publishing solutions and systems integration – will enable SEAT Pagine Gialle to confirm its international leadership in publishing systems for directories.

SEM has innovative aspects, such as *i) an automatic standardisation system*, which converts to standard formats the shared content of different advertisements of the same customer; *ii) a multimedia publishing database*, which supports the processing within a "customer-focused" vision and *iii) an automatic system for constructing each advertisement* in relation to the specific features of the publication/delivery medium.

To support the new working approach, latest-generation integrated work-stations were introduced to allow the contemporary processing of all the publishing products. It is also used a system for managing the whole supply chain, which enables SEAT to plan and control all the activities of the publishing processes.

From an operational point of view, the training of operators and outsourcers required specific sessions with an overall commitment of more than 13,000 hours of theory and on-the-job training. With regard to organisational aspects, a new Operations Department structure was introduced impacting all the Areas using SEM, with the aim to maximize the benefits deriving from the new working practices. This structure is effective starting from January 2007.

During the year, important **product innovations** were introduced both for print, online and voice products, whose economic benefits, already felt in the last months of 2006, will be operative in 2007:

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### 1) print products:

- *PAGINEBIANCHE® in full-color*: starting from July, with the "Genoa" directory, the new full-color PAGINEBIANCHE® entered into production, benefiting from a new layout – which was designed to maximize communication opportunities for customers – and the technical features of the new rotary offset system without drying unit. This offset system was bought by Ilte with one of the most significant investment in the global directory market.

With reference to the publishing, IT applications were developed for the production of the new advertisement offer and all the pre-press processes were redefined in order to achieve the best possible balance between the final color result and the efficiency of the new printing system. On the production front, the company worked with Ilte and the most important ink suppliers on the start-up of the new offset system, in order to maximize the performance in terms of quality and overall production capacity. In addition, a specific type of paper weighing 34 g/m<sup>2</sup> able to guarantee excellent print results was finalized with the research departments of the main paper suppliers;

- *PAGINEGIALLE®*: the restyling of the product was completed, particularly with reference to the "Lavoro" edition, which is currently structured in the same way as the "Casa" edition and which will be divided in two sections, one for Business to Business categories and another for Business to Consumer categories. This will allow better representation of the various uses of the "Lavoro" edition offering the different kinds of advertisers better communication opportunities 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 have been introduced. As regards graphics, the layouts of both editions were re-designed. The new PAGINEGIALLE® will be published starting from the Turin 2007 edition;

- *TuttoCittà®*: as from January 2006 the new release was published, with new graphics, special thematic sections and editorial contents with a local-touristic style. A new hard cover was introduced for the convenience of users, in place of the previous soft cover version;

### 2) online products:

Great attention was given to improve the positioning of PAGINEGIALLE.it and TuttoCittà.it in terms of traffic, page views and number of searches. With this aim display and keyword advertising campaigns were launched and a toolbar, specific for searches on PAGINEGIALLE VISUAL and PAGINEBIANCHE.it, was created. New partnership agreements have been signed (content distribution and co-branding) with Google, MSN and Libero in order to improve the advertisers visibility.

With regard to product innovation, investments may be summarized as follows:

- *PAGINEGIALLE VISUAL®*: it can be considered 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 territory concerned and to walk virtually through the streets of the town, following personalized routes and viewing monuments, buildings and shop windows. It is the first web site utilizing high resolution aerial photos that cover the entire national landscape. It was created thanks to a partnership with Telespazio which will provide SEAT Pagine Gialle exclusively for two years with aerial photos of 103 Italian provincial capitals and the rest of the Italian territory. The Visual platform is also used to provide innovative services for events – also live by webcam – such as for example “Notte Bianca September 2006” realised in conjunction with the city of Rome. Finally, with the function “events search” it is possible to buy tickets online for theaters, concerts and exhibitions;

- *PAGINEGIALLE.it*<sup>®</sup>: partnership agreements were entered into with Nokia, thanks to which the Mobile Search function with the PAGINEGIALLE.it<sup>®</sup> brand will be installed on the N60 series of new mobile phones;
- *Gialloaffari*: is the new Business to Business portal with a specialised search engine and a dedicated sale offer for business customers. The search for companies and products has been enriched with detailed information, news and market analysis targeting Business to Business;
- *TuttoCittà online*: the new generation of TuttoCittà<sup>®</sup>, that re-positions the product as the main Local Search instrument in Italy, thanks to a new interface and new mapping;
- *PAGINEGIALLE NAV*: the new car satellite navigation system which includes the entire database of PAGINEGIALLE and PAGINEBIANCHE. It features the possibility of searching the user's destination by service, brand or product rather than by company or private name. Thanks to the commercial agreements signed with Navteq – the leading company in the development, updating and distribution of digital maps – a complete and detailed map system covering about 200 km external to Italy will also be available, in addition to the Italian one. The navigation system has been available since December in the main electronic retail stores;
- *PAGINEGIALLE Annunci*: through this portal, SEAT Pagine Gialle S.p.A. enters into the online “classified” market. The new portal, which is organised into three main areas (cars, property and buy/sell), was designed and built to sell or buy every kind of products. It provides users with the opportunity to make their searches within the specific category throughout Italy. PAGINEGIALLE Annunci was realised also thanks to the agreements signed with leading partners in the various relevant sectors (AutoScout24, Moto.it, Bakeka.it, Casaclick.it, Immobiliamente.it, etc.). Soon the classified advertisements will be geo-referenced on the PAGINEGIALLE VISUAL platform, which will allow the search and visualization of results directly on high resolution photos of the main Italian cities.



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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 following the market liberalization, reached its maximum expansion in the first half of 2006, supported by a massive advertising campaign;
- *89.24.24 Pronto PAGINEGIALLE®*: even if the liberalization of the "basic" directory assistance market (the former 12 and 412 services) did not directly affect the value-added services provided by 89.24.24 Pronto PAGINEGIALLE®, it further encouraged the development and promotion of this latter service, which has new additional functionalities and has seen growing advertising investments to support the brand.

### IT systems for supporting the sales network

In order to manage with more efficiency the systems for supporting the sales network, SEAT Pagine Gialle S.p.A. developed the following projects during the year. In particular:

- *Evolution*: this software, used to support agents in preparing their visits to customers, has been still developed during 2006 and new functions were added to the existing ones. In addition to the tools for profiling the client and its potential interests in SEAT products, preparing sale reasons and arranging advertisements draft, a wizard was developed to automatically produce the necessary content to propose commercial offers to Top Customers;
- *Local Sales department*: to support the new department, many investments were made both for the opening of new call centers specific for telesales and the migration of customer portfolios to the local sales agents network;
- *Geomarketing*: during 2006 a Geographical Management System has been developed to support the planning of sales campaigns and the network strategy. It will be ready for running in the first few months of 2007. Through this tool the Sales Department will be able to centralize the management of the information coming from the sales network and the market.

It is planned the integration of this system into Evolution in order to make it available to the Top Customer sales network. Furthermore, an online Geomarketing system is being currently developed to provide SEAT customers with some geomarketing functionalities, useful for territorial analysis, thanks to the database of Consodata.

### IT systems for managing customer care, credit and collection activities, and for integrating commercial and administrative back office processes

- *SAP project "from order to cash"*: the implementation of SAP CRM - Billing Evolution project continued in order to use the new SAP application platform and achieve significant integration between the commercial, administrative and sales force back-office processes as well as the simplification, rationalization and innovation of system functionalities;
- *credit management and collection of receivables due from clients*: the development and updating actions on the CACS (credit management system) structure continued, towards higher integration with applications of other systems (such as the procedure for the management/invoicing of actions performed by external collection agencies). In 2006 a credit scoring system was also developed to screen customers' creditworthiness through statistical analysis, assigning an overall score which considers their creditworthiness level and payment history. The system will be ready for running in the first quarter of 2007;
- *www.seatconvoi.it*: on the customer service portal of SEAT Pagine Gialle S.p.A. new functionalities have been developed to better manage and control the customer care service.

### Economic and financial performance

The table below sets out the highlights for 2006 compared to the those of the previous year

(euro/million)	Year 2006	Year 2005	Change	
			Absolute	%
Revenues from sales and services	1,077.5	1,061.8	15.7	1.5
Gross operating profit	585.8	587.5	(1.7)	(0.3)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	542.4	535.2	7.2	1.3
Operating income (EBIT)	348.0	343.8	4.2	1.2
Net invested capital (*)	4,327.6	4,493.4	(165.8)	(3.7)
Capital expenditure	35.1	27.6	7.5	27.2
Workforce (average number)	1,344.6	1,288.4	56.2	4.4

(\*) The item referred to December 31, 2005 has been restated in order to include the actuarial gains (losses), net of deferred income taxes, arising from the evaluation of the reserve for severance indemnities, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of the Notes to Financial Statements of SEAT Pagine Gialle S.p.A.

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**Revenues from sales and services** grew by 1.5% to € 1,077.5 million in 2006 (€ 1,061.8 million in 2005), with an upward trend compared to the last two years, 2004 and 2005, characterised by a substantial stability. They also benefited from the important product innovations launched in the second half of the year.

From a commercial point of view, the sales force reorganisation by customer segment, started in the late 2005, was going on during 2006 with the setting up of three specialised sales channels (large customers, SMEs and retailers), supported by product specialists and new IT sales tools. The deep training of sales agents was carried out also through the introduction of new distance training systems (Web-learning).

The results in terms of revenues were highly significant since they were achieved in an economic environment which has shown some recovery signs only in the last months of the year, and moreover not yet able to affect positively the consumption and the confidence of households and SMEs and in particular the advertising spending decisions of SEAT Pagine Gialle S.p.A. customers, constituted mainly by SMEs.

Furthermore, most of the 2006 revenues arose from sales made in the second half of 2005 and the first few months of 2006, in a market scenario characterised by low GDP growth expectations, a flat trend in consumption and a "wait and see" attitude of SEAT Pagine Gialle S.p.A. customers.

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

- *Print*: revenues from print product amounted to € 801.5 million in 2006, down by 3.9% compared to the previous year, with an upward trend in the second half of the year when the contraction was just 3.0% (lower than -5.3% in the first half of 2006). This result was achieved thanks to the positive performance of the new PAGINEBIANCHE®, which benefited from the innovative introduction of full-color. In particular, the two main products, PAGINEGIALLE® and PAGINEBIANCHE®, showed different trends as in the previous year:
- PAGINEGIALLE® reported a 7.4% drop in revenues compared to 2005, with a declining number of customers and a stable average value. The performance of the second half of 2006 (-6.8%), nonetheless, was better than the first half one (-8.2%), without yet benefiting from the restyling of the two editions, "Casa" and "Lavoro", which will be published starting from the Turin 2007 directory. Moreover it should be noted that the main innovations referred to the sales approach had positive impact only in the last few months of the year. In order to support the growing number of users, which rose by 7% to 20.5 million from 2000 to 2005, during the first half of 2006 it was decided to distribute around 700 thousand extra copies of PAGINEGIALLE® (3% of the total) in the main cities;

- PAGINEBIANCHE® reported a slight rise in revenues (+0.4% compared to 2005), with an increase of the average value per customer that offset the fall in the number of customers. In the second half of 2006 revenues increased by 2.5% compared to 2005, in marked contrast with the decrease of 2.6% in the first half of the year, benefiting, as mentioned previously, from the publication of full-color directories as from July (the Genoa 2006 edition). A high number of customers, around 6% of the total, joined the full-color offering. The year also benefited from the increase in the number of contract renewals and the jointly offer for the print and online (PAGINEBIANCHE.it®) editions. The number of page views to PAGINEBIANCHE.it® grew by 15% to 183.2 million, with a monthly average of 3.5 million unique users;
- with regard to the *other print products* it should be noted that:
  - the two products InZona and Idee InVacanza, launched in 2005 to satisfy local communication needs in major cities and tourist areas which were not fully served by the existing range of products, recorded revenues for € 4.1 million in 2006, down by € 0.7 million compared to 2005. The shift to 2007 of the commercial focus on InZona and InVacanza affected the 2006 results: the relevant sales activities have been assigned to the Local Sales Department, more suitable to serve the mass-market of SMEs with basic and local communication needs through its tele-operators and local agents;
  - other print products recorded revenues for € 40.2 million in 2006, down by € 4.6 million compared to 2005. In particular, with regard to the print edition of Annuario KOMPASS®, the fall in revenues of 38.3% compared to 2005 was due to the greater commercial focus on selling its online version, which grew by € 0.6 million compared to 2005.
- *On line*: revenues amounted to € 129.0 million (+11.3% compared to 2005), mainly thanks to PAGINEGIALLE.it®, which increased by € 12.6 million to € 123.5 million, with an upward trend in the second half of 2006 compared to the first half, thanks to the return of contractual renewals with existing customers to normal levels. This activity was deliberately delayed in the second quarter of the year, in order to allow the greatest possible number of customers to benefit from the new PAGINEGIALLE VISUAL® offer. This offer, launched in September, reported positive results among all customer segments, in terms of advertising videos sold (approximately 10,000), and supported the other SEAT products, in particular print directories, which showed increasing rates on contractual renewals compared to the previous year. The new PAGINEGIALLE VISUAL® offer also positively impacted on the use of the online platform, leading to an increase in the number of searches on PAGINEGIALLE.it® and Tuttocittà.it®, up by 12% with 124 million page views during the year (+13.6% with 307.2 million page views including PAGINEBIANCHE.it®). The latter result was also achieved thanks to the agreements signed with the main Italian portals and search engines (such as Alice Telecom Italia - previously Virgilio - and Libero), as well as international ones, including Microsoft and Google. With regard to PAGINEGIALLE.it®, about 67% of searches took place directly on the owned brand, sharply up from 58% in 2005, thanks to the continuous offer

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enhancement through the introduction of new functions and services. Also SEAT commercial approach, based on a strategy aimed at requalifying its customer portfolio, was focused on customers who can really benefit from their presence on this channel. Furthermore, the increase in usage allowed the advertisers to receive higher returns from their investments as a consequence of the greater visibility. This fact allowed an increase in average spending per customer of 16.9% to over € 800 compared to 2005. This increase enabled to face the 3.5% reduction in the number of customers, largely due to the decision to slow down customer acquisitions in the second and third quarters of 2006.

The SEAT portal was enhanced through the introduction of new functions, such as searching by proximity, searching by name (the "chi" service, virtual tour) and the voice over IP CHIAMAGRATIS® service. The latter, in particular, was signed up by around 10,000 PAGINEGIALLE.it® customers in 2006.

Tuttocittà® portal, completely renewed in structure and contents in April 2006, had a good performance and is now repositioned as the reference point for Local Search in Italy. Also the "hotel" section of the Kompass portal recorded an increase of 85.4% in the number of page views compared to 2005.

- *Voice*: revenues from SEAT Pagine Gialle S.p.A. voice platform continued to grow, with an increase of 49.6% to € 103.2 million in 2006 (€ 69.0 million in 2005) thanks to the growth of the 89.24.24 Pronto PAGINEGIALLE® service and the success of the new 12.40 Pronto PAGINEBIANCHE® service.

Revenues from 89.24.24 Pronto PAGINEGIALLE® service grew by 12.9% to € 75.1 million, despite a more competitive market scenario following the liberalization started in October 2005. They benefited from the growth in traffic revenues (+22.5% to € 38.2 million), supported also by an increasing call average handling time (+8%), as a consequence of higher quality and sophistication of services (such as regional news) and growing number of T-commerce services.

The increase in advertising revenues was less important, but positive (+4.4% to € 36.8 million). Furthermore, the average revenues per account increased by 9.0% to € 397, benefiting from a wider range of offered services, the higher sales of "keyword per customer", the employment of product specialists, which assist sales agents in their dealing with customers with complex communication needs.

The basic information service 12.40 Pronto PAGINEBIANCHE® achieved good results in terms of notoriety despite the highly competitive market scenario, with call numbers almost tripled in the last quarter of 2006 compared to the same period of 2005, when the service was launched. These calls, added to those to the 89.24.24 Pronto PAGINEGIALLE® service, enabled SEAT to gain a leading role in the directory assistance market in Italy. The 12.40 Pronto PAGINEBIANCHE® service represents a successful case of strategy to create brand through effective advertising campaigns. The product also benefits from a specific commercial offer, proposed through a dedicated outbound telesales channel which is managed by the subsidiary Prontoseat S.r.l. The customer can buy the possibility of being recognisable with additional information about his business, such as, for example, the commercial sign (which in many cases is different from the subscriber name on the database).

- *Other products*: revenues from Direct Marketing products continued to grow (€ 11.9 million in 2006) benefiting from the continuous development of products and services, as well as the new offer of direct marketing service via short text messaging. The Giallo Promo merchandising offer, however, recorded a stable performance compared to 2005: the new initiative called "Porte Aperte", launched in the second half of 2006, saw the involvement of around 8,000 customers at over 130 events, in which the promotional products were presented as part of the Giallo Promo's broad offer. The initiative, which performed well also in terms of sales, will be repeated in 2007.

In October 2006 the satellite navigation system PAGINEGIALLE NAV was launched, the first in the world to be developed by a directory company, which integrates the database of PAGINEBIANCHE® and PAGINEGIALLE® with over 20 million people and over 3 million businesses. This innovative product represents a further opportunity for SEAT customers to increase their visibility on a new media, which is unique on the market in terms of technology and functions. Since PAGINEGIALLE NAV has been available in the main retail centers and specialist electronic stores only since the middle of November 2006, the results in terms of revenues in the year were marginal.

**Materials and external services** amounted to € 410.5 million, up by € 21.3 million compared to 2005, with a better trend in the second half of the year (-5.3% compared to the second half of 2005), clearly opposed to the growth (+21.7%) recorded in the first half of 2006. The first half of 2006 was affected by the costs incurred to launch the new 12.40 Pronto PAGINEBIANCHE® service and enhance the sales network. In particular:

- *industrial costs*, of € 172.8 million in 2006 (€ 161.3 million in 2005), increased by € 11.6 million (+7.2%). They referred to: *i*) € 42.3 million for paper consumption (€ 43.2 million in 2005). In 2006 62.7 tons of paper (64.1 tons in 2005) and 16.2 million sheets (12.1 million in 2005) were used; *ii*) € 90.6 million for industrial, production and distribution costs (€ 84.9 million in 2005). These costs reflect the launch of full-color, which led to an increase of around € 2.1 million in print costs. It should be noted that starting with the Turin 2006 edition a strategy aimed at expanding PAGINEGIALLE distribution in the main cities was launched (+700,000 copies, 3% of the total) in order to increase the product user base and counterface the fall due to the privacy requests and the usage of mobile phones instead of fixed-line phone made by the subscribers; *iii*) € 23.7 million for inbound call center costs, increased by € 7.6 million compared to 2005, mostly due to the 12.40 Pronto PAGINEBIANCHE® service, which had an impact on business costs for the whole year (the service was launched in October 2005);

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- *sales commissions and other agent costs* amounted to € 121.0 million in 2006, up by 4.2% compared to 2005 (€ 116.2 million). This increase was due, in particular, to the costs incurred for *i)* the sales force incentives, higher than in 2005 because of the different mix of sold products; and *ii)* higher *training costs*, with a 20% increase compared to the previous year in the number of overall training hours provided, in order to support the new organisational structure, effective as from January, and the sales of the new products. It should be noted, in particular, the national sales force convention (€ 2.3 million) organised in the first half of 2006 and not held in 2005;
- *advertising and promotion costs* amounted to € 34.6 million and were stable compared to the previous year (€ 34.5 million). The costs incurred to support the directory assistance services (12.40 Pronto PAGINEBIANCHE® and 89.24.24 Pronto PAGINEGIALLE®) slowed down in the second half of 2006 (- € 12.3 million compared to the second half of 2005), thanks to a gradual and natural development of the market toward a greater stability, which enabled to gradually reduce advertising and promotion costs;
- *professional services, consultancies and collaboration costs* amounted to € 31.4 million in 2006, with an increase of € 1.8 million compared to 2005 (€ 29.6 million), mainly due to legal and credit recovery costs, reflecting the Company's increasing attention to the process of credit management and recovery. These costs enabled to increase the collection of doubtful receivables by 9.0%, reducing their overall value by 3.0% compared to December 2005.

**Salaries, wages and employee benefits**, net of repayments of cost for seconded personnel, amounted to € 81.2 million, down by 4.6% compared to 2005 (€ 85.1 million) due to: *i)* the capitalisation of personnel costs referred to projects carried out during the year (€ 3.7 million), in particular in the Internet area and in relation to administrative and commercial systems. In previous years the new projects were less significant and mainly outsourced: therefore the related costs were directly capitalised; and *ii)* savings on variable compensation based on business performance (€ 4.1 million).

The workforce at December 31, 2006, including directors, project workers and trainees, numbered 1,393 units (1,331 units at December 31, 2005), while the average workforce during the year was 1,345 units (1,288 units in 2005).



**Gross operating profit** amounted to € 585.8 million and was substantially stable compared to the previous year (-0.3%), with a 54.4% ratio to revenues (55.3% in 2005) and an upward trend in the second half of the year (+8.3%), in sharp contrast compared to the first half (-14.8%).

**EBITDA** amounted to € 542.4 million, up by € 7.2 million compared to 2005 (+1.3%), with a 50.3% ratio to revenues, in line with 2005. The improvement compared to the gross operating profit was due to the lower provisions to the reserve for risks and charges and to allowance for doubtful receivables. In particular, the provision to the reserve for commercial risks decreased by € 3.6 million compared to 2005, thanks to the continuous focus on the customer care processes: the establishment of a call center specific for the high-end customers, in particular, enabled a reduction in the number of claims about the mistakes in contractual executions of almost 20% compared to 2005. This reduction was also due to higher quality of sales and customer services, as shown by the fall in the number of disputes reaching customer service channels (-12% compared to 2005). Also the provisions to allowance for doubtful receivables decreased by € 3.0 million compared to 2005, thanks to the effectiveness of the activities carried out over the last two years in managing and collecting trade receivables.

**Operating amortisation, depreciation and write-downs**, of € 19.6 million in 2006 (€ 19.3 million in 2005), were substantially stable compared to the previous year.

**Non-operating amortisation, depreciation and write-downs**, of € 162.1 million in 2006, were unchanged compared to 2005 and referred to amortisation of the *Customer DataBase*.

**Non-recurring and restructuring costs, net**, of € 12.7 million in 2006 (€ 10.0 million in 2005), included € 5.4 million for company reorganisation costs due to the adoption of the new commercial structure, characterised by three sales channels (Top Customers, Business Sales and Local Sales), organised by customer segment, € 3.3 million for stock option costs and € 2.0 million for costs connected to the company restructuring plan for the management of redundancy.

**Operating income (EBIT)** amounted to € 347.9 million in 2006 (€ 343.8 million in 2005), reflecting the same trend recorded in gross operating profit and EBITDA.

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## Regulatory framework

### Telephone directories and Universal Database

The EU Commission started a review proceeding involving Directives on the Universal Service that was concluded on October 27, 2006, aimed at redefining the framework of the obligations currently imposed on the fixed phone Incumbents. SEAT Pagine Gialle S.p.A. was involved in the public consultation with regard to the matters related to its business, arguing *i)* the need to maintain current rules requiring telephone operators to offer an Universal Database of telephone subscribers to all companies operating in the directories market and that such service should be offered in compliance with the principle of fair, non-discriminatory and cost-oriented prices; *ii)* the need to reinforce the obligations of universal access to Directory Assistance services from all telecommunication networks and *iii)* that it is not necessary to maintain a strict obligation for the supply of an “universal” print telephone directory as many other sources for such information are now available in the market (services of voice, online and mobile directories). The results of the consultation will be disclosed during 2007 and the new directives will be applied by the various Member States starting from 2009.

### 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, 2007 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, AGCom approved the Telecom Italia’s Reference Offer (“OIR”) for 2006 regarding interconnection with its network. The document transposed some amendments as required by the SEAT group. Specifically:

- the invoicing cost was set at 3.1%, which was less than what was given to 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.

As in 2005, also in 2006 SEAT Pagine Gialle S.p.A. requested Telecom Italia to bring its costs into line with the values approved by the AGCom, for both 12xy numbers and 892 number. SEAT Pagine Gialle S.p.A. was however forced to refer the matter to AGCom itself since Telecom was not ready to review such costs prior to the approval of the 2006 OIR.

With regard to the regulation of the costs for originating calls from mobile telephone networks to non-geographical numbers, AGCom started its analysis for the definition of the specific market. It submitted the draft of the final document for public consultation, which should have been issued by February 2007. Pending the related procedure, AGCom accepted the requests of the directory assistance service providers with the issue of precautionary measures setting a cap on the origination price for mobile telephone operators. In this way the costs for such services if too high were reduced (amounting the reduction in some cases to up to 50% of the final price for calls to directory assistance services). Three Mobile Telephone Operators fully complied with this order, while Telecom Italia (which had, in the meantime, filed an appeal with the Latium Regional Administrative Courts - TAR of Latium - challenging these precautionary measures but without requesting their suspension) has only complied in part.

The urgent measures, issued at the end of September 2006, were only valid up to the end of February 2007, the date on which the procedure should have been concluded. Nevertheless AGCom has still not issued final measures. This is also due to the fact that the definition of the new specific market has to be approved by the EU Commission which has expressed some doubts and requested further clarification from the national Authority. The investigation procedure should be concluded in April 2007 with three possible options: the acceptance of AGCom's initial proposal, its partial amendment or its total rejection.

In relation to the AGCom resolutions 15/04/CIR to the attribution of rights for the use of numbers for subscriber information services and 83/05/CIR concerned with the application of urgent measures to the use of voice messages giving information on the new numbers 12xy, the TAR of Latium has finally rejected Telecom/TIM's and Vodafone's appeals challenging the relevant provisions over 2005 after already ruling in AGCom's favour during the interim measures.

As to the "Decree on Additional Charge Services" - "*Decreto sui servizi a Sovrapprezzo*" - (No. 145 of March 2, 2006), with regard to the service 89.24.24, SEAT Pagine Gialle S.p.A. has now complied with the provisions therein relating in particular, to the messages at the beginning of the service and the additional information required for press and billboards advertising campaigns.

#### **Guideline Document on Security**

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

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## → UK Directories

### Market scenario and strategic positioning

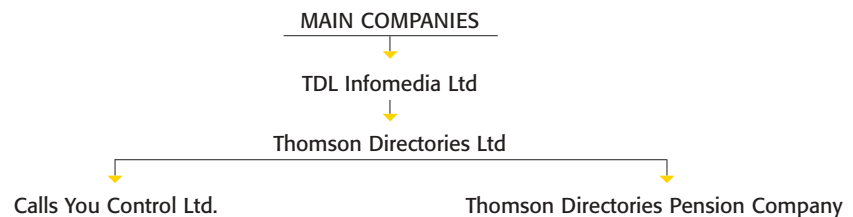
The Thomson group - present in the UK directories market since 1980 - joined the SEAT Pagine Gialle group at the end of 2000. Currently, the Thomson group has more than 1,000 employees and publishes 173 editions of the Thomson Local directories, distributed in 24 million copies throughout the United Kingdom. Every week, Thomson Local directories are used by 6 million people and generate 15 million business contacts. Over the past few years, the Group has strongly developed its offering of online directories.

Over 2006 the English GDP grew by 2.7%, up compared to 1.7% of 2005. Growth is also expected over 2007 although at a reduced rate.

On the other hand, the UK directories market is highly competitive for the presence of large industrial groups as British Telecom, Yell and Trinity Mirror. In this context Thomson's new management introduced significant changes over 2006 in the sales department organisational structure, seeking, at the same time, to improve the business's strategic positioning. So far as results are concerned, 2006 can be seen as a transitional year with substantially stable income: the management focus was on laying the foundations for future growth, supported by a more effective and efficient sales force, the new brand of print products and the new positioning on the online platform. Thomson, indeed, will present itself to the English SMEs as a media agency able to provide all round services with regard to their presence on the Internet.

### Structure of the Business Area

The UK Directories Business Area is organised as follows



### Main events during the year

- 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 May 2006, the Shareholders' Meeting of TDL Infomedia Ltd., 100% owned by SEAT Pagine Gialle S.p.A., resolved the distribution of dividends for an overall value of GBP 6,500,000.
- Effective from April 1, 2006, thanks to the "Supplemental Investment Agreement" signed by TDL Infomedia Ltd. and Mobile Commerce Ltd., the interest held by TDL Infomedia Ltd. in Mobile Commerce Ltd. increased from 6.43% to 10%.

- In July 2006 the company Calls You Control Ltd. was established. It is fully owned by Thomson Directories Ltd. and its registered office is in the UK. The company's business purpose is to provide call routing services (generating qualified and segmented contacts for certain advertisers categories).
- In December 2006, the Shareholders' Meeting of TDL Infomedia Ltd., 100% owned by SEAT Pagine Gialle S.p.A., resolved the distribution of dividends for an overall value of GBP 6,500,000.

## Economic and financial performance

The table below sets out the highlights for 2006 compared to those of the previous year

(euro/million)	Year 2006	Year 2005	Change	
			Absolute	%
Revenues from sales and services	173.5	175.6	(2.1)	(1.2)
Gross operating profit	44.9	48.0	(3.1)	(6.5)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	39.3	42.0	(2.7)	(6.4)
Operating income (EBIT)	35.1	35.9	(0.8)	(2.2)
Net invested capital (*)	221.6	231.8	(10.2)	(4.4)
Capital expenditure	2.8	2.8		
Workforce (average number)	1,004.1	1,025.0	(21.0)	(2.0)

(\*) The item referred to December 31, 2005 has been restated in order to include the actuarial gains (losses), net of deferred income taxes, arising from the evaluation of the net liabilities for defined benefit pension plans, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of the Notes to Financial Statements of the Group.

**Revenues from sales and services** of TDL Infomedia group amounted to € 173.5 million in 2006, down by 1.2% compared to 2005. The item reflects the positive performance of the online products (+43.1% compared to 2005) which enabled the TDL group to counterface the decrease in print revenues. They fell down by 6.5% in local currency, even though improving compared to first half of the year, as a consequence of the starting of a transition process from the previous sales model, based on discount and promotions, toward a sales value model: the effect was a short-term impact on customers who had been heavily "stressed" in the past. The decrease was also due to the high level of competition in the UK directories market.

It should be noted that print revenues for 2006 have not yet benefited from the positive expected effects of the restyling of the Thomson Local directories, launched at the end of the year, and from the new advertising sales campaigns. Thanks to the agreement entered into with Nectar (the leading retention program in the United Kingdom), customers will have the possibility to buy together with the advertising space a code which allows users to accumulate Nectar points.

The performance of online products was positive, with revenues at GBP 16.6 million (GBP 11.6 million in 2005). The average revenue per customer increased by around 12%, thanks to the effective cross-selling on the customer base between online directories and resale of search traffic, on the main portals operating on the UK market (British Telecom, Yell, Trinity Mirror).



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Online revenues also benefited from the actions aimed at innovating product contents, in order to increase the loyalty of users and customers, the new Business Finder distribution agreements and the growing interest in the new resale model of search traffic generated by the main portals through the Webfinder.com platform.

EBITDA of the Thomson group decreased by about 1.9 million of pounds compared to 2005, as a consequence of lower revenues and an unfavorable revenue mix characterised by the increase in products with lower margins, such as the resale of search traffic. Costs moreover benefited from the further efficiency reached in production processes, in particular for printing. Salaries, wages and employee benefits increased in the year by 3.5% to € 67.4 million (+3.2% in local currency) in line with the inflation rate.

Operating profit (EBIT) of the Thomson Group amounted to GBP 23.9 million, with a low decrease of 2.8% compared to 2005, thanks to lower non-recurring costs connected to the analysis on the competition level on the UK directories market carried out in 2006 by the Competition Commission.

**Net invested capital** of the Thomson group amounted to GBP 148.8 million at December 31, 2006, down by GBP 10.1 million compared to December 31, 2005 and it includes € 222,647 thousand of goodwill. The change compared to the previous year reflects in particular the GBP 4.5 million increase in net liability relating to the defined benefit pension plan for employees (€ 26,402 thousand at December 31, 2006), arising from different actuarial assumptions used for its assessment, such as new mortality tables.

**Capital expenditure** amounted to about 2 million of pounds and was in line with the previous year. In 2006 the Group continued to invest in the development of its products, both print (the Thomson Local directories were significantly restyled for the 2007 campaign) and online products, as described above, and in the development of new administrative systems which can improve productivity and performance of the employees.

## Regulatory framework

In December 2006 the Competition Commission (the English Antitrust Authority) completed its analysis of the directories market started in November 2004. It concluded that the Yell group, one of the publishers of classified directories in the UK, had substantial market power due to its brand. Furthermore, prices had only been kept down as a result of the imposition of price-cap mechanisms and not as a result of competition mechanisms.

The measures proposed had been formulated taking into account the higher competition anticipated in the near future and the price reduction forced by the price-cap effect. The following proposals were made among others:

- to make Yell advertisements subject to a price-cap equal to the Retail Price Index (RPI) -6% up to March 31, 2008, and subsequently to the RPI only;
- to cancel the provision prohibiting Yell from publishing second-tier directories (new editions in geographical areas already covered by another directory) with the imposition of some restrictions: it can not distribute more than 25,000 copies and the distribution area must not exceed 15% of the area already covered by the already existing directory;
- to allow Yell to publish thematic guides so long as containing a limited number of classifications.

The Competition Commission requested these measures to be reviewed by the Office of Fair Trading every three years.

## → Directory Assistance

### Market scenario and strategic positioning

In Germany, **Telegate A.G.**, operating with the services of the 11880 voice portal, is the second player in the market, behind the former monopolist, Deutsche Telekom, with a 37% market share.

In Spain, a recently liberalised market, the Telegate group has achieved, with the 11811 number, the role of third player, after the Telefónica group and TPI (Yell Publicidad).

In France, the Telegate group entered the market in November 2005, with the 118000 number. The market liberalisation only took effect from April 2006 with the full removal of the 12 universal service. The company has succeeded, within only a few months from the beginning of the liberalisation process, to achieve a position as the third market player in a highly competitive environment, through significant advertising investments.

In Italy, the Telegate group manages part of the calls to SEAT Pagine Gialle S.p.A.'s numbers and operates as outsourcer of call center services for other partners.

The European Directory Assistance market is developing gradually along a path of liberalisation which, after Germany and Spain, was experienced in 2006 in Italy and France.

The Group's strategic development is moving along the following lines:

- broadening and extending the business model in Germany, where liberalisation took place at the end of the nineties and the market has reached a phase of maturity in terms of basic services. Call volumes decreased in recent years, whilst value added services have the greatest opportunities for growth. Therefore the latter have been continuously innovated by Telegate. In Germany, the Company can also benefit from its strong brand name and the high quality of its database. As a consequence, it began a strategy of brand extension onto other platforms for its search services, starting with the Internet whose increased usage represents the reason for the drop in call volumes on the market. This model is based on advertising sales through an offering of on line directories;
- the consolidation of business in those countries where the liberalisation process has only recently been completed (France and Italy) and the extension of the business models developed in Germany to other countries;
- the sounding of opportunities for entry into other countries where the liberalisation process of directory assistance services is still ongoing.

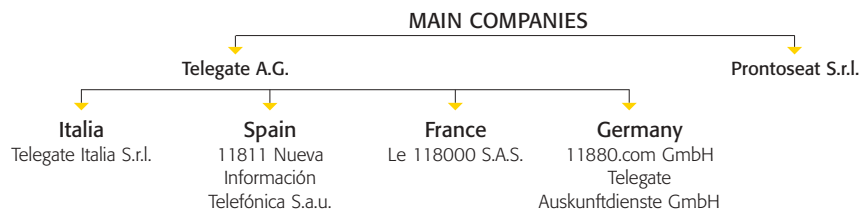
**Prontoseat S.r.l.** performs call center activities managing in outsourcing 89.24.24 Pronto PAGINEGIALLE® of SEAT Pagine Gialle S.p.A. and other back-office services of the SEAT Pagine Gialle group.



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## Structure of the Business Area

The "Directory Assistance" Business Area supplies information services by telephone through the group held by the German subsidiary Telegate A.G. and Prontoseat S.r.l., SEAT Pagine Gialle S.p.A.'s direct subsidiary.



## Main events during the year

- In April 2006, the Shareholders' Meeting of Prontoseat S.r.l. - 100% held by SEAT Pagine Gialle S.p.A. - resolved to cover the losses reported in the financial statements as at December 31, 2005 by using the equity reserve "Shareholders' contributions" as at December 31, 2005 and a further payment made 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 the distribution of dividends for an overall amount of € 13,642 thousand, of which € 10,679 thousand due to the SEAT Pagine Gialle group.  
During the same Shareholders' Meeting the company also resolved 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 the end of June 2006, Telegate A.G. acquired the 100% interest in Blitz GmbH, a company operating in the German Directory Assistance market, with its registered office in Munich. Following the acquisition, the company changed its corporate name to Telegate Auskunftdienste GmbH.
- In October 2006, Telegate AG transferred 100% of the share capital of its Swiss subsidiary 1818 Auskunft A.G. to the US group InfoNxx, thus recognising in the statement of operations a capital gain of € 3,089 thousand.
- In December 2006, the Shareholders' Meeting of Telegate Holding GmbH (100% owned by SEAT Pagine Gialle S.p.A.) resolved to cover the losses for the period and the losses carried forward for a total amount of € 2,327 thousand. At the same time it resolved the distribution - at December 15, 2006 - of interim dividends for € 8,300 thousand.

## Economic and financial performance

The table below sets out the highlights for 2006 compared to those of the previous year

(euro/million)	Year 2006	Year 2005	Change	
			Absolute	%
Revenues from sales and services	188.7	159.4	29.3	18.4
Gross operating profit	16.7	42.7	(26.0)	(60.9)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	17.7	37.7	(20.0)	(53.1)
Operating income (EBIT)	10.6	31.1	(20.5)	(65.9)
Net invested capital	61.6	35.5	26.1	73.5
Capital expenditure	6.0	13.1	(7.1)	(54.2)
Workforce (average number)	2,391.1	2,019.4	371.7	18.4

Revenues from sales and services of the Directory Assistance Business Area increased by 18.4% compared to 2005 to € 188.7 million, benefiting from the positive performance of the Telegate group, sustained by the launch of the French activities, the growth of the call center services following the launch of the 12.40 Pronto PAGINEBIANCHE® service, and the increase in revenues in Prontoseat S.r.l., supported by the higher traffic volume produced by the 89.24.24 Pronto PAGINEGIALLE® service.

EBITDA, down compared to 2005, was impacted by advertising and operating costs incurred to launch the French business in a highly competitive market.

## 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 2006 compared to those of the previous year

(euro/million)	Year 2006	Year 2005	Change	
			Absolute	%
Revenues from sales and services	178.9	150.2	28.7	19.1
Gross operating profit	16.4	41.4	(25.0)	(60.4)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	16.7	37.0	(20.3)	(54.9)
Operating income (EBIT)	10.3	31.1	(20.8)	(66.9)
Net invested capital	43.7	18.0	25.7	n.s.
Capital expenditure	5.3	11.5	(6.2)	(53.9)
Workforce (average number)	2,103.2	1,809.4	293.8	16.2

In 2006 **revenues from sales and services** of the Telegate group increased by 19.1% to € 178.9 million, mainly thanks to the business development in France. In particular:

- in Germany, revenues increased by 1.7% compared to 2005 to € 115.6 million. The decrease of about 10% in the number of calls to the 11880 service was lower than the overall reduction of the market (estimated at 14% with the consequent increase in market share). This decrease was partly faced by the rise in the average value per call as a result, not only of the price-review, but also of the strong development of value-added services, which allowed to increase the calls handling time.

telegate

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**11 88 0**

The revenues were positively impacted also by the development of other businesses, such as the management of interconnection and outsourcing services. This result enabled the company to increase its market share to 37% despite the entry of a new competitor (Arvato). The company is, therefore, reacting to the general market contraction with the launch of value added services improving constantly the wide range of information to users and with a strategy of "One brand – All media". This strategy led to the launch of an Internet offer through the new *www.11880.com* portal, taking advantage of the quality of the database content and the strength of the 11880 brand. Revenues, as mentioned above, also benefited from the development of other business lines, such as the management of interconnection services for business and consumers and of directory assistance services of leading operators provided in outsourcing thanks to agreements signed with Vodafone GmbH, Mobilcom and Colt Telecom, which enabled to increase the traffic handled and benefit from further economies of scale;

- in Italy and Spain revenues increased by 25.5% and 37.4% respectively compared to 2005, thanks to the increase in the number of calls.

**1180**

In Italy, Telegate Italia S.r.l. benefited from the good performance of the 89.24.24 Pronto PAGINE GIALLI® service and the marked growth of the 12.40 Pronto PAGINEBIANCHE® service, which at the end of 2005 had just been launched.

In Spain, the company is pursuing a policy of consolidating and enhancing its market position, as the third operator after Telefónica and Yell Publicidad, in a market in which, unlike in other countries where directory assistance services have been fully liberalised, the universal service number managed by Telefónica continues, albeit partially, to operate. The increase in revenues was mainly supported by the agreement signed, during 2006, with MGA and the Antena3 television group for the management of their directory assistance services;

- in France, the company recorded revenues for € 28.7 million (€ 9.9 million in 2005) and positioned itself as the third player with a market share which is still lower than target, in a highly variable and competitive market scenario.

**118 000**  
LES NUMÉROS DÉDIÉS À VOTRE SERVICE CLIENT

In 2006, EBITDA of the Telegate group decreased by € 20.3 million compared to 2005, mainly due to the high advertising costs incurred to launch the 118 000 number in France, where the Telegate Group's performance was impacted by the high level of competition, which required greater advertising spending and the market showed a contraction higher than expected. EBITDA was also impacted by the capital gain of € 3.1 million realised in October 2006 on the disposal of the business in Switzerland, a market which the Telegate group decided to abandon. These elements, therefore, led in 2006 to a negative EBITDA in France of € 29.5 million. This result largely arose in the first nine months of the year and was subsequently mitigated by the performance, nearly to the operating break-even, of the last quarter, thanks to a market scenario that started to move towards a maturity stage.

In Germany EBITDA decreased by 4.3% compared to 2005, largely due to a temporary increase in advertising spending incurred to face the entry into the market of a new competitor (Arvato) and support the development of the businesses. These temporary higher advertising costs enabled Telegate to increase its market share, despite the greater competitive pressure. The international businesses of the Telegate group (Italy and Spain) recorded positive performances thanks to the operating cost savings on call centers due to the optimization of the overall capacity.

**Net invested capital** of the Telegate group amounted to € 43.7 million at December 31, 2006, up by € 25.7 million compared to December 31, 2005. It includes fixed assets for € 28.0 million, which increased by € 7.1 million for the entry of the German company Telegate Auskunftsdienste GmbH into the Group. The increase in net operating working capital, amounting to € 9.6 million at December 31, 2006 (negative for € 6.5 million at December 31, 2005), reflects the increase in trade receivables for telephone traffic, whose collection shifted in the first few days of 2007.

**Capital expenditure**, in line with the Group's industrial plan, amounted to € 5.3 million (€ 11.5 million in 2005). It was located above all in France to create the necessary infrastructure for the launch of the 118 000 service and in Germany in order to complete the modernising process of the call centers.

The **workforce** of the Telegate group increased by 543 units to 3,240 units at December 31, 2006 (2,697 units at December 31, 2005). This increase is mainly due to the right-sizing of the call center in Livorno and the restructuring of the call centers in Germany.

## Prontoseat S.r.l.

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

The table below sets out the highlights for 2006 compared to those of the previous year

(euro/million)	Year 2006	Year 2005	Change	
			Absolute	%
Revenues from sales and services	9.8	9.3	0.5	5.4
Gross operating profit	0.3	1.3	(1.0)	(76.9)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	1.1	0.7	0.4	57.1
Operating income (EBIT)	0.3	-	0.3	n.s.
Net invested capital	0.5	0.1	0.4	n.s.
Capital expenditure	0.7	1.6	(0.9)	(56.3)
Workforce (average number)	288.0	210.1	77.9	37.1



In 2006, **revenues from sales and services** of Prontoseat S.r.l. amounted to € 9.8 million (+5.4% compared to 2005) benefiting from the high traffic volumes generated by the 89.24.24 Pronto PAGINEGIALLE® service, whose call center services are managed jointly by Prontoseat S.r.l. and Telegate Italia S.r.l., the Italian subsidiary of Telegate. As from August 2006 Prontoseat S.r.l. also provides the video call service for H3G customers.

EBITDA of Prontoseat S.r.l. amounted to € 1.1 million, with an increase of € 0.4 million compared to 2005. This positive result was achieved despite the higher costs for call center personnel following the new labor agreements. The average workforce also increased compared to 2005, due to the opening of the new call center in Bologna, the launch of new services, among which the 12.40 Pronto PAGINEBIANCHE® outbound service, and new activities, such as the Courtesy Back Office for managing SEAT after sales service and the Customer Service, now insourced. In addition, in order to increase the quality of the services provided, in 2006 the training hours per head grew by 20% on 2005 at about 80 training hours per head per annum.

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In 2006, **capital expenditure**, amounted to € 0.7 million (€ 1.6 million in 2005), aimed at developing the businesses and supporting a technological/organisational structure able to ensure efficiency and high levels of service.

## Regulatory framework

### Germany

In 2006 Telegate A.G. continued the litigation concerned with the prices applied by Deutsche Telekom for the supply of telephone subscribers data which were considered to be excessive.

The relevant proceedings have been brought before both administrative and civil courts.

With reference to the proceeding before the Cologne Administrative Court, it will be recalled that it was concerned with a challenge to the order issued in August 2005 by the national Regulatory Authority (Bundesnetzagentur), leading to a substantial reduction of the subscriber database provision costs charged by Deutsche Telekom to the providers of directory assistance services. The appeal filed by Deutsche Telekom against this order was rejected last December by the Cologne Administrative Court, in any case without prejudice to the possibility of a further review before the Federal Administrative Court.

As to the actions brought before the Regional Court of Düsseldorf, the pending proceedings referred to the costs incurred by Telegate for the supply of the subscriber database by Deutsche Telekom in the period from 1997 to 2004. In August 2005, the District Court of Cologne ordered Deutsche Telekom to reimburse Telegate an amount of € 60.6 million by way of excess sums paid. Deutsche Telekom challenged this decision before the Regional Court of Düsseldorf; one of the first requests submitted by Deutsche Telekom was rejected in November 2006.

### Austria

The highest Administrative Court of Vienna (Verwaltungsgerichtshof) confirmed the resolution issued by the national Regulatory Authority which provided for the reduction of the costs for access to subscriber database of alternative operators (in particular mobile telephone operators), as requested by Telegate and Telekom Austria.

### France

The French Regulatory Authority (ARCEP) rejected Telegate's request for the reduction of the cost of access to the subscriber database of the mobile operator Orange but made this data available online to other providers of subscriber information services within the European Union. Telegate appealed to the Appeals Court of Paris in July 2006 and the decision should be issued in April 2007.

Furthermore, as regards the subscriber database, in July 2006, ARCEP began consultation to increase the amount of information that the telephone operators must supply to the publishers of directories and apply new rules for calculating costs to access such information. Through the consultation it was possible to draw up a new methodology to calculate collection and supply costs for subscriber databases which should lead to their reduction.

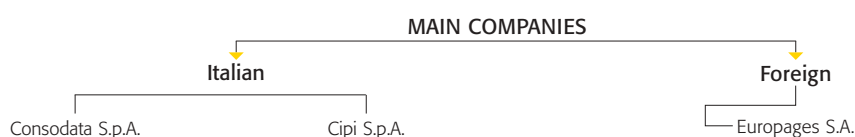
The final decision must be issued by the competent Ministry.

ARCEP also opened a consultation procedure on the future regulation of the "services speciaux" (including, *inter alia*, directory assistance services) with reference to access and invoicing, cancelling the principle cost-based for the invoicing service carried out by France Telecom through its telephone bills.

## → Other activities

### Structure of the Business Area

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



### Main events during the year

- 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 SEAT Pagine Gialle group.
- In October 2006, Eurédit S.A. changed its company name to Europages S.A..

### Economic and financial performance

The table below sets out the highlights for 2006 compared to those of the previous year

(euro/million)	Year 2006	Year 2005	Change	
			Absolute	%
Revenues from sales and services	77.0	67.6	9.4	13.9
Gross operating profit	12.1	12.5	(0.4)	(3.2)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	12.0	11.7	0.3	2.6
Operating income (EBIT)	8.4	9.4	(1.0)	(10.6)
Net invested capital	16.1	13.2	2.9	22.0
Capital expenditure	4.4	2.7	1.7	63.0
Workforce (average number)	424.0	427.1	(3.1)	(0.7)

The comparison with the previous year is not consistent since the economic results for 2005 include:

- with reference to the first half, the figures of Pubblibaby S.p.A., which was sold in September 2005;
- the figures of Cipi S.p.A. for just 3 months since the company was acquired at the end of September 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 2006 compared to those of the previous year

(euro/million)	Year 2006	Year 2005	Change	
			Absolute	%
Revenues from sales and services	25.1	29.5	(4.4)	(14.9)
Gross operating profit	4.2	4.6	(0.4)	(8.7)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	4.3	4.4	(0.1)	(2.3)
Operating income (EBIT)	2.2	2.8	(0.6)	(21.4)
Net invested capital	8.5	5.0	3.5	70.0
Capital expenditure	2.0	2.1	(0.1)	(4.8)
Workforce (average number)	135.2	137.6	(2.4)	(1.7)



Consodata S.p.A., the Italian leader in One-to-One Marketing and Geomarketing services, has for over 20 years been offering complete and innovative direct marketing services to thousands of enterprises operating in all the market sectors, using both the widespread sales network of SEAT to reach the SMEs market and its own dedicated commercial network for the "large account" market.

In 2006, revenues from sales and services decreased by 14.9% to € 25.1 million. On a like for like basis (the 2005 results included the figures of the subsidiary Pubblibaby, deconsolidated as from July 2005), the decrease in revenues is reduced to 3.5%. This result was mainly affected by the performance of the SMEs sales channel and the Company's choice to focus its sales strategy on selling high margin products. Marketing Intelligence products achieved good results (+20% compared to 2005), driven by Geomarketing, a business area considered as strategic by the management, and in which it intends to invest in order to develop new technologies more suitable to satisfy the customer needs and the increasing demands for customised products.

Despite the slowdown in revenues, EBITDA (net of the effect of the change in the consolidation area) was 7.5% higher than in 2005 benefiting from the significant cost efficiency realised during the year and despite the development of new products, such as "In Fiera", a local magazine distributed during some trade fairs in the main Italian cities.





## Europages S.A. (new company name of Eurédit S.A.)

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

The table below sets out the highlights for 2006 compared to those of the previous year

(euro/million)	Year 2006	Year 2005	Change	
			Absolute	%
Revenues from sales and services	29.0	27.5	1.5	5.5
Gross operating profit	5.7	5.7		
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	5.7	5.0	0.7	14.0
Operating income (EBIT)	5.0	4.5	0.5	11.1
Net invested capital	(1.4)	(2.2)	0.8	36.4
Capital expenditure	1.9	0.4	1.5	n.s.
Workforce (average number)	60.1	58.5	1.6	2.7

Europages S.A. is the publisher of Europages, the pan-European Business to Business directory produced for companies which use import and export channels. This multi-language and multimedia research tool is available online and is distributed in print form and on CD Rom. The Europages portal includes around 700,000 Business to Business exporters or general suppliers. The database grew up compared to the 600,000 companies present in 2005 with over 100,000 companies from countries which have recently joined the European Union.

Revenues from sales and services increased by 5.5% compared to 2005 benefiting from the positive sales performance in Italy (a country which represents about 70% of the total revenues). The online component of the multiplatform offer is now taking a leading role, thanks to the growth in services provided through the portal, which have reached a global relevance thanks to the size and quality of its contents.

EBITDA increased by about € 0.7 million compared to 2005 benefiting from the business growth and the reversal of the reserve for legal dispute risks which became exceeding during 2006 (€ 0.4 million).

Following the constant growth in the number of consultations, that in 2006 were 27 million up by 14% with over 100 million searches on the portal from 218 countries, in particular from those with fast economic growth, Europages S.A. launched a commercial reorganisation plan in Europe, with the aim to strengthen its commercial presence in the market of the main countries. The first step of this reorganisation led to a collaboration with a specialised telesales company in France and the creation of its own sales network in the main industrial areas, which numbered 23 sellers at the end of 2006. The direct sales business model in France will be extended to other important European countries, such as Germany, during 2007 and 2008. Furthermore, at the end of 2006, in order to support and optimise the traffic volume on its portal, Europages S.A. signed an agreement with Akamai Technologies, a leading company in online content distribution and in the development of Internet applications with a high technological content.

In line with the global trend of the Business to Business segment and following the growth in online consultations, the print edition of September 2007 (the twenty-fifth edition) will be the last one and as from 2008 the product will only be available online.

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## Cipi S.p.A.

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

The table below sets out the highlights for 2006 compared to those of the previous year. It should be recalled that the Company joined the consolidation area since October 2005

(euro/million)	Year 2006	Year 2005 (*)	Change	
			Absolute	%
Revenues from sales and services	22.5	21.8	0.7	3.2
Gross operating profit	2.2	1.9	0.3	15.8
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	2.1	1.9	0.2	10.5
Operating income (EBIT)	1.3	1.2	0.1	8.3
Net invested capital	9.2	10.4	(1.2)	(11.5)
Capital expenditure	0.5	0.4	0.1	25.0
Workforce (average number)	223.8	231.0	(7.2)	(3.1)

(\*) 2005 figures (12 months) are published only for comparative purposes.

Cipi S.p.A. operates in the merchandising market, covering the entire value chain from the import of the gadgets to their personalisation with the customer's brand and their direct sale, or through the SEAT's channel, to the final customer.

In 2006, revenues from sales and services amounted to € 22.5 million, up by 3.2%, compared to 2005. EBITDA was positive for € 2.1 million (+10.5% compared to 2005) despite the increase in commercial structure cost ratio to revenues following the important restructuring of the commercial offer and the operational procedures of its sales channels (including the SEAT channel).



## ➤ Other information

## ➔ Human resources

### SEAT Pagine Gialle Group

	At 12.31.2006	At 12.31.2005	Change
Employees number	6,084	5,756	328
Directors, project workers and trainees	577	349	228
<b>Total workforce at the end of the year</b>	<b>6,661</b>	<b>6,105</b>	<b>556</b>
<b>Average workforce for the year (FTE)</b>	<b>5,164</b>	<b>4,760</b>	<b>404</b>

FTE - Full Time Equivalent - for foreign companies, average workforce for Italian companies.

The Group's workforce numbered 6,661 units at December 31, 2006, an increase of 556 units on December 31, 2005 primarily due to the activities carried out in Italy and abroad to boost call centers and to reorganise and rationalise the structure of the Sales Department. The average workforce during the year (FTE for foreign companies) was 5,164 units (4,760 units in 2005).

The average workforce, is significantly lower than the workforce at the end of the year because of high recourse to part-time contracts, particularly in the call centers.

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

	At 12.31.2006	At 12.31.2005	Change
Employees number	1,274	1,255	19
Directors, project workers and trainees	119	76	43
<b>Total workforce at the end of the year</b>	<b>1,393</b>	<b>1,331</b>	<b>62</b>
<b>Average workforce for the year (FTE)</b>	<b>1,345</b>	<b>1,288</b>	<b>57</b>

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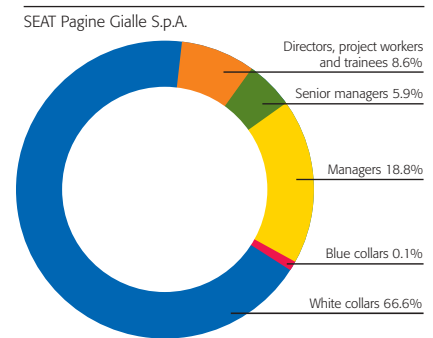
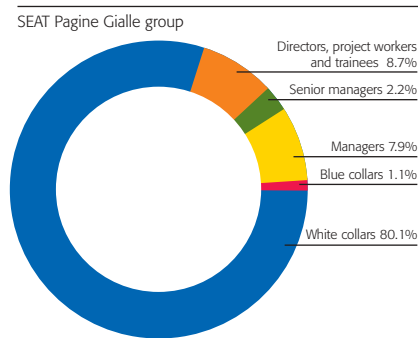
While the number of SEAT Pagine Gialle S.p.A. employees remained relatively stable, there was a marked increase in the number of project workers and trainees, employed only for a fixed period of time for specific projects (+67%).

With regard to employees, it should be noted that a number of highly qualified professional figures were taken on as part of the reorganisation of the entire Sales Department. Implementation of the corporate restructuring plan continued at the same time, with about 50 early retirements during the year. As a result, there was a further increase in the percentage of graduates, currently 33% of the total workforce (29% in 2005), while the average age and the percentage of women employees remained substantially stable, compared to last year.

With regard to the average workforce age, the 40 to 50 age group has the higher number of units, about 47% of the total. The average length of service confirms this figure: approximately 40% of employees have been in service between 15 and 25 years.

The female presence is important (54% of the total) distributed at all levels of responsibility; with a slight increase in the number of women in the medium-high level corporate positions.

Analysis of the breakdown by job titles reveals that 51% of the workforce consist of middle management and skilled employees (49% in 2005).



## Sales force

SEAT Pagine Gialle S.p.A. sales force consist of 1,614 agents (1,775 in 2005) and 112 employees (244 in 2005). Following the recent reorganisation, it is now structured in 3 sales channels, based on customer segments and market potential: Large Customers, Business Sales and Local Sales.

- The *Large Customers Sales Department* operates through a network of about 30 employees, *Key Accounts* and *Sales Managers*, and manages the so-called National customers, selected on the basis of their size, complexity and distribution throughout the territory, monitoring them constantly all year round.

The Large Customers Sales Department is structured by business headings in order to manage the advertising needs of customers with a specialist approach, qualified for complex customers.

- The *Business Sales Department* is made up of a network of about 1,373 agents (1,550 in 2005) all over the territory, co-ordinated by 44 employed *Area Managers*. It addresses the market for the communication needs of medium or medium-small enterprises.

The channel, which manages about 70% of the SEAT customer base, is organised in segments that reflect the size of the clientele, in order to be on the market with different approaches and skills suited to the size and complexity of the communication needs of existing and potential customers.

Within the Business Sales Department, a structure known as "*Top Customers*" has been set up, made-up by 34 agents and 11 employees (50 agents and employees in 2005), to provide consultancy for existing and potential non-National customers with more complex communication needs ramified in the territory.

The rest of the agent network manages about 400,000 customers and a similar number of potential customers, with a structure made up of *Basic agents*, *Senior agents* and *Zone Managers* (who coordinate groups of agents) organised by geographic coverage logics in 13 territorial sales areas.

- The *Local Sales Department* was created in the latter months of last year, to increase SEAT's ability to meet the communication needs of retailers and small firms on the market, with sales channels optimising service costs.

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

The Local Sales Department manages about 250,000 low potential customers and a relevant number of *prospects*. The product offering of this department is more basic, reflecting the communication needs of the target market. The network of *Junior agents* includes some specialists in Business to Consumer products or Local niche products.

And finally, outside the three Sales Departments, there is a sales network dealing with the Business to Business offer of Kompass products and services. It is made up of approximately 51 agents, coordinated by employed area managers. This sales network is currently being reorganised.

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## Organisational development, services to employees and training

For the whole of 2006, SEAT Pagine Gialle S.p.A. was involved both in the implementation of the corporate reorganisation plans involving the Commercial and Internet Business Areas in particular, and in initiatives aimed to strengthen the corporate identity, and the personal and professional motivation of employees and sales agents.

With regards to the first aspect, internal mobility was promoted, and training activities were stepped up to facilitate the relocation and retraining of resources transferring within the Company.

The development of the "Local Sales" Channel continued, with the recruitment of about 260 new agents. The "positioning" of the Company in relation to its target market was reached through employer branding activities in universities, in the national press and on the main web recruiting portals. The SEAT portals were also used as a direct recruiting vehicle.

With reference to the instruments and initiatives aimed at developing corporate resources, the following are to be noted:

- the *performance review system* was upgraded, making it available on the Company's intranet system. The evaluation process involved 60% of the workforce and provided much of the information that guided compensation and training initiatives more rapidly;
- a *new manager self-service system* was developed, which made it easy for employees and managers to use the Company's intranet system to access IT tools for the management of the various events concerning the manager-collaborator relationship. The system will be developed further in 2007, to extend its field of application;
- the results of the *people satisfaction survey*, a questionnaire performed in 2005 through the Company's intranet system and aimed at understanding the corporate environment, were communicated through information/training meetings held with the various Company departments, highlighting the improvement in the organisational identity and identification with the Company, as well as the higher level of personal satisfaction recorded compared to the previous survey;
- on December 2006 the *Business Web TV* was launched. This communication media, based on weekly "company video news", provide information on the main recent Company's events, updates on market data and competition, and analysis of topics and/or projects considered of particular interest to the Company;
- the Company Intranet was redesigned to make it easier to use, rationalising the services proposed and supporting the corporate identity processes.



## The future headquarter of SEAT Pagine Gialle S.p.A.



At the end of the year, with the aim of creating a working and living environment that meet the corporate fundamental values in the best possible way (tradition and innovation, competence and ability to open up to the outside world, commitment to the job and attention to the individual needs), SEAT Pagine Gialle S.p.A. entered into a preliminary purchasing agreement for the acquisition of a significant part of the property currently under construction in Turin, in the area known as the "former Officine Savigliano plant". (Please refer to the previous section "Main events in 2006" for more details about the operation).

The space inside the new premises will be designed around the individual, and his professional and personal needs, to stimulate creativity, to take advantage of contributions by individuals and the team and to improve the information and corporate know-how sharing processes. This project will be realised first through skills internal to the Company: a team made up of SEAT employees, selected on the basis of their professional skills and supported by external experts, will follow every stage of the space planning and concept design, defining the allocation of space and the look & feel.

The aim of this project is to create a vibrant, constantly evolving workplace – by mid 2008 – which can accommodate and represent the modern company, open to experimentation and the coexistence of new and different lifestyles, of which SEAT Pagine Gialle S.p.A. is and intends to remain an example of excellence, with Turin as its natural, dynamic home.





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## Training

The Seat Corporate University was created to strengthen the role of SEAT Pagine Gialle S.p.A. as a school of excellence in Italy in the field of sales and consultancy regarding communications and advertising information to small and medium enterprises. In its second year of activity, it continued to develop training programs designed to improve commercial skills and develop new customer approaches (consultancy and business partnership approaches), and to spread the corporate values. It consolidated and supplemented the range of training courses offered to the employees and Sales Force of the SEAT group.

The number of training hours totally granted in 2006 was 89,212 (20% up on 2005), with a per-head average of about 27 hours.

The activities implemented in such sense were:

- 74% dedicated to the Sales Force, in order to complete the "sale of value" project, orienting the agents to segmented and targeted advertising information and communications, favouring an increasingly professional approach designed to improve customer satisfaction and loyalty. Training programs for "new employees" were particularly significant;
- 14% dedicated to the development of employees managerial skills, giving attention to organisational behaviours consistent with corporate values, such as effectiveness, collaboration and orientation to the internal/external customer, without underestimating the dynamics of the external market;
- 12% dedicated to the roles specialisation and development of technical skills (required in particular for IT applications).

The Seat Corporate University publishes the two-monthly magazine "Con Voi" on behalf of SEAT Pagine Gialle S.p.A.. The magazine, launched in March 2006 and aimed at SMEs, is full of articles dedicated to Business Communication and marketing strategies and information about the performance of local economies and the sectors in which the SMEs operate. It contains numerous references to the experience of successful companies. A calendar of training events, specific for SEAT Pagine Gialle S.p.A. customers, was also communicated through the magazine and five sessions were organised in 2006, in Milan, Bologna and Rome.

Seat Corporate University has also supported the sales network in the organisation of "Customer Clinics": a series of meetings with customers focused on the most effective advertising and communication methods for SMEs, retailers and professional activities.



## Security

The project for the creation and automation of the *Information Security Management System* was completed, based on an internationally recognised model pursuant to ISO standard No. 17799 and in compliance with the requirements of confidentiality, integrity and openness provided by law and business.

During the year, vulnerability tests were performed on the network infrastructure, some applications systems and electronic mail system, which highlighted the effectiveness of the technological and managerial solutions adopted by the Company.

## Industrial relations

In 2006, the "Corporate Restructuring Plan" launched late in 2003 was completed, with recourse to CIGS (Cassa Integrazione Guadagni Straordinaria - extraordinary unemployment compensation) and early retirements in the period January 1 – December 31, 2006.

Activities primarily regarded:

- the presentation of the six-month application for CIGS;
- the organisation of inspections by the Supervisory Authority of the premises in Turin, Milan and Rome;
- obtaining the Decree from the Ministry of Employment and Welfare regarding approval of the Corporate Restructuring Plan, and the CIGS concession for employees of the Turin, Milan and Rome premises.

During the year, particular attention was focused on agreements regarding the call centres activities, in particular:

- in June 2006, an agreement was reached with the relevant National Trade Unions on the activities performed by all the SEAT Pagine Gialle group call centres;
- in September 2006, telesales activities (outbound) were charged to Prontoseat S.r.l., while inbound activities were regulated and standardised (89.24.24 Pronto PAGINEGIALLE®), in agreement with the National and Territorial Trade Unions.

## Stock Option Plans

The stock option plans in force at the end of the financial year and detailed in the tables below were issued over time by SEAT Pagine Gialle S.p.A. and Telegate A.G..

Each plan is granted to particular categories of employees of the Parent Company and its subsidiaries considered "key people" for their responsibilities and/or skills. Such plans entitle beneficiaries with personal rights that are not transferable inter vivos of subscribing, against payment, to equal number of newly issued ordinary shares of SEAT Pagine Gialle S.p.A. and Telegate A.G. (i.e. options).

During the reporting period their key features remained unchanged. Therefore for more details, reference is made to the Report on Operation in the 2005 Annual Report.

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During 2006, no new stock option plans were granted. With regard to the “Key People Plan”, instead, - where the number of the granted options is fixed, tranche by tranche, by the Managing Director of the Company -, 20,000,000 options (that entitle a right to subscribe, against payment, to a corresponding number of ordinary shares of SEAT Pagine Gialle S.p.A.) were granted to some employees of SEAT Pagine Gialle S.p.A. and its subsidiaries on September 12, 2006, at a strike price of € 0.3724, equal to the market price of SEAT Pagine Gialle S.p.A. ordinary shares at the granted date. Such options shall be exercised between April 15, 2008, and December 15, 2008.

With regard to the “2005 Stock Option Plan for Directors and Employees of the Telegate group”, it should be noted that on May 31, 2006, further 400,000 options were granted to some employees, at the strike price of € 16.09 equal to the average value of Telegate A.G. ordinary shares on the German stock exchange during the ten days before the granted date. Such options may be exercised between June 1, 2008 and September 30, 2010.

In compliance with Notice No. 11508 of February 15, 2000, the following tables show the key elements of the stock option plans as at December 31, 2006

	Strike price (euro)	Number and exercise period of options allotted at December 31, 2006			Maximum validity of the options	
		2006	2007	2008		Total
Stock Option Plan 2000-2002	1.22	1.816.494	-	-	1.816.494	May 2007
Key People Plan	0.8532	17,350,000	-	-	17,350,000	May 2008
	0.3724	-	-	20,000,000	20,000,000	December 2008
2004 Stock Option Plan for Employees of SEAT Pagine Gialle group	0.3341	20,100,000	-	-	20,100,000	June 2009
2004 Stock Option Plan for TDL group Employees	0.3341	5,195,000	-	-	5,195,000	June 2009
2004 Stock Option Plan for Managing Director	0.3341	5,000,000	-	-	5,000,000	June 2009
2005 Stock Option Plan for Employees of SEAT Pagine Gialle group	0.3221	35,955,000	-	-	35,955,000	June 2010
2005 Stock Option Plan for TDL group Employees	0.3915	1,600,000	-	-	1,600,000	June 2010
2005 Stock Option Plan for Managing Director	0.3221	5,435,000	-	-	5,435,000	June 2010
2005 Stock Option Plan for Directors and Employees of Telegate group	0.3221	5,000,000	-	-	5,000,000	June 2010
	14.35	268,500	-	-	268,500	September 2010
	16.09	392,000	-	-	392,000	September 2010
<b>Total</b>		<b>98,111,994</b>	<b>-</b>	<b>20,000,000</b>	<b>118,111,994</b>	

		Options at 01.01.2006	New options granted 01.01.2006 12.31.2006	Options exercised 01.01.2006 12.31.2006	Options expired and not exercised 01.01.2006 12.31.2006	Options Expired 01.01.2006 12.31.2006 for termination of service/other	Options at 12.31.2006	Of which exercisable at 12.31.2006
2000-2002 Stock Option Plan	Ordinary shares	5,893,142	-	-	3,950,926	125,723	1,816,494	1,816,494
	Strike price ordinary share (euro)	1.22	-	-	1.22	1.22	1.22	1.22
	Market price for ordinary share (euro)	0.3931 <sup>(1)</sup>	-	-	0.3787 <sup>(5)</sup>	0.4314 <sup>(6)</sup>	0.4522 <sup>(2)</sup>	0.4522 <sup>(2)</sup>
Key People Plan	Ordinary shares	18,650,000	20,000,000	-	-	1,300,000	17,350,000	17,350,000
	Strike price ordinary share (euro)	0.8532	-	0.3724	-	0.8532	0.8532	0.8532
	Market price for ordinary share (euro)	0.3931 <sup>(1)</sup>	-	0.3724 <sup>(3)</sup>	-	0.4196 <sup>(6)</sup>	0.4522 <sup>(2)</sup>	0.4522 <sup>(2)</sup>
2004 Stock Option Plan for Employees of SEAT Pagine Gialle group	Ordinary shares	46,220,000	-	25,720,000	400,000	-	20,100,000	20,100,000
	Strike price ordinary share (euro)	0.3341	-	0.3341	0.3341	-	0.3341	0.3341
	Market price for ordinary share (euro)	0.3931 <sup>(1)</sup>	-	0.4243 <sup>(4)</sup>	0.4179 <sup>(5)</sup>	-	0.4522 <sup>(2)</sup>	0.4522 <sup>(2)</sup>
2004 Stock Option Plan for TDL group Employees	Ordinary shares	9,375,000	-	3,955,000	225,000	-	5,195,000	5,195,000
	Strike price ordinary share (euro)	0.3341	-	0.3341	0.3341	-	0.3341	0.3341
	Market price for ordinary share (euro)	0.3931 <sup>(1)</sup>	-	0.4194 <sup>(4)</sup>	0.3664 <sup>(5)</sup>	-	0.4522 <sup>(2)</sup>	0.4522 <sup>(2)</sup>
2004 Stock Option Plan for Managing Director	Ordinary shares	5,000,000	-	-	-	-	5,000,000	5,000,000
	Strike price ordinary share (euro)	0.3341	-	-	-	-	0.3341	0.3341
	Market price for ordinary share (euro)	0.3931 <sup>(1)</sup>	-	-	-	-	0.4522 <sup>(2)</sup>	0.4522 <sup>(2)</sup>
2005 Stock Option Plan for Employees of SEAT Pagine Gialle group	Ordinary shares	67,350,000	-	29,445,000	50,000	1,900,000	35,955,000	35,955,000
	Strike price ordinary share (euro)	1,600,000	-	-	-	-	1,600,000	1,600,000
	Market price for ordinary share (euro)	0.3221	-	0.3221	0.3221	0.3221	0.3221	0.3221
2005 Stock Option Plan for TDL group Employees	Ordinary shares	9,335,000	-	3,225,000	-	675,000	5,435,000	5,435,000
	Strike price ordinary share (euro)	0.3915	-	-	-	-	0.3915	0.3915
	Market price for ordinary share (euro)	0.3221	-	0.4275 <sup>(4)</sup>	0.4276 <sup>(5)</sup>	0.4162 <sup>(6)</sup>	0.4522 <sup>(2)</sup>	0.4522 <sup>(2)</sup>
2005 Stock Option Plan for Managing Director	Ordinary shares	5,000,000	-	-	-	-	5,000,000	5,000,000
	Strike price ordinary share (euro)	0.3931 <sup>(1)</sup>	-	-	-	-	0.4522 <sup>(2)</sup>	0.4522 <sup>(2)</sup>
	Market price for ordinary share (euro)	0.3221	-	-	-	-	0.3221	0.3221
2005 Stock Option Plan for Directors and Employees of the Telegate group	Ordinary shares	289,000	-	-	-	27,500	261,500	261,500
	Strike price ordinary share (euro)	7,000	-	-	-	-	7,000	7,000
	Market price for ordinary share (euro)	-	400,000	-	-	8,000	392,000	392,000
	Strike price ordinary share (euro)	14.28	-	-	-	14.28	14.28	14.28
	Strike price ordinary share (euro)	17.22	-	-	-	-	17.22	17.22
	Strike price ordinary share (euro)	-	16.09	-	-	16.09	16.09	16.09

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

(2) Market price of SEAT Pagine Gialle ordinary share at December 29, 2006.

(3) Average market price of SEAT Pagine Gialle ordinary share during the last month before the grant date.

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

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

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

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## → Litigation

With regard to the disputes for which SEAT Pagine Gialle S.p.A., as beneficiary of the partial proportional spin-off of Telecom Italia Media S.p.A. (the Company effecting the spin-off), is jointly liable with the latter for liabilities deriving from litigations that have not been settled by the Company effecting the spin-off, pursuant to Article 2506- quater, Paragraph 3, of the Italian Civil Code, four proceedings are still pending.

One of these disputes is concerned with the impugment of the resolutions passed by the Shareholders' Meeting of Cecchi Gori Communications S.p.A. - now H.M.C - held on April 27, 2001. The second is seeking a Court assessment of the invalidity or cancellation of the deed to pledge the shares of Cecchi Gori Communications S.p.A. in favour of the Company effecting the spin-off. Both are currently pending before the Court of Cassation after the plaintiff companies - Cecchi Gori Group Fin.Ma.Vi S.p.A. in liquidation and Cecchi Gori Group Media Holding – lost both the first and second grade ruling.

The third pending action, challenging the resolution passed by the Shareholders' Meeting of August 11, 2000, is before the Court of Appeals of Rome after the Court had rejected the impugment of the resolutions. The fourth dispute, aimed at declaring the extra-contractual liability of Telecom Italia Media S.p.A. connected with the acquisition of the TV companies in the Cecchi Gori Group, is currently pending before the Court of Milan.

However, it should be noted that Telecom Italia Media S.p.A. and SEAT Pagine Gialle S.p.A., within the spin-off operation, signed an agreement through which both companies confirmed that potential liabilities relating to the company division which remained to Telecom Italia Media S.p.A. (as those inherent the suits described above) or the one transferred to SEAT Pagine Gialle S.p.A. will be considered entirely attributable to the company who owns the division.

## → Corporate Governance

### Introduction

The Corporate Governance system adopted by the Company is represented by the whole of the legal and technical rules aimed at ensuring the protection of stakeholders and the maximum transparency through proper management of the Company in terms of governance and control.

The system is organised into a set of procedures and codes subject to a continuing process of up-dating and review in order to react effectively to changes in the relevant regulatory framework and best practices. In this regard it will be recalled that the new Code of Conduct for listed companies (hereinafter also referred to as "the Code"), introduced in March 2006, was produced by the Corporate Governance Committee promoted by the Italian Stock Exchange and representing entrepreneurs and market participants.

The Code requires that Issuers should apply the new code (completely replacing the one published in 1999) by the end of the financial year beginning in 2006 and inform the markets in 2007 in the Corporate Governance Report to be published at the Shareholders' Meeting called to approve the Annual Financial Statements. Pursuant to this rule, the Board of Directors' meeting held on December 19, 2006, resolved to apply the recommendations contained in the new version of the Code of Conduct *i)* given the new principles laid down in the Code of Conduct of Listed Companies in the version of March 2006, and *ii)* having assessed positively to agree to the Code's recommendations.

It is specified that, in compliance with current legislative and regulatory provisions and the recommendations under the Code of Conduct, the Company will provide clear information in relation to the steps carried out in order to be consistent with the new governance principles stated by the Corporate Governance Report presented at the Shareholders' Meeting called to approve the Annual Financial Statements and available online on the official website [www.seat.it](http://www.seat.it).

In the paragraph below, it is provided the annual updating of the main principles of Corporate Governance adopted. It should be noted that, during the meeting held on March 21, 2006, the Board of Directors of SEAT Pagine Gialle S.p.A. approved the "Internal Code of Conduct for the treatment of inside information" in compliance with the regulations on market abuse. This Code intends to provide a summary of the general principles adopted by the Company in the field of the treatment of inside information, the "Procedure for the institution, up-dating and maintenance of the Register of Persons with access to inside information" intended to ensure compliance with the provisions concerning the procedures for the institution, maintenance and up-dating of the "Register" pursuant to Article 115-bis of the TUF (*Testo Unico della Finanza*), and the "Internal Dealing Procedure" which supersedes and replaces from the same date the "Internal Dealing Code" previously adopted by the Company. The Board also updated the Procedure for market disclosure of price-sensitive information previously in force, by supplementing and amending it in order to adopt the definition of "inside information" under Article 181 of the T.U.F..

The Supervisory Board also proceeded to update the Organisational Model pursuant to Legislative Decree No. 231/2001 to the regulatory changes under the abovementioned regulations on market abuse.

It should be noted that the Shareholder's Meeting, called to approve the 2006 Financial Statements, is also called – in an extraordinary session – to resolve a few amendments of the Company's By-Laws introduced in order to make it consistent with the new regulation

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provided by the Law No. 262 dated December 28, 2005 concerning "Saving protection and financial market regulations" (i.e. "Savings") as amended by the Legislative Degree No. 303 dated December 29, 2006 (i.e. "Amending Decree"). For further information about this topic, please refer to the report specifically prepared by the Board of Directors to support the Shareholder's Meeting (extraordinary session).

## Direction and Control activities

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

## Company's Organisation

### Board of Directors

Pursuant to Article 14 of the Company's By-Laws, the number of members of the Board of Directors, must be at least seven and no more than twenty-one.

The Shareholders' Meeting fixes the number of members of the Board of Directors and their term of office. Directors may be reappointed (Article 15 of the Company's By-Laws).

The Board of Directors is entitled to the ordinary as well as extraordinary administration of the Company and may carry out those actions that it deems appropriate to achieve corporate objectives, both in Italy and abroad, except those actions reserved by law to the Shareholders Meeting (Article 19 of the Company's By-Laws). The Board has a leading role in the Corporate Governance system of the Company; it is scheduled to meet on a regular basis, acting and organising itself in order to perform its functions effectively and efficiently. The Board of Directors in particular has the prime responsibility to determine and pursue the Company's and the Group's strategic goals, pursuing the main goal of value creation for Shareholders.

The Board is appointed by a voting mechanism based on competing lists of candidates. Under the Company's By-laws. These lists are submitted to the Company's headquarters ten days before the meetings. Such lists are accompanied by schedules containing exhaustive information about the personal and professional qualities of candidates, along with an indication of their suitability to be qualified as independent directors (pursuant to the provisions of the Code of Conduct - Article 3).

The Ordinary Shareholders' Meeting of April 27, 2006, appointed the Board of Directors for the three-year period 2006 - 2008, confirming the appointment of all members of the previous Board (it is specified that the Company promptly published the only list presented on its website, combined with information and characteristics about the candidates). Subsequently, after the Directors Stefano Mazzotti and Stefano Quadrio Curzio resigned, the Board co-opted Antonio Belloni and Carmine Di Palo on October 10, 2006. Pursuant to Article 2386, paragraph 1, of the Italian Civil Code, such directors will remain in office until the next Shareholders' Meeting. The composition of the current Board of Directors is reported on page 5 of this report.



The Board's meeting, held following the Shareholders' Meeting of April 27, 2006, also verified the existence of the independence criteria of Lino Benassi, Gian Maria Gros Pietro and Marco Reboa.

Listed below are the main positions held by the members of the Board of Directors in the Companies referred to in Article 1.C.2 of the Code of Conduct (or in other listed companies in regulated markets, including foreign markets, in finance, banking, insurance companies or large-sized companies)(\*)

<b>Enrico Giliberti</b>	Director of Sirti S.p.A..
<b>Luca Majocchi</b>	Director of Eniro AB.
<b>Antonio Belloni</b>	No position held in companies indicated by Article 1.C.2.
<b>Lino Benassi</b>	Director of DeAgostini S.p.A. and Credit Suisse (Italy).
<b>Dario Cossutta</b>	No position held in companies indicated by Article 1.C.2.
<b>Carmine Di Palo</b>	No position held in companies indicated by Article 1.C.2.
<b>Gian Maria Gros Pietro</b>	Director of Fiat S.p.A., Edison S.p.A.; Chairman of Autostrade S.p.A., Autostrade per l'Italia S.p.A. (Autostrade group) and Perseo S.p.A..
<b>Luigi Lanari</b>	Director of Lecta S.A., Sub Lecta 1 S.A., Rhiag Holding Limited; Managing Director of CVC Capital Partners S.r.l..
<b>Marco Lucchini</b>	Director of Marazzi Group S.p.A..
<b>Michele Marini</b>	No position held in companies indicated by Article 1.C.2.
<b>Pietro Masera</b>	No position held in companies indicated by Article 1.C.2.
<b>Marco Reboa</b>	Director of Eni S.p.A., IMMSI S.p.A., Interpump Group S.p.A., Intesa Private Banking S.p.A.; Chairman of the Board of Statutory Auditors of Luxottica Group S.p.A; Statutory Auditor of Lactalis Italia Group S.p.A..
<b>Nicola Volpi</b>	Director of Marazzi Group S.p.A.; Managing Director of Permira S.p.A..

(\*) Information updated at March 13, 2007

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

Under Article 2.C.1 of the Code, only one member is to be considered as an executive Director (the Managing Director), while all other Board members - since they do not have proxies and do not hold executive roles in the Company - are to be considered as non-executive directors. Therefore, the latter by number and by standing can ensure that their judgment will have significant bearing when Board decisions are taken. In particular, the non-executive directors are responsible for areas where conflicts of interest may arise (Article 2.P.2. of the Code).

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## Chairman and Managing Director

As recommended by Article 2.P.4 of the Code, it should be noted that all company offices have not been concentrated on a single person, there being indeed a “CEO duality”.

The **Chairman**, Enrico Giliberti, is empowered to sign on behalf of the Company and acts as the Company’s legal representative in front of third parties and in legal proceedings. Since he is not entrusted with any proxies and does not have a management role for the administration of the Company, he should be considered as a “non-executive director”. The Chairman has been entrusted with the organisation of the Board’s proceedings together with maintaining relations between Executive and Non-executive Directors. The Chairman also ensures that Directors receive sufficient information, on a timely basis, to enable the Board to run efficiently.

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

The Managing Director reports regularly to the Board of Directors on activities related to his proxies.

## Compensation Committee

The Board of Directors’ meeting held following the Shareholders’ Meeting of April 27, 2006, appointed the Directors Gian Maria Gros Pietro (Chairman), Dario Cossutta and Stefano Quadrio Curzio as members of the Compensation Committee. Following the resignation of Quadrio Curzio, the Board of Directors’ meeting of October 10, 2006, appointed Antonio Belloni as member of the Committee.

The Compensation Committee consists exclusively of non-executive Directors; the presidency of the Committee is held by an Independent Director.

In accordance with Article 7.C.3. of the Code, the Committee’s duties are as follows:

- a) to submit to the Board of Directors proposals concerning the compensation of the Managing Directors and all those Directors appointed to particular positions, including the determination of stock option terms, monitoring the application of the decisions adopted by the Board itself;
- b) to assess the criteria adopted for the remuneration of directors with strategic responsibilities on a periodical basis, to check their application on the basis of the information provided by the Managing Director and make recommendations to the Board of Directors.

The Directors are entitled to annual remuneration as determined by the Shareholders’ Meeting, in addition to refund for costs incurred to perform their functions. The remuneration of Directors entrusted with particular commitments is determined by the Board of Directors, after having obtained the favourable opinion of the Board of Statutory Auditors.

The remuneration of the Chairman is fixed, while the Managing Director is significantly variable. Top management’s remuneration also contains a variable component, based on business performance and personal targets.

Non-executive Directors are not beneficiaries of any share incentive plans.

During the reporting period, the Committee met three times and fixed the Managing Director’s operational targets for the year 2006 with reference to his performance, related remuneration and examined the key parameters of the incentive system reserved for management for the year 2006.

Remuneration to the Directors for the 2006 year is described in the note 30 of the SEAT Pagine Gialle S.p.A. financial statements.

## Internal Control System

The Board of Directors has the responsibility for the internal control system, establishing the guidelines for risk management and internal controls, and monitoring the internal controls effectiveness through the support of the Internal Audit Committee and the internal control persons.

SEAT Pagine Gialle, in order to make aware the Company – at any level - of the existence and usefulness of internal controls, designated every level of the organisational structure as responsible to create and manage an effective internal control system within the Company's Code of Ethics. As a consequence all staff, in the context of their specific activities, have responsibilities for the definition and correct functioning of the control system.

In accordance with Article 8.C.5. of the Code, the Managing Director is charged with supervising the effectiveness of the Internal Control System and is also required to implement the recommendations provided by the Board of Directors, and in particular with:

- identifying the key risks that are faced by the Company, taking into account the operations carried out by the issuer and its subsidiaries, submitting them to a review by the Board of Directors on a periodical basis;
- implementing the guidelines provided by the Board of Directors, being responsible for the design, creation and management of the internal control system, evaluating regularly its effectiveness and efficiency; the Managing Director shall also adjust the internal control system to the dynamics of the operational conditions and the legislative and regulatory framework;
- proposing the appointment, dismissal and remuneration of one or more persons charged with the internal control system.

SEAT Pagine Gialle has an Internal Auditing Department which does not report, within the hierarchical structure, to any executive officers and it is structured in such a way as to allow it to assess and ensure the effectiveness and efficiency of the Internal Control System. The Internal Auditing Senior Manager is a member of the Supervisory Committee as required by the Organisational Model under ex Legislative Decree No. 231/01 and also acts as the Person entrusted for Internal Control.

The latter, who does not report, within the hierarchical structure, to any executive officers, is appointed by the Board of Directors and ensures, in accordance with Article 8.C.6., the following:

- a) the ongoing effectiveness and adequacy of the operations of the internal control system;
- b) regular reports on his work to the Internal Audit Committee, the Board of Statutory Auditors and the Executive Director charged with supervising the effectiveness of the internal control system. In particular, he is required to report on the action carried out for the risk management, as well as on compliance with the plans designed to reduce them. He is also required to assess the Internal Control System's suitability for ensuring an acceptable overall risk profile.

The Person in charge of the Internal Control is a member of the Supervisory Committee as required by the Organisational Model under Legislative Decree No. 231/01. He is also the persons charged with the Internal Auditing. The Internal Auditing department is responsible for the assessment of the quality of the Internal Control System and for the evaluation of its effectiveness to ensure the Company will be able to achieve its business objectives economically and efficiently.

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### Internal Audit Committee

The Board of Directors' meeting held following the Shareholders' Meeting of April 27, 2006, appointed the Directors Lino Benassi (Chairman), Marco Reboa and Marco Lucchini as members of the Internal Audit Committee.

The Internal Audit Committee is composed exclusively of non-executive directors, at least two of which must have broad accounting and financial experience (in accordance with Article 8.P.4 of the Code). Meetings may be attended, by the Chairman of the Board of Statutory Auditors or by an effective Auditor charged by the latter, and the Internal Auditing Director. Depending on the issues on the Agenda, meetings may also be attended by the Managing Director, the Company's Independent Auditors and the Company's management. During the meeting of February 27, 2007, the Board of Directors resolved to charge the Internal Audit Committee with the duties established by Article 8.C.3 of the Code of Conduct. The consequent amendments were then made to the Internal Audit Committee Regulation in order to bring it in line with the provisions of the "New" Code.

The Internal Audit Committee met six times in 2006 and twice in the early 2007 and carried out the following actions:

- verified the development of the organisational and operational structure of the Internal Audit Department;
- reviewed and assessed the results of the activities performed by the Internal Audit Department;
- reviewed the internal auditing programs for 2007;
- assessed the qualitative and quantitative information on the performance of trade receivables following the measures adopted to improve collection processes;
- met with the Administration, Finance and Control top management, the Board of Statutory Auditors and the Independent Auditors in order to examine the main features of the Financial Statements as at December 31, 2006, the correct adoption of accounting standards and their consistency for the purposes of preparing the financial statements of the Group;
- met with the Partner of the Independent Auditors in order to examine the issues arisen during their audit;
- positively assessed the company's decision to appoint the independent auditors Reconta Ernst & Young S.p.A. on some agreed and recurrent procedures on trade receivables;
- examined and acknowledged the updating actions carried out in relation to Legislative Decrees Nos. 231/2001 and 61/2002, with particular regard to the regulations on market abuse and the extension of the SEAT organisational, management and control model to the subsidiaries;
- favourably assessed the appointment of PricewaterhouseCoopers Advisory S.r.l. to support from technical and methodological point of view actions carried out following the Law No. 262/2005 (i.e. "savings act");
- monitored the design and development of the Enterprise Risk Management (ERM) project aimed at defining an integrated approach to the identification, assessment, management and monitoring of business risks.

### Law 28 December 2005 No. 262 (the so-called "Saving Act")

The Saving Act introduced amendments to the regulations concerned with listed companies requiring in particular, that the administrative procedures intended to provide corporate information are both adequate and effective. Notwithstanding the fact that SEAT Pagine Gialle S.p.A. already has a sufficiently structured control system, it welcomed the opportunity for a critical re-appraisal of the existing processes and procedures.

The above actions are still ongoing. They were planned with methodological support from PricewaterhouseCoopers Advisory S.r.l. (PwC) and have been broken down into the following stages:

- *definition of the "scope"*. The "scoping" analysis, carried out within the consolidation perimeter, showed that subsidiaries have not a significant size with reference to quantitative terms. For this reason as first step it was considered appropriate to carry out an analytical examination of the procedures governing the generation of accounting data only in the Parent Company;
- *identification of the areas and processes to be examined*. This activity involved the quantitative and qualitative analysis of current processes and the consequential identification of those considered to be the most sensitive for the purposes of this analysis;
- *controls assessment*. Existing controls are currently being analysed with reference to the areas and processes described above, and particularly attention is pointed on the accounting assertions (such as Completeness, Existence, Rights & Obligations, Valuation, Recognition, Presentation, Disclosures);
- *identification of possible improvements in the current Internal Control System* where this is considered appropriate and hence increased monitoring of the areas and processes deemed sensitive for the purposes of the actions described above.

### Legislative Decree "231" and Supervisory Committee

During 2004, the Company launched the so-called "Project 231" - designed to define its organisational model in compliance with Legislative Decree No. 231/2001 in relation to legal entities' administrative liability for crimes perpetrated by Executive Directors and Top management under their direction and control. As a result of the action carried out, the following documents were prepared, illustrating existing procedures and controls designed to reduce the risk of committing the crimes regulated by the relevant law:

- the "Code of Ethics" for the Group, in which the general principles (transparency, correctness, fairness) to be complied with in the running and conduct of business are presented;
- the "Principles and guidelines of the organisational, management and control model", which identify, *inter alia*, the sensitive actions related to crimes against the public administration and corporate crimes, the Model's key features, the recipients, information flows, responsibilities and powers of the Supervisory Committee;
- the "Organisational Model", which identifies the crimes against the public administration - highlighting the risk areas and the support areas - and corporate crimes. The Model was drawn up on the guidelines set by Confindustria, and appropriately adjusted in order to take into account the nature of business and the features of the Internal Control System.

The Board of Directors' meeting held following the Shareholders' Meeting of April 27, 2006, appointed the **Supervisory Committee** (set up pursuant to Legislative Decree No. 231/2001), confirming the previous appointments and confirming their term of office up to the date of the Shareholders' Meeting called to approve the Financial Statements for the 2008 financial year; the Committee is composed of Marco Reboa (Chairman), Marco

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Beatrice (Manager in charge of the Legal and Corporate Affairs Department of SEAT Pagine Gialle S.p.A.) and Francesco Nigri (Manager in charge of the Internal Audit Department of SEAT Pagine Gialle S.p.A.).

This approach is in fact able to assure consistency with the guidance of the Accompanying Report of Legislative Decree no. 231/2001: the Committee has the requisites of autonomy, independence, professionability and continuity of action needed to perform its duties efficiently.

The Supervisory Committee is entrusted with:

- implementing the Organisational Model, based upon the requirements set out in "Principles and guidelines of Project 231";
- supervising the effectiveness of the Organisational Model, in order to guarantee that the lines of conduct adopted in the company comply with it;
- monitoring the quality of the Organisational Model, in order to assess whether it is able to prevent the occurrence of the previously defined crimes or not;
- updating the Organisational Model, in order to adjust it properly following business and/or organisational changes in the Company.

Pursuant to Legislative Decree No. 231/2001, the Supervisory Committee continued to carry out training and communication activities during the reporting period in favour of each Company's Department. It reviewed the actions performed in compliance with market abuse regulations and accordingly updated the organisational, management and control model. It monitored the actions carried out by the Italian subsidiaries in compliance with Legislative Decree No. 231 and pursuant to the principles and guidelines defined by the Parent Company.

## Shareholders' Meetings

The Board of Directors takes the appropriate measures to facilitate the Shareholders' attendance to the Annual Meeting. According to By-Laws -Article 8-, shareholders with voting rights holding appropriate certification, may attend the Shareholders' Meeting, provided the Company has received notice from the intermediary within the two days before the date of the Shareholders' Meeting. Notice of call may be published in the Italian daily newspaper "Il Sole 24ORE", in addition to the Official Gazette.

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

## Statutory Auditors

In accordance with the By-Laws, Statutory Auditors are appointed on the basis of candidates' lists filed at the Company's headquarter at least ten days before the meeting.

The Shareholders' Meeting of April 27, 2006, proceeded to appoint the Board of Statutory Auditors for the three-year period 2006 – 2008, confirming the appointment of all members of the previous Board. It is made up of three acting members and two alternate members, in the persons of Enrico Cervellera (Chairman), Andrea Vasapolli (Acting Auditor), Vincenzo Ciruzzi (Acting Auditor), Guido Costa (Alternate Auditor) e Guido Vasapolli (Alternate Auditor).

The Company promptly posted the only list presented on its website [www.seat.it](http://www.seat.it), with a description of the specific experience and skills of the candidates.

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

<b>Enrico Cervellera</b>	Director of Stefanel S.p.A. and Ferrero S.p.A.; Chairman of the Board of Statutory Auditors of Interpump S.p.A., Gruppo Lactalis Italia (*), Egidio Galbani S.p.A. (*), Big S.r.l. (*); Acting Auditor of Brembo S.p.A., Luxottica Group S.p.A., Tamburi Investment Partners S.p.A. <i>(*) Galbani Group Company</i>
<b>Vincenzo Ciruzzi</b>	Chairman of the Board of Statutory Auditors of Camuzzi International S.p.A.; Acting Auditor of Dexia Crediop S.p.A.
<b>Andrea Vasapolli</b>	Acting Auditor of Aksia Group SGR S.p.A..

(\*) Information updated at March 13, 2007

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



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## Adoption of the market abuse regulations

Article 9 of Law No. 62 of April 18, 2005 (2004 Community Law) provides for the adoption of the European regulations on market abuse (2003/6/EC), regulating the abuse of inside information and market abuse, and modifying accordingly the "T.U.F".

By resolution No. 15232 of November 29, 2005, Consob amended and supplemented the Issuers' Regulations (No.11971/1999), in accordance with the Community Law, thus completing the adoption process of the community directive on market abuse into the Italian legal system.

The main aim of the new 2003/6/EC Directive on market abuse is to increase the level of transparency of financial markets. In particular, it introduced behavioural and organisational requirements for those who access material information. On the basis of such indications, on March 21, 2006, the Board of Directors of SEAT Pagine Gialle S.p.A. approved the following documents:

- the *"Internal code of conduct for the handling of inside information"*, with the aim to summarize the key principles adopted by the Company about the handling of inside information. It defines inside information, identifies the parties involved, the rules of conduct, disclosure requirements and sanctions. The Code, with the documents below detailed, represents the *corpus* of the Company, regulating market abuse;
- the *"Procedure for the establishment, updating and maintenance of the Register of parties who have access to inside information"*, aimed at ensuring the compliance with the law requirements referred to the method adopted for the establishment, updating and maintenance of the Register of parties who, because of their working or professional activity or commitment, have regular or occasional access to inside information (as defined in ex - Article 115-bis of the T.U.F.). The Procedure (reflecting the policies adopted by the Company for the handling of inside information described in the above-mentioned Code) identifies the Responsible for keeping and updating the Register, the Register's content, the parties to be reported in it, notice and disclosure requirements, updating and maintenance procedures. The Register was instituted as from April 1, 2006;
- the *"Internal Dealing Procedure"*, effective from April 1, 2006, which cancels and replaces, as from the same effective date, the *"Code of Conduct for Internal Dealing"* previously adopted by the Company, in compliance with the Regulations of Borsa Italiana S.p.A.. The Procedure requires to disclosure duties to the Person identified in the Procedure itself (who, in turn, gives notice to Consob and the market) of transactions amounting to or in excess of euro 5,000, carried out on the Company's shares or on the shares of its subsidiaries, by *i)* the "substantial parties" and *ii)* the "persons closely related to substantial parties". "Black-out periods" are still applied, namely, fixed periods during which the above-mentioned persons subject to the provisions of the Procedure can't carry out transactions.

The Board of Directors updated the previously effective *"Procedure on the market disclosure of price sensitive information"*, in order to *i)* adopt the new definition of "inside information" under Article 181 of the T.U.F., *ii)* regulate the case of "delayed disclosure" and *iii)* establish rules of conduct regarding the management of such information (thus, referring to the principles set out in the above-mentioned "Code"). This operating procedure (named *"Procedure of SEAT Pagine Gialle S.p.A. for the management and market disclosure of inside information"*) enables the Company to assure equality of treatment for the public in general - and for all shareholder categories in particular - whilst observing applicable regulations. The Departments and the Business Areas involved are identified. Furthermore it is defined the procedure to be observed in case of market rumours or requests for information by persons charged of supervisory responsibility and market management. Also the Company's meetings with the financial community and the press are specifically regulated by the procedure.

### Relations with institutional investors and the other Shareholders

In 2006, in compliance with the procedure regarding the disclosure of Company's documents and information, SEAT Pagine Gialle group ensured a timely and accurate release of information in order to guarantee correctness and transparency on the Company's operations.

*Investor Relations* and *Legal and Corporate Affairs*, in particular, are responsible for maintaining contact with the national and international financial community (the first) and the Shareholders (the latter).

In 2006, Investor Relators organised numerous official meetings with the market (financial analysts, institutional investors and representatives of the financial community) through quarterly conference calls, road shows and conferences. Furthermore, they have daily contacts, through direct meetings and conference calls with financial analysts and institutional investors. The strong communication activity (including, *inter alia*, an Investor Day in March 2006) led the Investor Relation Department of SEAT to rank no. 10 among the Italian companies in the Investor Perception Study, commissioned by the Investor Relation Magazine in September 2006, to identify the leading IR Teams in the major European countries.

To further promote communication among members of the financial market, the Company makes available on its website its economic and financial information (annual, half-year and quarterly reports) and supporting documents (presentations to the financial community), at the section named "Corporate Governance", as well as the press releases issued by the Company, both in Italian and English version. The website also has a section with useful information for all Shareholders and an online updating of the Company's share prices.

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## Shareholders' agreements

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

- a) Shareholders' agreement dated July 30, 2003, as amended by an addendum dated March 24, 2004, and by an amendment dated December 21, 2006, between the closed investments funds indirectly holding a stake in SEAT Pagine Gialle S.p.A.'s ordinary share capital (the "Funds"), each via their own corporate vehicles incorporated under Luxembourgian law. This Shareholders' agreement makes regulation concerning, *inter alia*, *i*) membership of and resolutions passed by the Board of Directors of SEAT Pagine Gialle S.p.A. and its subsidiaries, as well as resolutions passed by the SEAT Pagine Gialle S.p.A.'s Shareholders' Meeting; *ii*) establishment of a constraint of non-transferability on SEAT Pagine Gialle S.p.A.'s shares owned by the Funds via their own respective vehicles, as well as on the equity investments owned by the Funds in the vehicles themselves.
- b) Shareholders' agreement dated March 18, 2005, between some tier-one vehicles held by the Funds and Luca Majocchi concerning his appointment as Managing Director of the Company.

All the aforesaid agreements were properly notified as required by Article 122 of Legislative Decree No. 58/1998 and related implementation directives, also via publication of extracts, respectively *i*) in "La Repubblica" newspaper on August 9, 2003, as regards the Shareholders' agreement dated July 30, 2003, *ii*) in "La Repubblica" newspaper on March 30, 2004, as regards the addendum dated March 24, 2004, *iii*) in "La Repubblica" newspaper on December 28, 2006, as regards the amendment dated December 21, 2006, *iv*) in "Il Sole 24ORE" newspaper on March 25, 2005, as regards the Shareholders' agreement concerning Luca Majocchi appointment as Managing Director of the Company. A further extract was published in "Il Sole 24ORE" newspaper on December 17, 2004, to advise of completion of some corporate reorganisation operations undertaken to enforce the above-mentioned addendum of March 24, 2004.

The Shareholders' agreement dated July 30, 2003, was filed with the Milan Companies' Register on August 13, 2003. The addendum of March 24, 2004 was filed with the Milan Companies' Register on April 1, 2004. The amendment of December 21, 2006, was filed with the Milan Companies' Register on December 22, 2006. The Shareholders' Agreement concerning the appointment of Luca Majocchi as Managing Director of the Company was filed with the Milan Companies' Register on March 22, 2005.

### Events subsequent to the Board of Directors' approval of the annual report

With reference to point a), on March 20, 2007, the agreement dated July 30, 2003 was renewed, at the same terms and conditions. Therefore the agreement will be effective until the first of the following date: *i*) three years from March 20, 2007 (or five years, if after three years, ordinary shares of SEAT Pagine Gialle S.p.A. are not listed); or *ii*) the date when the parts of the agreement have sold their direct or indirect investment in the Company.

## → Social responsibility

### SEAT Pagine Gialle: an engine of economic and social relations

SEAT Pagine Gialle express its mission as an engine of economic and social relations by connecting people and companies, needs and solutions, favouring personal and commercial exchange. Due to its relational nature, the Group is committed to initiatives which also enhance creativeness and social contacts, with the final aim of improving the quality of life in the areas in which it operates.

### SEAT Pagine Gialle on the territory

The territorial communication plan aimed at consolidating and diffusing the Company's image among a widespread and extended public of interlocutors continued successfully in 2006, strengthening the reputation and authority of SEAT Pagine Gialle on the territory, through the publishers of local newspapers and local opinion makers.

With this aim, specialist observatories were set up, focusing on specific topics and sharing the contents of the SEAT Pagine Gialle databases, and articles were written about topical subjects and the market.

The goal is to spread "useful knowledge" among a broader public, highlighting the features of the services offered and their importance in supporting the activities performed by small, medium and large Italian entrepreneurs on a daily basis, with particular reference to the development of the industrial districts.

In 2006, as in the previous year, starting from the Company's databases (Idee InVacanza, Alberghi d'Italia, Europages, Universal Database of PAGINEBIANCHE®, PAGINEGIALLE VISUAL®, etc.) targeted observatories were created, that focused on holiday destinations, exports, hotels, Italian names and surnames, etc..

Two of particular interest were the Visual observatory, focused on the most used search keys and visited categories of PAGINEGIALLE.it®, and the observatory on national and local publications, launched during the Turin Book Fair, based on the Annuario SEAT® database.

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## InZona: Wivo il mio quartiere! (Life in my neighbourhood!)

"Wivo il mio quartiere!" is an educational program in its second year, aimed at school children between 7 - 11 years, who are attending the third, four and fifth years of primary school in Milan, Rome, Naples and Turin, proposing a range of free teaching material put together in a practical kit.

This initiative consist of an educational journey to discover the life of the city's areas around the school, and to increase the sense of the social and economic community. In the 2006-2007 school year, the discovery of the district has been enhanced by the introduction of a "sensory" itinerary: children is guided through the exploration of the environment in which they live every day, discovering new and unexpected features using their 5 senses.

The second edition of the initiative has also been a great success, involving about 35,000 children from about 500 schools. The material processed will be an integral part of the next edition of InZona (publications, local exhibitions, book, review on the web, etc.).

The project was set up in 2005 following the launch of InZona, a guide dedicated to the discovery of the various areas of the city, its services and shops. The guide is distributed free of charge directly to the homes and commercial operators in the towns listed above, to raise product notoriety and stimulate its use.



## PAGINEBIANCHE D'AUTORE

With "PAGINEBIANCHE d'AUTORE" initiative, SEAT Pagine Gialle opened the door to the creativity of young Italian artists, meeting great interest all over the country. Also for its significant social value, this initiative immediately obtained the patronage of the Ministry of Cultural Activities and Heritage and City of Turin. The great success was also due to the support and collaboration of DARC (the General Direction for Architecture and Contemporary Art of the Department for Cultural Activities and Landscape Heritage of the Ministry of Cultural Activities and Heritage), which promotes and rewards contemporary creativity throughout Italy, and of GAI (Association for the young Italian Artists network, an association with over 40 local administration throughout Italy with the aim to support creativity of young talents with training, promotion and research activities).

PAGINEBIANCHE d'AUTORE is aimed to promote young artists aged between 20 and 35, who work in the two-dimensional visual arts field, by bringing out the expressivity developing in the regional contexts. Although they could submit freely inspired works, the initiative was inspired by the payoff of the product, "Facile trovarsi" (Easy to get together), in other words, the pleasure of meeting by personal, professional, daily or extemporary communication, always "experiencing" art.

The works are judged by a special jury, composed from July 2006 by Teresa Macri (chairman), art critic and professor of Phenomenology of Contemporary Art at the Academy of Fine Arts of L'Aquila, Anna Mattiolo, Head of the Contemporary Art Service of the General Direction for Architecture and Contemporary Art of the Department for Cultural Activities and Landscape Heritage of the Ministry of Cultural Activities and Heritage (DARC), Alessandro Magnano, Managing Director of the Arc-Burnett agency and in charge for the creativity and image of the PAGINEBIANCHE® product, and two SEAT Pagine Gialle representatives.

The jury will select the works to be published on the covers of PAGINEBIANCHE® on the basis of quality, research and innovation, as well as consistency with the initiative's topic. It can also select other works that are worthy of being mentioned and published inside the directories.

A dedicated website ([www.paginebianchedautore.it](http://www.paginebianchedautore.it)) allows the artists to monitor the course of their candidature. The selected works are published in [www.paginebianchedautore.it](http://www.paginebianchedautore.it) and [www.paginebianche.it](http://www.paginebianche.it), and on the cover and inside the PAGINEBIANCHE® directory related to the region they were submitted for.

Winners will benefit from the great popularity of PAGINEBIANCHE®, and their works will enter the homes of all the Italian living in the region for which they competed. Furthermore, the Jury will choose two works from all those received, regardless whether some of them have been selected for the cover of PAGINEBIANCHE®; one of these will be used for the packaging and internal displays of the PAGINEBIANCHE® Office CD-Rom, and the other one on the packaging and internal displays of the PAGINEBIANCHE® CD Italia CD-Rom.



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The first edition of this initiative started in July 2004 and concluded in April 2005. The second edition started in July 2005 and concluded in April 2006; the third edition was launched successfully this year: over 3,000 young artists have taken part.

The growing and significant collaboration with the Ministry of Cultural Heritage, which has resulted in the inclusion of a member of DARC on the selection committee, confirms the success of the project which has become one of the most innovative programs in Italy to promote and support visual arts. The commitment and growing enthusiasm surrounding it have prompted the creation of a special award – starting with the third edition – in addition to the publication of 20 works selected for each region on the covers of 30 million of PAGINEBIANCHE® directories. The most deserving artist among the 20 winners will spend a six-month period in New York studying at the ISCP (International Studio & Curatorial Program), an excellent opportunity to frequent and become a part of the world's liveliest artistic environment.

For this program, SEAT Pagine Gialle is supported by UndoNet, an organisation involving young art editors in the project, to increase the visibility of the project and draw attention to it, especially on the local media.

About halfway through the third edition, about 1,700 works have been examined by the jury and more than 200 works have received awards, there have been more than 250,000 visits to the site (approximately 20% of which from abroad), and more than 340 articles have been published in the national and local press, with success and acknowledgements in the world of art.

The initiative has also a positive effect on the advertising collection, contributing to increase revenues from the product's covers.

## Gemine Muse

Remaining within the context of the promotion of young people involved in artistic production and creativity, SEAT Pagine Gialle, as an international leading Group, in 2006 continued to support "*Gemine Muse*", a program crated by the Young Italian Artist Association – GAI (partner of PAGINEBIANCHE d'AUTORE), involving 37 museums around Europe, with over 100 young artists in a series of exhibitions in nine EU countries, with works inspired by the masterpieces in the museum collections. SEAT Pagine Gialle contributed to the preparation of the documentation to support the initiatives, with the important catalogue distributed in all the European museums involved, thus effectively enhancing its own image and brand in the wide public of art tourism.



## Social solidarity initiatives

### Book: "Dove va la città. Obiettivi puntati sull'Italia che cambia" (Where the city is going. Focus on a changing Italy)

This year, SEAT has published a book that describes the preparation and results of the photographic competition "Luoghi Comuni - Ritratti di Città" (Common places – Portraits of cities), which was launched at the end of 2005 to select the photographs that would decorate the covers of the new editions of TuttoCittà.



The competition was inspired to "common places": anyone wanting to take part, could send one or more photographs that confirmed or belied the traditional stereotypes associated with different Italian cities. Is Milan really a city "to drink"? Venice is beautiful, but is it suitable to be lived in? Is Turin still the grey, foggy "city of Fiat"? The secretariat of the competition was literally submerged by all sorts of photographs, which were first examined by the experts of the Italian Photography Foundation (FIF), the initiative's prestigious partner. FIF selected the ten most interesting photographs for each of the 35 cities considered, which the public were then invited to vote for in a special web site. And finally the four photographs receiving the most votes for each urban area acquired the right to be displayed in a particularly coveted spot: on the cover of the new editions of TuttoCittà.

At the end of the competition, the photographic material was examined by experts in sociology, semiotics and communication, who acquired useful information regarding the latest socio-cultural and consumer trends in Italian cities. A fascinating, varied picture emerged, which this book aims to present to the public in a relaxed, attractive form, but not without precision and authenticity. So it is three books in one: a collection of photographs, a brief essay on socio-semiotics, but above all a fascinating "guided" of the transformation underway in the country.

SEAT Pagine Gialle S.p.A will dedicate the income from the copyright on the sale of each copy of the book to charity, to Telethon in particular, and to scientific research into Haemochromatosis (see the Telethon chapter).

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## Telethon 2006 campaign



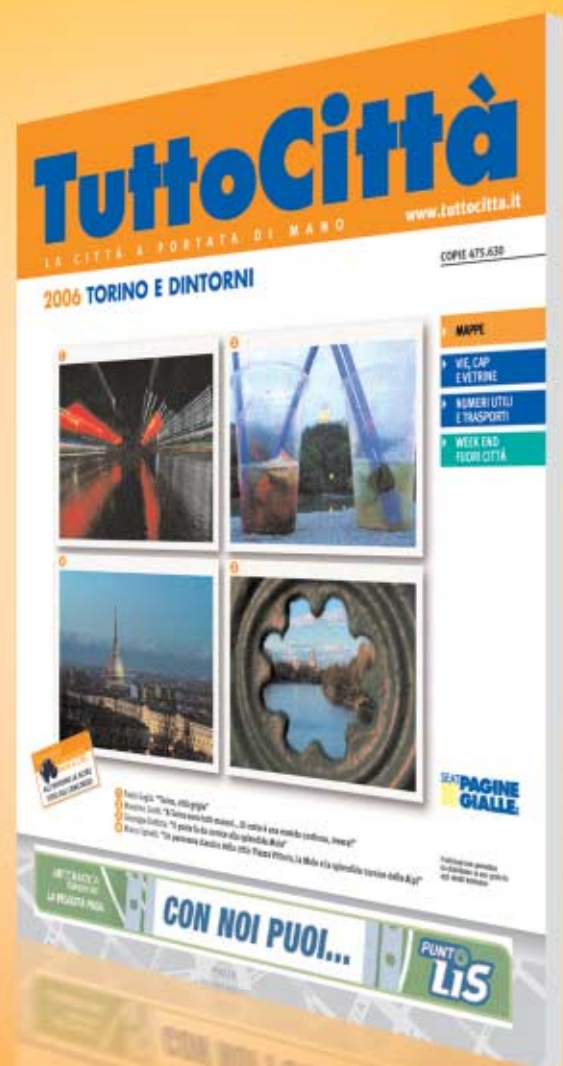
An awareness campaign was organised by the sales network throughout December 2006 (in addition to the peak of the 3 days of the famous fund-raising Marathon) as part of normal working contacts during the period, to encourage SEAT customers to donate 2 euros by sending a SMS to the number 48548. The same invitation was sent out to employees and agents through the company Intranet system. A special button was created on the PAGINEGIALLE VISUAL® home page to simplify traffic to the national collection points of Telethon's main partners, and the copyright on sales of the book "Dove va la città?" published by SEAT Pagine Gialle S.p.A. was donated to the appeal, as well as a basic donation of € 50,000.

All these efforts made it possible to raise the sum necessary to finance an entire research project into Haemochromatosis at the S. Raffaele Institute of Milan for the second year running.

The campaign was also promoted on television, favouring the fund collections for the Onlus.



## Financial Statements of the Group



“A city just waiting to be discovered”

“Modern Times”, a photography competition that gives an insight into Italian cities through the lenses of their inhabitants

## ➤ Balance sheet of the Group

### Assets

(euro/thousand)	At 12.31.2006	At 12.31.2005 (*)	Change	Note
<b>Non-current assets</b>				
Intangible assets with indefinite useful life	3,579,001	3,574,260	4,741	(6)
Intangible assets with finite useful life	485,871	624,703	(138,832)	(8)
Property, plant and equipment	50,013	49,648	365	(9)
Investments accounted for at equity	288	254	34	(10)
Other non-current financial assets	1,592	1,330	262	(11)
Deferred tax assets	48,346	101,837	(53,491)	(30)
Other non-current assets	805	1,126	(321)	(14)
<b>Total non-current assets</b>	<b>(A) 4,165,916</b>	<b>4,353,158</b>	<b>(187,242)</b>	
<b>Current assets</b>				
Inventories	11,891	12,444	(553)	(12)
Trade account receivables	668,681	669,740	(1,059)	(13)
Current tax assets	5,239	6,267	(1,028)	(30)
Other current assets	66,243	70,891	(4,648)	(14)
Current financial assets	1,323	2,387	(1,064)	(18)
Cash and cash equivalents	308,195	202,158	106,037	(18)
<b>Total current assets</b>	<b>(B) 1,061,572</b>	<b>963,887</b>	<b>97,685</b>	
<b>Total assets</b>	<b>(A+B) 5,227,488</b>	<b>5,317,045</b>	<b>(89,557)</b>	

(\*) The items referred to December 31, 2005 have been restated to include the actuarial gains (losses), net of deferred income taxes, arising from the evaluation of the defined benefit pension plans, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of these Notes.



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## Liabilities and Shareholders' equity

(euro/thousand)	At 12.31.2006	At 12.31.2005 (*)	Change	Note
<b>Equity of the Group</b>				
Share capital	249,879	248,012	1,867	(15)
Additional paid-in capital	460,428	441,893	18,535	(15)
Reserve for exchange rate adjustments	(5,312)	(8,258)	2,946	(15)
Reserve for transition to IAS/IFRS	181,576	181,576	-	(15)
Reserve for stock options	7,905	9,223	(1,318)	(15)
Reserve for hedging instruments on interest rate risk	1,533	(14,262)	15,795	(15)
Reserve for actuarial gains (losses)	(4,256)	24	(4,280)	(15)
Other reserves	85,295	(9,996)	95,291	(15)
Income for the year	80,136	131,905	(51,769)	
<b>Total equity of the Group</b>	<b>(A) 1,057,184</b>	<b>980,117</b>	<b>77,067</b>	<b>(15)</b>
<b>Minority interests</b>				
Share capital and reserves	16,594	12,861	3,733	
Income for the year	1,652	6,756	(5,104)	
<b>Total Minority interests</b>	<b>(B) 18,246</b>	<b>19,617</b>	<b>(1,371)</b>	<b>(15)</b>
<b>Total Shareholders' equity</b>	<b>(A+B) 1,075,430</b>	<b>999,734</b>	<b>75,696</b>	
<b>Non-current liabilities</b>				
Non-current financial debts	2,125,640	2,273,792	(148,152)	(18)
Non-current financial debts to associates	1,258,549	1,252,897	5,652	(18)
Non-current reserves to employees	56,768	52,781	3,987	(21)
Deferred income taxes and non-current tax debts	-	2,059	(2,059)	(30)
Other non-current liabilities	21,814	22,788	(974)	(23)
<b>Total non-current liabilities</b>	<b>(C) 3,462,771</b>	<b>3,604,317</b>	<b>(141,546)</b>	
<b>Current liabilities</b>				
Current financial debts	211,835	196,926	14,909	(18)
Current financial debts to associates	17,375	17,375	-	(18)
Trade account payables	292,919	292,754	165	(25)
Reserve for current risks and charges	39,259	50,366	(11,107)	(24)
Current tax payables	23,533	40,958	(17,425)	(30)
Payables for services to be rendered and other current liabilities	104,366	114,615	(10,249)	(25)
<b>Total current liabilities</b>	<b>(D) 689,287</b>	<b>712,994</b>	<b>(23,707)</b>	
<b>Total liabilities</b>	<b>(C+D) 4,152,058</b>	<b>4,317,311</b>	<b>(165,253)</b>	
<b>Total liabilities and Shareholders' equity</b>	<b>(A+B+C+D) 5,227,488</b>	<b>5,317,045</b>	<b>(89,557)</b>	

(\*) The items referred to December 31, 2005 have been restated to include the actuarial gains (losses), net of deferred income taxes, arising from the evaluation of the defined benefit pension plans, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of these Notes.

## ➤ Statement of operations of the Group

(euro/thousand)	Year 2006	Year 2005	Change		Note
			Absolute	%	
Sales of goods	38,790	33,232	5,558	16.7	(27)
Rendering of services	1,421,393	1,391,379	30,014	2.2	(27)
<b>Revenues from sales and services</b>	<b>1,460,183</b>	<b>1,424,611</b>	<b>35,572</b>	<b>2.5</b>	<b>(27)</b>
Other income and revenues	8,596	5,969	2,627	44.0	(28)
<b>Total revenues</b>	<b>1,468,779</b>	<b>1,430,580</b>	<b>38,199</b>	<b>2.7</b>	
Materials	(64,862)	(68,211)	3,349	4.9	(28)
External services	(508,417)	(450,785)	(57,632)	(12.8)	(28)
Salaries, wages and employees benefits	(231,921)	(219,128)	(12,793)	(5.8)	(28)
Other valuation adjustments	(37,441)	(40,771)	3,330	8.2	(13)
Provisions to reserves for risks and charges, net	(9,739)	(19,888)	10,149	51.0	(23-24)
Other operating expenses	(4,975)	(5,237)	262	5.0	(28)
<b>Operating income before amortisation, depreciation, non-recurring and restructuring costs, net</b>	<b>611,424</b>	<b>626,560</b>	<b>(15,136)</b>	<b>(2.4)</b>	
Amortisation, depreciation and write-downs	(195,336)	(194,458)	(878)	(0.5)	(8-9)
Non-recurring costs, net	(12,932)	(11,144)	(1,788)	(16.0)	(28)
Restructuring costs, net	(1,038)	(764)	(274)	(35.9)	(28)
<b>Operating income</b>	<b>402,118</b>	<b>420,194</b>	<b>(18,076)</b>	<b>(4.3)</b>	
Interest expenses	(257,583)	(284,753)	27,170	9.5	(29)
Interest income	11,374	24,185	(12,811)	(53.0)	(29)
Gains (losses) on investments accounted for at equity	34	45	(11)		(10)
Gains (losses) on disposal of investments	(39)	4,198	(4,237)		
<b>Income before income taxes, discontinued operations and Minority interests</b>	<b>155,904</b>	<b>163,869</b>	<b>(7,965)</b>		
Income taxes	(74,116)	(25,383)	(48,733)		(30)
Income from discontinued operations	-	175	(175)		
<b>Income before Minority interests</b>	<b>81,788</b>	<b>138,661</b>	<b>(56,873)</b>		
Minority interests	(1,652)	(6,756)	5,104		
<b>Income for the year</b>	<b>80,136</b>	<b>131,905</b>	<b>(51,769)</b>		
SEAT Pagine Gialle Shares	8,329,290,482	8,267,065,482			
- ordinary	8,193,215,696	8,130,990,696			
- savings	136,074,786	136,074,786			
Income per share (in euro)	0.00964	0.01601			
Diluted income per share (in euro)	0.00962	0.01600			



## ➤ Cash flow statement of the Group (indirect method)

(euro/thousand)		Year 2006	Year 2005	Change
<b>Cash inflow from operating activities</b>				
Income for the year before Minority interests		81,788	138,661	(56,873)
Amortisation, depreciation and write-downs		195,336	194,458	878
interest expensesss, net (*)		245,272	259,781	(14,509)
Cost for stock options		4,768	7,907	(3,139)
Income taxes for the year		74,116	25,383	48,733
(Gains) losses on disposal of non-current assets		(37)	(4,104)	4,067
(Write-up) write-down of assets		(34)	(220)	186
Change in working capital		(58,705)	(15,859)	(42,846)
Change in non-current liabilities		(2,968)	(413)	(2,555)
Exchange rate adjustments, change in the scope of consolidation and other movements		(1,268)	835	(2,103)
<b>Cash inflow from operating activities</b>	<b>(A)</b>	<b>538,268</b>	<b>606,429</b>	<b>(68,161)</b>
<b>Cash outflow for investments</b>				
Purchase of intangible assets with indefinite useful life		(416)	(7,587)	7,171
Purchase of intangible assets with finite useful life		(34,785)	(25,838)	(8,947)
Purchase of property, plant and equipment		(13,538)	(20,199)	6,661
Other investments		(157)	(40)	(117)
Proceeds from disposal of non-current assets		968	9,806	(8,838)
Change in the scope of consolidation		(8,468)	(7,884)	(584)
Exchange rate adjustments and other movements		(4,846)	(6,361)	1,515
<b>Cash outflow for investments</b>	<b>(B)</b>	<b>(61,242)</b>	<b>(58,103)</b>	<b>(3,139)</b>
<b>Cash outflow for financing</b>				
Proceeds of non-current loans		256,000	-	256,000
Repayment of non-current loans		(431,522)	(234,064)	(197,458)
Proceeds of current loans		-	40,000	(40,000)
Repayment of current loans		-	(40,000)	40,000
Paid interest expenses, net		(223,285)	(236,150)	12,865
Payment of transaction costs on loans		(1,525)	(26,052)	24,527
Change in financial assets and financial debts		31,057	(1,006)	32,063
Increase in share capital from exercised stock options		20,434	5,576	14,858
Paid dividends		(24,502)	(158)	(24,344)
Payment of costs relating to dividends distribution		(565)	-	(565)
Exchange rate adjustments, change in the scope of consolidation and other movements		2,919	7,809	(4,890)
<b>Cash outflow for financing</b>	<b>(C)</b>	<b>(370,989)</b>	<b>(484,045)</b>	<b>113,056</b>
<b>Increase (decrease) in cash and cash equivalents in the year</b>	<b>(A+B+C)</b>	<b>106,037</b>	<b>64,281</b>	<b>41,756</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>202,158</b>	<b>137,877</b>	<b>64,281</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>308,195</b>	<b>202,158</b>	<b>106,037</b>

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

## ➤ Changes in consolidated Shareholders' equity in 2006

(euro/thousand)	Equity of the Group				Minority interests			Total equity
	Share capital	Reserves	Income (loss) for the year	Total	Share capital and reserves	Income (loss) for the year	Total	
<b>At 12.31.2005 (*)</b>	<b>248,012</b>	<b>600,200</b>	<b>131,905</b>	<b>980,117</b>	<b>12,861</b>	<b>6,756</b>	<b>19,617</b>	<b>999,734</b>
Allocation of previous year result		89,784	(131,905)	(42,121)	3,601	(6,756)	(3,155)	(45,276)
Exercise of stock options	1,867	18,567		20,434				20,434
Gains (losses) recognised directly to equity								
- Change in the reserve for of hedging instruments on interest rate risks		15,795		15,795				15,795
- Actuarial gains (losses)		(4,280)		(4,280)				(4,280)
- Exchange rate adjustments		2,946		2,946				2,946
Fair value of stock option plans		4,468		4,468	122		122	4,590
Other movements		(311)		(311)	10		10	(301)
Income for the year			80,136	80,136		1,652	1,652	81,788
<b>At 12.31.2006</b>	<b>249,879</b>	<b>727,169</b>	<b>80,136</b>	<b>1,057,184</b>	<b>16,594</b>	<b>1,652</b>	<b>18,246</b>	<b>1,075,430</b>

(\*) The items referred to December 31, 2005 have been restated to include the actuarial gains (losses), net of deferred income taxes, arising from the evaluation of the defined benefit pension plans, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of these Notes.

## ➤ Changes in consolidated Shareholders' equity in 2005

(euro/thousand)	Equity of the Group				Minority interests			Total equity
	Share capital	Reserves	Income (loss) for the year	Total	Share capital and reserves	Income (loss) for the year	Total	
<b>At 12.31.2004 (*)</b>	<b>247,539</b>	<b>522,887</b>	<b>79,930</b>	<b>850,356</b>	<b>3,659</b>	<b>6,129</b>	<b>9,788</b>	<b>860,144</b>
Allocation of previous year result		79,930	(79,930)		5,971	(6,129)	(158)	(158)
Exercise of stock options	473	5,103		5,576				5,576
Gains (losses) recognised directly to equity								
- Change in the reserve for hedging instruments on interest rate risks		(14,261)		(14,261)				(14,261)
- Actuarial gains (losses)		(164)		(164)				(164)
- Exchange rate adjustments		1,533		1,533				1,533
Fair value of stock option plans		7,726		7,726				7,726
Other movements		(2,554)		(2,554)	3,231	(50)	3,181	627
Income for the year			131,905	131,905		6,806	6,806	138,711
<b>At 12.31.2005 (*)</b>	<b>248,012</b>	<b>600,200</b>	<b>131,905</b>	<b>980,117</b>	<b>12,861</b>	<b>6,756</b>	<b>19,617</b>	<b>999,734</b>

(\*) The items referred to December 31, 2004 and 2005 have been restated in to include the actuarial gain (losses), net of deferred income taxes, arising from the evaluation of the defined benefit pension plans, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of these Notes.

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## ➤ 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.

The Parent Company SEAT Pagine Gialle S.p.A. has its registered office in Milan, Via Grosio 10/4. The share capital is € 249,879 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 consolidated financial statements have been prepared in accordance with the provisions of Legislative Decree No. 38 of February 28, 2005 applying the IAS/IFRS issued by the International Accounting Standards Board and approved by the European Union, including all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC"), in accordance with the relevant CONSOB regulations.

Following the issuance of European Regulation No. 1606 of July 19, 2002, as of January 1, 2005, the SEAT Pagine Gialle group has adopted the IAS/IFRS.

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

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

#### 2.1 Consolidation procedures

The consolidated financial statements include the financial statements of SEAT Pagine Gialle S.p.A. and its subsidiaries. Where necessary, these financial statements were 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, the Special Purpose Entities (SPE) are fully consolidated if risks and rewards can be related substantially to the Group regardless of the interest 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:

- assets, liabilities, costs and revenues are taken into account in their the total amount, regardless of the stake held in the subsidiaries and recognising to minorities, 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.

Associates are consolidated using the equity method.

The acquisition of the new subsidiaries were 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. The consolidated financial statements include the result of these companies for the period between the date of acquisition and the year-end. Minority interests represent the portion of the statement of operations and net assets of these companies not held by the Group. They are shown separately from the Group's interest in the consolidated statement of operations and equity.

## 2.2 Management assumptions and accounting estimates

The preparation of the financial statements and related notes applying the IAS/IFRS 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 recognised at cost, whilst those acquired through business combinations at fair value at the acquisition date. Following this moment, intangible assets are recognised at cost net of amortisation and any cumulative impairment losses. No intangible assets produced internally, except for development costs, are capitalised: they are recognised in the statement of operations for the year in which they are incurred. The useful life of 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. Intangible asset "*Customer DataBase*", 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 3 to 5 years.

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

*Research costs* are recognised in the statement of operations against income at the time they are sustained.

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

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**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 of, 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 relevant 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 asset effective are recognised in the statement of operations 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 pro-rata for the period in which these assets were available, with the exception of assets purchased during the year.

### 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 present value the estimated future cash flows using a pre-tax discounting rate that reflects the market valuations of 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 cost items 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 reversed 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 new carrying value of the asset is equal to the recoverable value, but this value if increased may not, however, exceed the carrying value which would have been measured, 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 recognised at a revalued amount, in which case the reversed value is accounted for as a revaluation. After the asset has been restated, the depreciation for the asset is adjusted in future periods, so that the new carrying value, net of any residual values, is amortised at constant rates over the remaining useful life.

### Investments in associates

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

The equity method requires the investment in an associate to be recognised in the balance sheet at cost, increased to reflect changes (after the acquisition date) in the Group's share of the associate's equity. Goodwill relating to the associate is included in the carrying value of the investment and is not subject to amortisation. After the initial recognition, the Group measures possible impairment losses. The statement of operations reflects the Group's share of the associate's result for the year. If an associate has recognised costs or revenues directly to equity, the Group recognises its share of these costs or revenues directly to equity, representing this adjustment, if possible, in its statement of changes in Shareholders' equity.

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

### Effects of foreign currency translations

The financial statements of subsidiaries denominated in foreign currencies not belonging to the Euro-zone are translated in euros by applying year-end exchange rates (current exchange rate method) to each item on the balance sheet and the average exchange rates for the period to each item on the statement of operations. Differences arising from the translation of equity at the beginning of the year and of the result for the year to year-end exchange rates are recognised as an item of equity up to the disposal of the investment. The consolidated statement of cash flow 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 upon IAS/IFRS first-time application) 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 to the functional currency at the exchange rate at the reporting date. All exchange differences are recognised in the statement of operations, except for 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 recognised. 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 year 2006	Exchange rate at December 31, 2006	Average exchange rate for the year 2005	Exchange rate at December 31, 2005
Pound sterling	1.4669	1.4892	1.4624	1.4592
US dollar	0.7964	0.7593	0.8038	0.8477

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## 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 recognised at fair value.

The SEAT Pagine Gialle group classify its financial assets after their initial recognition and, if it is adequate and possible, reviews such classification at each balance sheet date.

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, which 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 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 investment is derecognised or when an impairment loss incurs, in addition to the amortisation process. These assets are included in the *net financial position*;
- *held-for-trading financial assets*, which include financial assets purchased for short-term disposal. These are accounted for at fair value. Gains and losses on assets held for sale are recognised in the statement of operations. These assets are included in the *net financial position*;
- *available-for-sale financial assets*, which are non-derivative financial assets but 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 in value. In these cases all 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.

## 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 not yet amortised at the balance sheet date.

## Derivatives

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

In 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, if 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 the original amount net of any allowance for doubtful accounts, which is accrued based on the credit risk assessment at the year end.

### Securitised trade receivables

In securitisation transactions involving the transfer of trade receivables, the transferred receivables can't be derecognised if the risks and rewards associated thereto are not transferred within the transaction.

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

Transaction costs are recognised on a systematic basis as financial expenses over the expected duration of the securitisation program.

### 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 present market valuation of the cost of money in relation to time. The increase of the reserves over time is accounted for as financial items in the statement of operations.

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 to face equity deficits of investments exceeding the write-down of their carrying value. It is also recognised to face risks and contingent liabilities arising from the restructuring of investments when their disposal or liquidation has already been planned.

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## 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 paid to 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 independent expert using the projected unit credit method.

Actuarial gains and losses are immediately recognised in the period they occur, directly impacting the equity "Reserve for actuarial gains (losses)".

Accrued liabilities are accounted for net of the assets designated to 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.

### Share-based payments

SEAT Pagine Gialle S.p.A. grants 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 Payment", stock option plans are accounted for at fair value at the grant date. This fair value is recognised as a cost in the statement of operations during the vesting period, in straight-line monthly quotas, debiting at the same time a specific equity reserve. The fair value is measured by an independent expert using a binomial model without taking into account any performance conditions, but only market conditions (which influence the price of SEAT Pagine Gialle S.p.A. shares). 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 the maturity date. The cost for the year in the statement of operations represents the change in total costs recognised between the beginning and the end of the year. The dilution effect of options not yet exercised is reflected in the calculation of diluted earnings per share.

## Leasing

Financial leasing contracts, which substantially transfer to the SEAT Pagine Gialle group all the risks and rewards relating to the leased assets, are capitalised at the commencement of the lease term at the fair value of the leased asset or, if less, at the present 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 expenses are 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

Revenue is recognised only when 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 entity has transferred to the purchaser all the significant risks and rewards related to ownership of the goods;
- *rendering of services*: revenue is recognised when the service has been rendered. Consequently the amount of advertising services already invoiced and which will be completed at a date later than the year-end is shown in liabilities in the balance sheet under the item "other liabilities";
- *interest*: revenue is recognised as financial income. The accrued interest receivable for the period is measured by using the effective interest method;
- *dividends*: they are recognised when Shareholders' right to receive payment is established.

## 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 in the statements of operation and they are systematically allocated between periods so that they can offset the costs which they are referred to. When grants are related to assets, their fair value is accounted for in the balance sheet as an adjustment to the carrying value of the asset.

## Income taxes

### Current taxes

Current income taxes are calculated based on the tax rates and regulations in force when the financial statements are prepared in the various countries in which the SEAT Pagine Gialle group operates.

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

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

### Deferred taxes

Deferred taxes are calculated at the 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 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 transactions 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 our Group operates, in the years in which the timing differences will be realised or written off.

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

### Value Added Tax

Costs, revenues and assets are recognised 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 accounted for as part of the purchase cost of the asset or part of the cost item recognised in the statement of operations;
- is related to receivables and/or payables which are recognised in the balance sheet including the tax value.

At the reporting date, the net amount of value added tax is recognised in the balance sheet as tax receivable or payable, depending on whether it is to be recovered from or paid to tax authorities.

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## Earning per share

Earning per share is calculated by dividing the result of the Group by the average number of ordinary shares outstanding during the year. Diluted earning per share is calculated by using the weighted average number of the ordinary shares outstanding during the year, adjusted by assuming the subscription of all the potential shares deriving from the exercise of options that have a dilutive effect, pursuant to IAS 33.

## 4. Change in accounting policies with retrospective application

To provide more transparent information on the amount of net liabilities for defined benefit pension plans, effective as of January 1, 2006, the SEAT Pagine Gialle group believed it appropriate to change the accounting treatment of actuarial gains and losses arising from the evaluation of such pension plans and assets serving them – as per IAS 19, section 93A – recognising them immediately in the financial statements, with a corresponding entry in the Shareholders' equity as "Reserve for actuarial gains (losses)".

Previously, the "corridor approach" was applied, whereby 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 was amortised over the average remaining working life of the employees.

To date, actuarial gains (losses) recognised have never exceeded the 10% limit.

For comparative purposes, the change in the accounting principle was applied retrospectively, redetermining the financial statement entries for the years ended December 31, 2004 and 2005.

The effects on the balance sheet and Shareholders' equity items are reported below. The change had no impact on the statement of operations items.

(euro/thousand)	At 12.31.2004	At 12.31.2005	At 12.31.2006
<i>Increased liabilities for defined benefit pension plans</i>	(1,617)	(8,803)	(17,140)
<i>Increased assets serving defined benefit pension plans</i>	1,908	8,810	11,166
<i>Decreased net deferred tax assets</i>	(103)	17	1,718
<b>Shareholders' equity</b>			
<i>Recognition of the reserve for actuarial gains (losses)</i>	188	24	(4,256)

Apart from this change, the IAS/IFRS used in preparing the consolidated financial statements for the year ended December 31, 2006 are the same as those adopted in preparing the financial statements for the year ended December 31, 2005.

## 5. Business combinations

During 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., the 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 line by line pursuant to SIC 12.

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

(euro/thousand)	Fair value at the acquisition date
Non-current assets	8,468
Working capital	1,172
Financial assets, cash and cash equivalents	24
<b>Total</b>	<b>9,664</b>

The overall cost of the business combination was € 10,080 thousand, inclusive of directly attributable costs. The cost includes the value attributed to the 11881, 11882 and 11889 voice portals owned by the German company, amounting to € 8,468 thousand.

## 6. Intangible assets with indefinite useful life

Intangible assets with indefinite useful life amounted to € 3,579,001 thousand at December 31, 2006 (€ 3,574,260 thousand at December 31, 2005) and were detailed as follows

(euro/thousand)	Year 2006			Year 2005
	Goodwill	Goodwill on consolidation	Total	Total
<b>Value at the beginning of the year</b>	<b>3,182,784</b>	<b>391,476</b>	<b>3,574,260</b>	<b>3,565,020</b>
Acquisition of subsidiaries		416	416	7,587
Exchange rate adjustment		4,482	4,482	6,094
Disposal of consolidated companies		(157)	(157)	(4,429)
Change in the scope of consolidation and other movements				(12)
<b>Value at the end of the year</b>	<b>3,182,784</b>	<b>396,217</b>	<b>3,579,001</b>	<b>3,574,260</b>

They included:

- *goodwill* amounting to € 3,182,784 thousand, of which € 3,169,868 thousand relating to goodwill arising from mergers carried out in prior years by the Parent Company SEAT Pagine Gialle S.p.A.;
- *goodwill* on consolidation amounting to € 396,217 thousand at December 31, 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 acquisition date.

*Goodwill on consolidation* increased by € 416 thousand in 2006, due to the acquisition of a 100% interest in the German company Telegate Auskunftsdienste GmbH.

For the purposes of the impairment test valuation, intangible assets with indefinite useful life have been allocated to the respective cash generating units (CGU). In particular, it should be noted that goodwill (€ 3,182,784 thousand, equal to 88.9% of the total value of the intangible assets with indefinite useful life) is mainly allocated to the relevant CGU of SEAT Pagine Gialle S.p.A.

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

Goodwill acquired through business combinations has been allocated – at the date of acquisition – to the respective businesses acquired. These represent separate CGUs for purposes of testing for any impairment loss.

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

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

The *value in use* has been estimated for each CGU as the present value of the operating cash flows expected, in relation to two time periods, the first defined by the time horizon of the latest industrial plan approved by management and the second by the *terminal value*. For this purpose reference has been made, for each CGU, to the operating result, net of taxes, *increased* by amortisation, depreciation and write-downs and *reduced* to reflect operating investments and the generation/use of cash arising from the change in operating working capital. Cash flows resulting from extraordinary operations have not been taken into consideration. The *terminal value* has been estimated using the perpetuity method, in a 1%-2% range.

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

The tests carried out at December 31, 2006, using the same method applied in the previous year, yielded a positive result. Therefore no write-down was made.

## 8. Intangible assets with finite useful life

Intangible assets with finite useful life amounted to € 485,871 thousand at December 31, 2006 (€ 624,703 thousand at December 31, 2005) and were detailed as follows

	Year 2006				Total	Year 2005
	Customer database	Software	Industrial patents, trademarks, concessions and licenses	Other intangible assets		Total
<b>(euro/thousand)</b>						
Cost	972,400	103,343	6,363	31,339	1,113,445	1,090,214
Accumulated amortisation	(391,662)	(82,243)	(4,403)	(10,434)	(488,742)	(312,560)
<b>Net value at the beginning of the year</b>	<b>580,738</b>	<b>21,100</b>	<b>1,960</b>	<b>20,905</b>	<b>624,703</b>	<b>777,654</b>
- Investments		20,056	3,237	11,492	34,785	25,838
- Amortisation	(162,067)	(15,057)	(1,505)	(3,381)	(182,010)	(180,310)
- Disposals and write-downs		(92)		(7)	(99)	(451)
- Exchange rate adjustment and other movements		7,262	8,473	(7,243)	8,492	1,972
Cost	972,400	130,334	18,074	35,581	1,156,389	1,113,445
Accumulated amortisation	(553,729)	(97,065)	(5,909)	(13,815)	(670,518)	(488,742)
<b>Net value at the end of the year</b>	<b>418,671</b>	<b>33,269</b>	<b>12,165</b>	<b>21,766</b>	<b>485,871</b>	<b>624,703</b>

Intangible assets with finite useful life include:

- *Customer DataBase*, amounting to € 418,671 thousand at December 31, 2006 (€ 580,738 thousand at December 31, 2005). The Customer DataBase 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 DataBase is amortised over six years: the amortisation charge for the year was € 162,067 thousand;
- *software*, amounting to € 33,269 thousand at December 31, 2006 (€ 21,100 thousand at December 31, 2005). It includes costs for purchases from third parties and in-house production of proprietary and licensed software programs used in particular in commercial, publishing and administrative functions;
- *industrial patents, trademarks, concessions and licenses*, amounting to € 12,165 thousand at December 31, 2006 (€ 1,960 thousand at December 31, 2005). The increase for the year (€ 10,205 thousand) is mainly attributable to the inclusion in the consolidation area of Telegate Auskunftsdienste GmbH, a German company acquired in June 2006. As explained in note 5 "Business combinations", the purchase price was attributed to the value of the voice portals held by the company -11881, 11882, 11889 - for a value of € 8,468 thousand;
- *other intangible assets*, amounting to € 21,766 thousand at December 31, 2006 (€ 20,905 thousand at December 31, 2005), which refers primarily to software projects under development.

*Investments* for 2006, amounting to € 34,785 thousand, increased by € 8,947 thousand compared to the previous year. During the year, the Group focused on three aspects:

- product innovation and consequent development of production capacity in order to offer products which meet user needs more closely and ensure flexibility and quick answers;
- effectiveness and efficiency of sales support systems;
- improvement of customer care systems, credit management and collection of receivables due from clients, and more integration between commercial and administrative back office processes.

The SEAT Pagine Gialle S.p.A. investments for 2006, of € 29,368 thousand (€ 21,224 thousand in 2005) could be summarize as follows (for more details please see the section "Economic and financial performance of the Business Areas – Italian Directories"):

- creation of a new integrated production platform dedicated to print products, characterised by a high integration between traditional directory contents and editorial information (InZona, Idee InVacanza, Eccomi);
- development of the new multimedia editorial system (SEM) for the creation of an integrated production platform specifically for the directories, for the processing of multimedia advertising information;
- introduction of full-colour for PAGINEBIANCHE® print directories and the restyling of the "Casa" and "Lavoro" editions of PAGINEGIALLE® print directories;
- development and support of products and Internet infrastructure (PAGINEGIALLE Visual, PAGINEGIALLE online, Tuttocittà online);
- upgrade the software used for managing the Universal Database (which includes the personal data of subscribers) to new regulatory requirements, to enable viewing of subscribers' consent regarding the receipt of promotional, publicity or commercial information;
- development of corporate infrastructures to enable the cross-interaction among the different corporate IT systems (SEM, Directory online, Billing Evolution, Data Ware House, CACS credit management);
- development of the new SAP platform – from order to cash – for the integrated management of the sales order from the front-end (Evolution) up to the final back-office phase represented by collection from the client;
- creation of a credit scoring system to provide a grading for each sales order. Through the application of statistical analysis, it will determine the level of solvency and tendency to default for each client.

Investments by other Group companies during 2006 amounted to € 5,417 thousand (€ 4,614 thousand in 2005) of which:

- € 1,249 thousand in the Telegate group, located mainly in France, to create the infrastructure needed to launch the 118 000 service, and in Germany in order to complete the call centers modernisation process;
- € 763 thousand in the Thomson group, focused on the development of print products, with the restyling of Thomson Local directories;
- € 1,746 thousand in Consodata S.p.A., to develop new technologies, particularly in the Geomarketing area.

## 9. Property, plant and equipment

Property, plant and equipment amounted to € 50,013 thousand at December 31, 2006 (€ 49,648 thousand at December 31, 2005). They were accounted for net of accumulated depreciation of € 105,947 thousand at the end of the year, for a ratio to gross value of 67.93% (67.04% at December 31, 2005). The item included

(euro/thousand)	Year 2006				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)
<b>Net value at the beginning of the year</b>	<b>18,083</b>	<b>13,926</b>	<b>17,639</b>	<b>49,648</b>	<b>35,697</b>
- Investments	549	3,989	9,000	13,538	20,199
- Amortisation and write-downs	(1,047)	(4,277)	(7,910)	(13,234)	(13,718)
- Disposal and other movements	208	14	(161)	61	7,470
<i>Cost</i>	24,929	53,851	77,180	155,960	150,621
<i>Accumulated depreciation</i>	(7,136)	(40,199)	(58,612)	(105,947)	(100,973)
<b>Net value at the end of the year</b>	<b>17,793</b>	<b>13,652</b>	<b>18,568</b>	<b>50,013</b>	<b>49,648</b>

Property, plant and equipment included:

- € 17,793 thousand at December 31, 2006 (€ 18,083 thousand at December 31, 2005) for *property*. The item included the building in which the Thomson group carried out its activities (€ 10,320 thousand) and the properties in Milan and Catania used by Cipi S.p.A. (€ 5,967 thousand);
- € 13,652 thousand at December 31, 2006 (€ 13,926 thousand at December 31, 2005) for *plant and equipment*. Investments for the year, of € 3,989 thousand (€ 9,625 thousand in 2005), were aimed, in particular, to upgrade the technological equipment of the call centers within the Telegate group;
- € 18,568 thousand at December 31, 2006 (€ 17,639 thousand at December 31, 2005) for *other fixed assets* including € 11,236 thousand of IT equipment and systems. Investments for the year amounted to € 9,000 thousand (€ 9,863 thousand in 2005), of which € 6,449 thousand for the purchase of EDP systems, as part of the projects described in the previous item, and € 2,002 thousand for the purchase of furniture and fittings, particularly for the call center in Livorno.



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The accumulated depreciation (€ 105,947 thousand) was deemed adequate to cover the depreciation of all types of assets, based on their estimated residual life. The following table shows a summary of the depreciation rates used

	Year 2006	Year 2005
Property	3%	3%
Machineries and equipment	10-25%	10-25%
Other fixed assets	10-25%	10-25%

## 10. Investments accounted for at equity

The SEAT Pagine Gialle Group held a 25% interest in the Luxembourg company Lighthouse International Company S.A., which in 2004 provided SEAT Pagine Gialle S.p.A. with the cash arising from a bond, issued by this company and guaranteed by SEAT Pagine Gialle S.p.A.. Below are the main balance sheet figures of the associate at December 31, 2006 and 2005

(euro/thousand)	At 12.31.2006	At 12.31.2005
Assets	1,317,812	1,317,737
Liabilities	1,317,482	1,317,545
Equity	330	192
<i>of which income for the year</i>	<i>138</i>	<i>118</i>

## 11. Other non-current financial assets

Other non-current financial assets amounted to € 1,592 thousand at December 31, 2006 (€ 1,330 thousand at December 31, 2005) and included in particular:

- loans to employees for € 1,424 thousand, issued at market rates for transactions of this type;
- assets held for sale for € 110 thousand, referred to a 2.2% interest in the share capital of Emittenti Titoli S.p.A..

## 12. Inventories

This item was detailed as follows

	At 12.31.2005	Change during the year			Total	At 12.31.2006
		Increases (Decreases)	(Provision) Reversal of allowance	Change in the scope of consolidation and exchange rate adjustments		
(euro/thousand)						
Raw materials, suppliers and consumable items	6,943	(95)		20	(75)	6,868
Merchandising products	3,257	80	84		164	3,421
Work in progress and semi-finished goods	1,766	(547)			(547)	1,219
Finished goods	478	(57)	(38)		(95)	383
<b>Total inventories</b>	<b>12,444</b>	<b>(619)</b>	<b>46</b>	<b>20</b>	<b>(553)</b>	<b>11,891</b>

### 13. Trade account receivables

This item was detailed as follows

	Year 2006			Year 2005
	Trade account receivables	Allowance for doubtful trade account receivables	Net value	Net value
<b>(euro/thousand)</b>				
<b>Value at the beginning of the year</b>	<b>793,740</b>	<b>(124,000)</b>	<b>669,740</b>	<b>684,297</b>
Provision to allowance		(37,322)	(37,322)	(40,799)
Utilisation of allowance		44,496	44,496	47,502
Exchange rate adjustments and other movements	(8,264)	31	(8,233)	(21,260)
<b>Value at the end of the year</b>	<b>785,476</b>	<b>(116,795)</b>	<b>668,681</b>	<b>669,740</b>

Trade account receivables amounted to € 668,681 thousand at December 31, 2006 (net of the allowance of € 116,795 thousand), of which € 3,092 thousand is due after more than 12 months. They include receivables from services yet to be rendered for € 83,273 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 corporate events of 2006" in the Report on operations. Securitised receivables continue to be recognised in "trade account receivables" in accordance with IAS 39, since SEAT Pagine Gialle S.p.A. continues to bear the risks and rewards thereof.

The allowance for doubtful trade account receivables, of € 116,795 thousand at December 31, 2006, was considered adequate to cover estimated losses. It was utilised during the year for € 44,496 thousand (€ 47,502 thousand in 2005) and supplemented with a provision of € 37,322 thousand (€ 40,799 thousand in 2005).

All trade receivables were due within five years.

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

Other current and non-current assets amounted to € 67,048 thousand at December 31, 2006 (€ 72,017 thousand at December 31, 2005) and were detailed as follows

<b>(euro/thousand)</b>	At 12.31.2006	At 12.31.2005	Change
Other current assets			
- Sale commission advances and other receivables from agents	46,528	52,334	(5,806)
- Advances to suppliers	4,483	5,475	(992)
- Prepaid expenses	6,126	7,716	(1,590)
- Other current receivables	9,106	5,366	3,740
<b>Total other current assets</b>	<b>66,243</b>	<b>70,891</b>	<b>(4,648)</b>
Other non-current assets	805	1,126	(321)

In detail:

- *sale commission advances and other receivables from agents* amounted to € 46,528 thousand at December 31, 2006 (€ 52,334 thousand at December 31, 2005) and are shown net of the related allowance for doubtful accounts of € 2,957 thousand at December 31, 2006 (€ 3,121 thousand at December 31, 2005). The item included € 2,284 thousand of receivables with due dates of more than 12 months, classified among other current assets since they fell within the normal business operating cycle. These receivables were discounted to present value using the average market interest rate for receivables of this due date;
- *advances to suppliers*, of € 4,483 thousand at December 31, 2006 (€ 5,475 thousand at December 31, 2005), include € 4,113 thousand for advances paid to the printer Ite S.p.A. (€ 4,023 thousand at December 31, 2005);
- *other current receivables*, of € 9,106 thousand at December 31, 2006 (€ 5,366 thousand at December 31, 2005). The increase in 2006 of € 3,740 thousand was mainly related to € 2,017 thousand of credit notes to be received and € 1,334 thousand of operating grants to be cashed in.

## 15. Shareholders' equity

Shareholders' equity was detailed as follows

	At 12.31.2005 (*)	Change during the year					At 12.31.2006
		Allocation of previous year result	Dividends distribution	Exercised stock options	Other movements and exchang rate adjustments	Total	
<b>(euro/thousand)</b>							
Share capital	248,012			1,867		1,867	249,879
- ordinary shares	243,930			1,867		1,867	245,797
- savings shares	4,082						4,082
Additional paid-in capital	441,893			18,535		18,535	460,428
Reserve for transition to IAS/IFRS	181,576						181,576
Reserves for gains (losses) directly recognised to equity							
- Reserve for hedging instruments on interest rate risks	(14,262)				15,795	15,795	1,533
- Reserve for actuarial gains (losses)	24				(4,280)	(4,280)	(4,256)
- Reserve for exchange rate adjustments	(8,258)				2,946	2,946	(5,312)
Reserve for stock options	9,223			(5,786)	4,468	(1,318)	7,905
Other reserves	49,927	95		32		127	50,054
Retained earnings	(59,923)	131,810	(42,121)	5,786	(311)	95,164	35,241
Income for the year	131,905	(131,905)			80,136	(51,769)	80,136
<b>Equity of the Group</b>	<b>980,117</b>		<b>(42,121)</b>	<b>20,434</b>	<b>98,754</b>	<b>77,067</b>	<b>1,057,184</b>
Other reserves	12,861	6,756	(3,155)		132	3,733	16,594
Income for the year	6,756	(6,756)			1,652	(5,104)	1,652
<b>Minority interests</b>	<b>19,617</b>		<b>(3,155)</b>		<b>1,784</b>	<b>(1,371)</b>	<b>18,246</b>
<b>Shareholders' equity</b>	<b>999,734</b>		<b>(45,276)</b>	<b>20,434</b>	<b>100,538</b>	<b>75,696</b>	<b>1,075,430(**)</b>

(\*) The items referred to December 31, 2005 have been restated to include the actuarial gains (losses), net of deferred income taxes, arising from the evaluation of the defined benefit pension plans, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of these Notes.

(\*\*) At December 31, 2006 € 196,514 thousand are subject to tax imposition in case of distribution.

### Share capital

Share capital amounted to € 249,879 thousand at December 31, 2006 (€ 248,012 thousand at December 31, 2005).

The share capital was composed of No. 8,193,215,696 ordinary shares and No. 136,074,786 savings shares, all of which have a par value of € 0.03 each. Share capital increased in 2006 by € 1,867 thousand due to the issue of No. 62,225,000 ordinary shares following the exercise of the same number of options by the beneficiaries of the stock option plans of SEAT Pagine Gialle S.p.A..

At the reporting date, March 13, 2007, share capital amounted to € 250,182 thousand due to the further issue of No. 10,110,000 ordinary shares following to the exercise of the same number of options by the beneficiaries of the stock option plans of SEAT Pagine Gialle S.p.A..

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

### Additional paid-in capital

At December 31, 2006, the additional paid-in capital amounted to € 460,428 thousand (€ 441,893 thousand at December 31, 2005). It increased during 2006 by € 18,535 thousand following the issue of ordinary shares, as described above.

€ 142,619 thousand of the additional paid-in capital was considered pending tax, due to the realignment in 2005 of the accounting value of the *Customer DataBase* to its tax value, pursuant to Law No. 342/2000. Deferred tax liabilities were not calculated on this amount as the Company was not planning to pay it off.

### Reserves for gains (losses) directly recognised to equity

They were detailed as follows:

- the *Reserve for hedging instruments on interest rate risks* showed a positive balance of € 1,533 thousand at December 31, 2006 and increased by € 15,795 thousand compared to December 31, 2005 (a negative balance of € 14,262 thousand). The reserve represents the fair value of cash flow hedge instruments net of applicable deferred taxes. Please see note 20 for a more detailed description of the Group's outstanding hedging transactions;
- the *Reserve for actuarial gains (losses)*, as described in note 4 "Change in accounting principles with retrospective application", was recognised on January 1, 2006 following the application of IAS 19, section 93A to the actuarial gains (losses) on the defined benefit pension plans. Therefore the reserve included the net cumulative amount of such actuarial losses, amounting to € 4,256 thousand at December 31, 2006. For comparative purposes, the reserve amount at December 31, 2005 was re-stated (€ 24 thousand). For further details on the method used for measuring such amount, please see note 21;
- the *Reserve for exchange rate adjustments* showed a negative balance of € 5,312 thousand at December 31, 2006 (negative for € 8,258 thousand at December 31, 2005). The increase during the year of € 2,946 thousand was attributable to the increase in exchange rates used for translating financial statements denominated in foreign currency.

### Reserve for stock options

The *Reserve for stock options* amounted to € 7,905 thousand at December 31, 2006 (€ 9,223 thousand at December 31, 2005). It decreased during the year due to the following movements:

- a decrease of € 5,786 thousand due to the options exercised during 2006;
- an increase of € 4,468 thousand following the valuation, in accordance with IFRS 2, of the stock option plans for which the maturity period has not yet concluded.

### Other reserves

*Other reserves* amounted to € 50,054 thousand at December 31, 2006 (€ 49,927 thousand at December 31, 2005) and were refer for € 49,603 thousand to the SEAT Pagine Gialle S.p.A. legal reserve.

### Retained earnings

The *Retained earnings* amounted to € 35,241 thousand at December 31, 2006. The change during the year, of € 95,164 thousand, was due for € 89,689 thousand to the allocation of the 2005 retained earnings and for € 5,786 thousand to the reversal of the reserve for stock options, following the exercise of options by the beneficiaries of the existing stock option plans, as described above.

## 16. Dividends distributed to Shareholders

In 2006, the dividend distributed to the Shareholders of SEAT Pagine Gialle S.p.A. amounted to € 42,121 thousand (in 2005 no dividend was distributed). For more information, please refer to the note 15 of the Notes to the Financial Statements of SEAT Pagine Gialle S.p.A..

The dividend distributed to Minority Shareholders during 2006 amounted to € 3,155 thousand (€ 158 thousand in 2005) and was mainly due to Minority Shareholders of the Telegate group.

## 17. Earning per share

The earning per share was based on the following data

		At 12.31.2006	At 12.31.2005
Number of shares of SEAT Pagine Gialle S.p.A.		8,329,290,482	8,267,065,482
- ordinary		8,193,215,696	8,130,990,696
- savings		136,074,786	136,074,786
Par value per share	€	0.030	0.030
Income of the Group for the year	€/thousand	80,136	131,905
<b>Earning per share</b>	<b>€</b>	<b>0.00964</b>	<b>0.01601</b>
Diluted earning per share	€	0.00962	0.01600

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

## 18. Net financial debt

Net financial debt amounted to € 3,405,782 thousand at December 31, 2006 (€ 3,634,581 thousand at December 31, 2005) and decreased by € 228,799 thousand in 2006 despite a dividend distribution of € 45,276 thousand and the payment of an upfront tax for the alignment of the accounting and tax value of the *Customer DataBase* (€ 19,448 thousand) carried out in 2005 pursuant to Law 342/2000, Article 14 (which terms were reopened by the Law 26/2005).

It differed from the Net financial debt – “book value”, described hereafter, since it was reported “gross” of:

- transaction costs for the acquisition and refinancing of the medium and long-term “Senior” loan with The Royal Bank of Scotland Plc Milan Branch and the “Subordinated” loan with Lighthouse International Company S.A., as well as for the start of the securitisation program for trade receivables. These costs amounted to € 102,326 thousand at December 31, 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 € 999 thousand at December 31, 2006 (€ 23,178 thousand of net liabilities at December 31, 2005).

(euro/thousand)	At 12.31.2006	At 12.31.2005	Change	Note
<b>Net financial debt</b>	<b>3,405,782</b>	<b>3,634,581</b>	<b>(228,799)</b>	
Transaction costs on loans and securitisation costs not yet amortised	(102,326)	(122,474)	20,148	
Net market value of hedging instruments on interest rate risks	(999)	23,178	(24,177)	
<b>Net financial debt - “book value”</b>	<b>3,302,457</b>	<b>3,535,285</b>	<b>(232,828)</b>	
of which:				
- Non-current financial debts	2,125,640	2,273,792	(148,152)	(a)
- Non-current financial debts to associates	1,258,549	1,252,897	5,652	(b)
- Current financial debts	229,210	214,301	14,909	(c)
- Non-current financial assets (*)	(1,424)	(1,160)	(264)	(d)
- Current financial assets	(1,323)	(2,387)	1,064	(e)
- Cash and cash equivalents	(308,195)	(202,158)	(106,037)	(f)

(\*) This item doesn't include “financial assets available for sale.”

#### a) Non-current financial debts

They were detailed as follows

(euro/thousand)	At 12.31.2006	At 12.31.2005	Change
<i>Debts due to The Royal Bank of Scotland Plc Milan Branch (gross value)</i>	1,930,389	2,349,100	(418,711)
<i>less transaction costs</i>	(59,528)	(75,371)	15,843
Debts due to The Royal Bank of Scotland Plc Milan Branch (net value)	1,870,861	2,273,729	(402,868)
<i>Asset backed securities (gross value)</i>	256,000		256,000
<i>less transaction costs</i>	(1,347)		(1,347)
Asset backed securities (net value)	254,653		254,653
Debts due to other lenders	126	63	63
<b>Total non-current financial debts</b>	<b>2,125,640</b>	<b>2,273,792</b>	<b>(148,152)</b>

- *Debts due to The Royal Bank of Scotland Plc Milan Branch* – non-current – amounted to € 1,870,861 thousand at December 31, 2006 (net of € 59,528 thousand of transaction and refinancing costs not yet amortised at December 31, 2006). They are related to the “Term and Revolving Facilities Agreement”, structured as follows:
  - a) tranche A, amounting to € 1,574.1 million, repayable in accordance with the amortisation plan, with non-constant six month installments until June 2012, and bearing interest at a floating interest rate p.a. equal to Euribor plus a 1.91% spread until February 2007 and subsequently 1.685%;
  - b) tranche B, amounting to € 514.5 million, repayable in a lump-sum payment in June 2013, bearing a floating interest rate p.a. equal to Euribor plus 2.41% until February 2007, and subsequently 2.26%;
  - c) tranche C, amounting to € 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 a floating interest rate p.a. equal to that applicable to tranche A. A non-usage fee of 0.56% p.a. is charged on the temporary non-used commitments.

The narrower spreads applied to the various tranches starting February 2007 derived from the application of a contract clause calling for progressive reductions in the cost of debt depending on improvements in the consolidated net debt/EBITDA ratio.

The above-mentioned refinancing agreement required 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 installments which are payable in each reference period). The result of the tests carried out on these *covenants* at December 31, 2006 (reference date of this Report) was positive.

In February 2007, SEAT Pagine Gialle S.p.A. made an early repayment of € 104,150 thousand referred to tranches A and B of the “Senior” debt with The Royal Bank of Scotland Plc Milan Branch. As per contract, € 79,150 thousand of the amount repaid was due in June 2007, while the remaining part was due in June 2013. This voluntary repayment is one of the contractual options the Company has to use liquidity exceeding operational requirements.

- *Asset backed securities* amounted to € 256,000 thousand at December 31, 2006 (gross of transaction costs). They were issued by the special purpose entity (SPE), Meliadi Finance S.r.l., to finance the purchase of the trade receivable portfolio sold to it by SEAT Pagine Gialle S.p.A., as part of the securitisation program started in June 2006, as described in the section “Main events during 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 December 31, 2006 (€ 1,347 thousand).

The overall average cost of the financial debt of SEAT Pagine Gialle S.p.A. was 6% p.a. in 2006 (6.2% in 2005).

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### b) Non-current financial debts to associates

*Non-current financial debts to associates* referred to the loan issued by Lighthouse International Company S.A.. They amounted to € 1,258,549 thousand at December 31, 2006 (€ 1,252,897 thousand at December 31, 2005), net of € 41,451 thousand for transaction costs not yet amortised at the end of the year (€ 47,103 thousand at December 31, 2005).

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

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

### c) Current financial debts

Current financial debts amounted to € 229,210 thousand at December 31, 2006 (€ 214,301 thousand at December 31, 2005) and were detailed as follows

(euro/thousand)	At 12.31.2006	At 12.31.2005	Change
Current portion of the debt due to The Royal Bank of Scotland Plc Milan Branch	158,301	171,112	(12,811)
Debts due to Lighthouse International Company S.A.	17,375	17,375	
Debts due to banks	30,390	1,055	29,335
Debts due to Shareholders for dividends	20,774		20,774
Other current financial debts	2,219	201	2,018
Liabilities relating to hedging instruments on interest rate risks		24,558	(24,558)
Liabilities relating to hedging instruments on exchange rate risks	151		151
<b>Total current financial debts</b>	<b>229,210</b>	<b>214,301</b>	<b>14,909</b>

This item referred to:

- the current portion of the financial debts for € 158,301 thousand, relating to the refinancing with The Royal Bank of Scotland Plc Milan Branch, falling due in June and December 2007;
- debts due to banks for € 30,390 thousand, mainly relating to accrued interest expenses on the loan issued by The Royal Bank of Scotland PLC Milan Branch. The increase of € 29,335 thousand compared to 2005 was due to the change in the maturity date for the interest payment;
- the debt for accrued interest expenses not yet settled on the loan from the associate Lighthouse International Company S.A. for € 17,375 thousand;
- the Parent Company's debt due to Shareholders for € 20,774 thousand for dividends resolved but not yet collected at the end of the year.

### d) Non-current financial assets

Non-current financial assets were included in the net financial position only for the components relating to *loans and credits* (€ 1,424 thousand at December 31, 2006), as described in the Note 11.

### e) Current financial assets

Current financial assets decreased from € 2,387 thousand at the end of 2005 to € 1,323 thousand at December 31, 2006. They included € 999 thousand relating to the net market value of the hedging instruments entered into to hedge interest rate risks. For further details on the hedging instruments on interest rate risks please see Note 20.



## f) Cash and cash equivalents

This item increased by € 106,037 thousand compared to December 31, 2005 and were detailed as follows

(euro/thousand)	At 12.31.2006	At 12.31.2005	Change
Bank deposits	305,475	200,071	105,404
Postal deposits	2,642	2,003	639
Cash	78	84	(6)
<b>Total cash and cash equivalents</b>	<b>308,195</b>	<b>202,158</b>	<b>106,037</b>

Cash and cash equivalents included € 103,140 thousand at the special purpose entity Meliadi Finance S.r.l., originated by the collection of trade receivables transferred by SEAT Pagine Gialle S.p.A. under the securitisation program. In case of use, this cash is subordinated to the payment of the special purpose vehicle's payables.

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

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

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

It should also be noted that SEAT Pagine Gialle S.p.A. issued guarantees for € 350,000 thousand 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 end of the year

(euro/thousand)	Expiration date - within						Total
	12.31.2007	12.31.2008	12.31.2009	12.31.2010	12.31.2011	beyond five years	
The Royal Bank of Scotland Plc Milan Branch	158,301	163,491	219,240	231,768	245,191	1,070,699	2,088,690
Lighthouse International Company S.A.						1,300,000	1,300,000
Asset backed securities						256,000	256,000
Debts due to other lenders		4	113	9			126
<b>Total non-current financial debts (gross value)</b>	<b>158,301</b>	<b>163,495</b>	<b>219,353</b>	<b>231,777</b>	<b>245,191</b>	<b>2,626,699</b>	<b>3,644,816</b>

At the end of December 2006, SEAT Pagine Gialle S.p.A. entered into a preliminary contract of sale with SNOS S.p.A. (a company 51% owned by Finpiemonte S.p.A. and 49% owned by Impresa Rosso S.p.A.) for the purchase of a substantial part of the real estate complex still under restructuring in the district named "ex Officine Savigliano" located in Turin for an amount of € 43.5 million.

The preliminary contract provides for an advanced payment of € 25 million by the end of January 2007 and the deed by December 2007. Once the purchase has been completed, it will be funded through a finance lease transaction.

## 20. Information on financial risks

The SEAT Pagine Gialle group is exposed to financial risks connected with its operations:

- market risks, primarily relating to interest and exchange rates;
- credit risks, in relation to ordinary trade 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 regard in particular the outstanding loan with The Royal Bank of Scotland Plc Milan Branch, the assets backed securities issued by the SPE Meliadi Finance S.r.l. in the framework of the securitisation program, as well as foreign currency receivables and payables (in particular GBP).

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The SEAT Pagine Gialle group monitors continually the financial risks to which it is exposed, so as 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 credit risk related to its customers. In the last years, the Company has implemented sophisticated customer creditworthiness assessments systems, among which the Credit Scoring System by Experian S.r.l., already used by major companies operating in consumer credit and bank market, that provides a grading for each type of sales order and determines the degree of solvency and state of default of each customer through the application of statistical analysis.

### Market risk policy of SEAT Pagine Gialle group

This policy consists of:

- monitoring on a regular basis the risk exposure level 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 financial instruments are entered into with major banks and financial institutions. If the counterparty is a subsidiary, the transaction is carried out at market rates.

### Hedging instruments on interest rate risks

Both the "Senior" debt with The Royal Bank of Scotland PLC Milan Branch and the asset-backed securities issued by the SPE Meliadi Finance S.r.l. in the framework of the securitisation program, have a floating interest rates indexed to Euribor. In order to reduce the risk exposure on the float of interest rates, SEAT Pagine Gialle S.p.A. entered into hedging agreements of interest rate risks with major international financial counterparties. These hedging agreements are all referred to the "Senior" debt.

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 (IRS) and Forward Rate Agreements (FRA) is the present value of the difference between the fixed rate to be paid and/or received and the interest rate assessed on the market rate curves having the same due date of the hedging instruments.

IRSs and FRAs 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 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 to be at their relevant maturity dates, the strike price at each maturity date and the volatility of interest rates.

At December 31, 2006, the following hedging instruments were effective:

- three *Interest Rate Collars*, in the period from March 2007 to December 2011, through which a floating band of the variable Euribor with a maximum (in a range between 4.18% and 5.08%) and a minimum threshold (in a range between 3% and 3.42%);
- five *Interest Rate Swaps*, entered into in February and March 2006, with reference to the loan 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 a notional amount of € 325.0 million;
- two *Forward Rate Agreements (FRAs)* entered into in November and December 2006 on a notional amount of € 150 million, through which Euribor was replaced with a fixed rate 3.78% with reference to the first half of 2008.

The notional amount and fair value of the hedging instruments at December 31, 2006 were as follows

(euro/mln)	At 12.31.2006		At 12.31.2005	
	Notional amount	Fair value	Notional amount	Fair value
Interest Rate Swap	325.0	1.74	1,305.5	(6.41)
Interest Rate Collar	1,214.5	(0.96)	1,214.5	(18.15)
Forward Rate Agreements	150.0	0.22	350.0	1.38

At present, the derivatives entered into by the Company, combined with the "Subordinated" loan at a fixed rate, allow the Company to obtain an overall coverage of about 86% of the financial exposure to risks on fluctuations in interest rates substantially constant during the three years period 2007-2009, thanks for 47% to the "Subordinated" loan and 53% to the aforesaid hedging instruments.

The Company provide an overall coverage of about 80% of the expected exposure in the two-year period 2010-2011, thanks for the 57.5% to the "Subordinated" loan at a fixed rate, for the 14.5% to IRSs and for 28% to IRCs.

## 21. Non-current reserves to employees

This item were detailed as follows

(euro/thousand)	Year 2006				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	Total	Total
<b>Value at the beginning of the year</b>	<b>19,297</b>	<b>32,904</b>		<b>580</b>	<b>52,781</b>	<b>52,625</b>
Provisions	4,138	3,420	1,110	633	9,301	8,018
Employer contributions / benefits paid	(5,991)	(4,599)	(1,118)	(1,003)	(12,711)	(11,302)
interest expenses (income), net	(575)	1,189			614	1,001
Actuarial losses (gains) recognised to equity	9,099	(3,118)			5,981	284
Exchange rate adjustments and other movements	499	(42)	47	298	802	2,155
<b>Value at the end of the year</b>	<b>26,467</b>	<b>29,754</b>	<b>39</b>	<b>508</b>	<b>56,768</b>	<b>52,781</b>

(\*) The items referred to December 31, 2005 have been restated to include the actuarial gains (losses) arising from the evaluation of the defined benefit pension plans, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in note 4 "Change in accounting policies with retrospective application" of these Notes.

The assets designed to finance pension plans, the obligations to employees and the related costs charged to the statement of operations (including the reserve for severance indemnities) have been valued by an independent expert, using the projected unit method, as provided for under IAS 19.

### a) Net liabilities for reserve for defined benefit pension plans

Net liabilities for reserves for defined benefit pension plans amounted to € 26,467 thousand at December 31, 2006 (€ 19,297 thousand at December 31, 2005) and were recognised net of assets (€ 87,150 thousand), assigned to finance this reserve (€ 113,617 thousand). They referred almost entirely to the pension plan in force in the TDL Infomedia group.

The defined benefit pension plans are reported below

(euro/thousand)	At 12.31.2006	At 12.31.2005 (*)
<b>A. Change in benefit obligation</b>		
1. Benefit obligation at the beginning of the year	92,078	76,254
2. Current service cost	4,138	3,555
3. interest expenses	4,485	4,257
4. Plan participants' contributions	1,336	1,293
5. Actuarial (gains) losses recognised to equity	11,455	6,021
6. Benefits paid from plan/company	(2,058)	(1,459)
7. Exchange rate adjustments	2,183	2,157
Benefit obligation at the end of the year	<b>(A)</b> 113,617	92,078
<b>B. Change in plan assets</b>		
1. Fair value of plan assets at the beginning of the year	(72,781)	(54,330)
2. Expected return on plan assets	(5,060)	(4,408)
3. Actuarial (gains) losses recognised to equity	(2,356)	(6,903)
4. Employer contributions	(5,991)	(5,786)
5. Member contributions	(1,336)	(1,293)
6. Benefits paid from plan/company	2,058	1,459
7. Exchange rate adjustments	(1,684)	(1,520)
Fair value of plan assets at the end of the year	<b>(B)</b> (87,150)	(72,781)
<b>C. Account recognised in the balance sheet</b>		
1. Benefit obligation at the end of the year	113,617	92,078
2. Fair value of plan assets at the end of the year	(87,150)	(72,781)
Net liability (asset) recognised in balance sheet	<b>(A+B)</b> 26,467	19,297
<b>D. Components of pension cost</b>		
<i>Amounts recognised in the statement of operations:</i>		
1. Current service cost	4,138	3,555
2.a interest expenses	4,485	4,257
2.b Expected return on plan assets	<b>(1)</b> (5,060)	(4,408)
2. interest expenses (income), net	(575)	(151)
<i>Actual return on plan assets:</i>		
Actual return on plan assets	<b>(2)</b> (7,416)	(11,311)
<b>E. Principal actuarial assumptions</b>		
<i>Weighted-average assumptions to determine benefit obligation:</i>		
1. Discount rate	5.10%	4.75%
2. Rate of compensation increase	4.30%	4.13%
3. Rate of price inflation	2.80%	2.63%
<i>Weighted-average assumptions to determine net pension cost:</i>		
1. Discount rate	4.75%	5.30%
2. Expected rate of return on plan assets	6.67%	7.49%
3. Expected rate of compensation increase	4.13%	4.40%
4. Rate of price inflation	2.63%	2.90%
<b>F. History of experience gains and losses</b>		
1. Difference between expected and actual return on plan assets		
a. Amount	<b>(2-1)</b> (2,356)	(6,903)
b. Percentage of present value of plan assets	(3%)	(10%)
2. Experience (gains) and losses on plan liabilities		
a. Amounts <sup>(1)</sup>	7,154	6,021
b. Percentage of present value of plan liabilities	6%	7%
<b>G. Plan assets</b>		
<b>Assets categories <sup>(2)</sup></b>	<b>% of plan asset categories on total</b>	<b>Expected rate return on plan assets</b>
1. Shares	75.0%	7.8%
2. Bonds	5.0%	4.8%
3. Other	20.0%	4.6%
<b>Total</b>	<b>100.0%</b>	<b>7.0%</b>

(\*) The items referred to December 31, 2005 have been restated to include the actuarial gains (losses) arising from the evaluation of the defined benefit pension plans, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of these Notes.

(1) The item represents the actuarial gains/losses determined by applying the previous year actuarial assumptions to the actual population.

(2) Figures referred to 2006.

## b) Reserve for severance indemnities

The *reserve for severance indemnities*, of € 29,754 thousand at December 31, 2006 (€ 32,904 thousand at December 31, 2005), was accounted for in accordance with IAS 19 (since it is considered as a defined benefit pension plan).

The reserves for severance indemnities are reported below

(euro/thousand)	At 12.31.2006	At 12.31.2005 (*)
<b>A. Change in benefit obligation</b>		
1. Benefit obligation at the beginning of the year	32,904	30,157
2. Current service cost	3,420	2,713
3. interest expenses	1,189	1,152
4. Actuarial (gains) losses recognised to equity	(3,118)	1,165
5. Benefits paid from plan/company	(4,599)	(3,354)
6. Other movements	(42)	1,071
Benefit obligation at the end of the year	29,754	32,904
<b>B. Account recognised in the balance sheet:</b>		
<i>Plans that are wholly unfunded and plans that are wholly or partly funded</i>		
1. Present value of funded obligations	29,754	32,904
Net liability (asset) recognised in the balance sheet	29,754	32,904
<i>Amounts in the balance sheet:</i>		
1. Liabilities	29,754	32,904
2. Assets	-	-
<b>C. Components of pension cost</b>		
<i>Amounts recognised in the statement of operations:</i>		
1. Current service cost	3,420	2,713
2. interest expenses	1,189	1,152
Total pension cost recognised in the statement of operations	4,609	3,865
<b>D. Principal actuarial assumptions</b>		
<i>Weighted-average assumptions to determine benefit obligation:</i>		
1. Discount rate	4.25%	4.00%
2. Rate of compensation increase	4.00%	4.00%
3. Rate of price inflation	2.00%	2.00%
<i>Weighted-average assumptions to determine net pension cost:</i>		
1. Discount rate	4.00%	4.50%
2. Expected rate of compensation increase	4.00%	4.00%
3. Rate of price inflation	2.00%	2.00%
<b>E. History of experience gains and losses</b>		
a. Amount <sup>(1)</sup>	(3,404)	1,165
b. Percentage of present value of plan liabilities	(11%)	4%

(\*) The items referred to December 31, 2005 have been restated in order to include the actuarial gains (losses) arising from the evaluation of the defined benefit pension plans, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of these Notes.

(1) The item represents the actuarial gains/losses determined by applying the previous year actuarial assumptions to the actual population.

## 22. Share-based payments

The stock option plans in force at December 31, 2006 are described in the section "Report on operations - Human Resources". These plans were accounted in the financial statements in compliance with IFRS 2.

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

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

The valuation of the stock option plan established by Telegate A.G. is based on similar assumptions to those set out above. They refer, however, to Telegate A.G. shares, which are listed on the German market.

Beneficiaries	Grant date	Number of granted options	Number of expired options	First vesting date	Strike price (euro)	Number of exercised options	Number of not exercised options	Number of outstanding options at 12.31.2006	Fair value	of which accrued in the year 2006
(euro/ thousand)										
<b>2004 stock option plans</b>										
Employees of SEAT P.G. group	06-07-2004	59,265,000	(450,000)	09-30-2005	0.3341	(40,515,000)	(400,000)	17,900,000	5,590	-
Employees of SEAT P.G. group	06-30-2004	4,900,000	(800,000)	09-30-2005	0.3341	(1,900,000)	-	2,200,000	400	-
TDL Infomedia group	06-30-2004	10,000,000	(625,000)	09-30-2005	0.3341	(3,955,000)	(225,000)	5,195,000	922	-
Managing Director	11-25-2004	5,000,000	-	09-30-2005	0.3341	-	-	5,000,000	400	-
<b>2005 stock option plans</b>										
Employees of SEAT P.G. group	04-08-2005	67,400,000	(1,950,000)	09-30-2006	0.3221	(29,445,000)	(50,000)	35,955,000	5,633	2,766
Employees of SEAT P.G. group	11-04-2005	1,600,000	-	09-30-2006	0.3915	-	-	1,600,000	200	164
TDL Infomedia group	11-04-2005	9,335,000	(675,000)	09-30-2006	0.3221	(3,225,000)	-	5,435,000	745	600 (*)
Managing Director	04-08-2005	5,000,000	-	09-30-2006	0.3221	-	-	5,000,000	498	252
<b>Key People plan</b>	09-12-2006	20,000,000	-	04-15-2008	0.3724	-	-	-	1,595	302
<b>Total</b>		<b>182,500,000</b>	<b>(4,500,000)</b>			<b>(79,040,000)</b>	<b>(675,000)</b>	<b>78,285,000</b>	<b>15,983</b>	<b>4,084</b>
<b>2005 Telegate stock option plans</b>										
Directors and employees	05-12-2005	293,000	(31,500)	05-12-2007	14.28	-	-	-	548	227
Directors and employees	07-29-2005	7,000	-	07-29-2007	17.22	-	-	-	16	8
Directors and employees	06-01-2006	400,000	(8,000)	06-01-2008	16.09	-	-	-	912	298
<b>Total</b>		<b>700,000</b>	<b>(39,500)</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>1,476</b>	<b>533</b>
<b>Total SEAT Pagine Gialle group</b>		<b>183,200,000</b>	<b>(4,539,500)</b>			<b>(79,040,000)</b>	<b>(675,000)</b>	<b>78,285,000</b>	<b>17,459</b>	<b>4,617 (*)</b>

(\*) This amount doesn't include contribution charges paid by Thomson Directories Ltd. (€ 151 thousand).

Stock option costs, of € 4,768 thousand in 2006 (€ 7,907 thousand in 2005) are included in the statement of operations among non-recurring costs.

## 23. Other non-current liabilities

Other non-current liabilities amounted to € 21,814 thousand at December 31, 2006 (€ 22,788 thousand at December 31, 2005) and were detailed as follows

(euro/thousand)	Year 2006				Total	Year 2005
	Reserve for sale agents' termination indemnities	Reserve for restructuring expenses	Reserve for operating risks and charges	Other non-operating liabilities		Total
<b>Value at the beginning of the year</b>	19,465	1,546	1,750	27	22,788	22,028
Provision	3,349				3,349	4,486
Utilisation/repayment	(2,017)	(300)	(481)	(13)	(2,811)	(3,769)
Reversal to statement of operations		(826)	(1,127)		(1,953)	(16)
Discounting losses (gains)	441				441	59
<b>Value at the end of the year</b>	<b>21,238</b>	<b>420</b>	<b>142</b>	<b>14</b>	<b>21,814</b>	<b>22,788</b>

The balance of non-current reserves at December 31, 2006, on the basis of the expected future cash flows, have been discounted to present value using the pre-tax discount rate, which reflects the current market valuation of the cost of money over time. The increase due to the passage of time and to variations in the discount rate applied have been accounted for as financial expense (€ 441 thousand).

It should be noted that the *reserve for sales agents' termination indemnities*, of € 21,238 thousand at December 31, 2006, increased in the year by € 1,773 thousand and represent the accrued liability at the end of the year to active sale agents for the indemnity due to them under current regulations should the agency relationship be interrupted.

## 24. Reserves for current risks and charges

This item was detailed as follows

(euro/thousand)	Year 2006			Total	Year 2005
	Reserve for commercial risks	Reserve for contractual and other operating risks	Current reserve for restructuring expenses		Total
<b>Value at the beginning of the year</b>	16,144	29,477	4,745	50,366	60,890
Provisions	12,682	2,146	1,900	16,728	21,543
Utilisations	(13,129)	(5,073)	(3,794)	(21,996)	(25,593)
Reversal to statement of operations		(5,789)	(94)	(5,883)	(7,257)
Other movements		44		44	783
<b>Value at the end of the year</b>	<b>15,697</b>	<b>20,805</b>	<b>2,757</b>	<b>39,259</b>	<b>50,366</b>

In detail:

- the *reserve for commercial risks* amounted to € 15,697 thousand at December 31, 2006 and related to cover claims on publishing error on PAGINEGIALLE®, PAGINEBIANCHE® and Annuari. In 2006 provisions to these reserves decreased by € 3,618 thousand thanks to the constant attention to customer care activities and processes. The establishment of a SEAT Pagine Gialle S.p.A. call center dedicated to high segment of clientele, in particular, reduced the number of claims about contract execution errors by almost 20% compared to 2005;
- the *reserve for contractual and other operating risks* amounted to € 20,805 thousand at December 31, 2006 (€ 29,477 thousand at December 31, 2005) and included: *i*) € 14,974 thousand for the reserve accrued to cover pending litigation and lawsuits with sales agents and employees (€ 17,426 thousand at December 31, 2005). The reserve decreased by € 2,452 thousand compare to 2005 partially due to the reversal to statement of operations of € 1,139 thousand relating to the provisions to risks for legal disputes made in previous years but now no longer necessary; *ii*) € 5,226 thousand for the remaining balance of the reserve established in Telegate in 2005 for expenses incurred with Deutsche Telekom for the supply of subscribers data. These costs have been disputed by Telegate A.G. that will pay only upon a final negative judgment in the pending legal proceedings. In 2006, however, € 1,827 thousand was reversed to the statements of operations as not due;



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- the *current reserve for restructuring expenses* amounted to € 2,757 thousand at December 31, 2006 and should be considered together with the non-current portion (€ 420 thousand at December 31, 2006). The Group accrued this reserve to withstand charges expected to be paid in future following the corporate restructuring plans being carried out both at SEAT Pagine Gialle S.p.A. and Telegate group call center.

## 25. Trade account payables and other current liabilities

Trade account payables and other current liabilities were detailed as follows

(euro/thousand)	At 12.31.2006	At 12.31.2005	Change
Payables due to suppliers	197,375	186,890	10,485
Payables due to sales agents	55,043	63,330	(8,287)
Payables due to employees	26,175	28,479	(2,304)
Payables due to social security institutions	12,807	12,374	433
Payables due to directors and statutory auditors	1,519	1,681	(162)
<b>Total trade account payables</b>	<b>292,919</b>	<b>292,754</b>	<b>165</b>
Payables for services to be rendered	91,093	101,370	(10,277)
Advances from customers	4,115	3,752	363
Deferred income and other current liabilities	9,158	9,493	(335)
<b>Total payables for services to be rendered and other current liabilities</b>	<b>104,366</b>	<b>114,615</b>	<b>(10,249)</b>

All *trade account payables* are due within 12 months.

*Payables for services to be rendered and other current liabilities* included € 86 thousand of payables with due dates of more than 12 months (€ 99 thousand at December 31, 2005).

In detail:

- *payables due to suppliers* amounted to € 197,375 thousand at December 31, 2006 (€ 186,890 thousand at December 31, 2005). They increased by € 10,485 thousand compared to December 31, 2005, mainly due to the higher level of consumption and investment in the year;
- *payables due to sales agents* amounted to € 55,043 thousand at December 31, 2006 (€ 63,330 thousand at December 31, 2005). They are to be read in conjunction with the item "sale commission advances" included in "Other current assets", which amounted to € 46,528 thousand at December 31, 2006 (€ 52,334 thousand at December 31, 2005). This item decreased by € 8,287 thousand compared to December 31, 2005, mostly as a consequence of the different maturity and payment timing of some sales premiums and commissions recognised to the sales force;
- *payables for services to be rendered* amounted to € 91,093 thousand at December 31, 2006 (€ 101,370 thousand at December 31, 2005), of which € 12,349 thousand already paid by customers. They referred to advance billing of advertising services (€ 14,065 thousand at December 31, 2005). The decrease compared to December 31, 2005 (€ 10,277 thousand) was due to different invoicing and purchasing timing of advertising orders in print products.

## 26. Information by Business Area

The primary segment information of the SEAT Pagine Gialle group is reported by business area, given that the risks and profitability of the Group are related primarily to the different products and services offered. Secondary presentation is by geographical areas.

The operating activities of the Group are organised and managed separately based on the nature of the products and services supplied, and each area represents a strategic business unit that offers different products and services to different markets.

Transfer prices between business areas are set on the same conditions which apply to third-parties transactions.

Revenues, costs and results by business area include transfers between areas which are eliminated at the consolidated level.

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

Figures and disclosures by business area are more detailed 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.

## 27. Revenues from sales and services

Revenues from sales and services amounted to € 1,460,183 thousand in 2006, with an increase compared to the previous year (€ 1,424,611 thousand). Revenues by Business Area were detailed as follows

(euro/thousand)	Year 2006	Year 2005	Change	
			Absolute	%
Italian Directories	1,077,495	1,061,813	15,682	1.5
UK Directories	173,499	175,559	(2,060)	(1.2)
Directory Assistance	188,696	159,417	29,279	18.4
Other activities	76,950	67,641	9,309	13.8
Eliminations	(56,457)	(39,819)	(16,638)	(41.8)
<b>Total revenues from sales and services</b>	<b>1,460,183</b>	<b>1,424,611</b>	<b>35,572</b>	<b>2.5</b>

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

## 28. Other revenues and operating costs

### 28.1 Other income and revenues

Other income and revenues increased from € 5,969 thousand in 2005 to € 8,596 thousand in 2006. The item includes *i*) € 4,441 thousand referred to the collection of postal, legal and administrative costs from third parties (€ 4,042 thousand in 2005) and *ii*) € 3,089 thousand related to capital gain on the disposal in October of the Telegate Swiss subsidiary 1818 Auskunft A.G..

### 28.2 Materials

Materials amounted to € 64,862 thousand in 2006, with a decrease of € 3,349 thousand compared to the previous year. € 53,345 thousand referred to paper costs, with a reduction of 4.1% compared to 2005 for the decrease in the number of signature marks. The item also includes products for resale for € 9,968 thousand, down by € 1,272 thousand compared to the previous year.

### 28.3 External services

External services amounted to € 508,417 thousand in 2006, an increase of € 57,632 thousand compared to 2005. In detail:

- *commissions and other sales agent costs* amounted to € 121,269 thousand in 2006, with an increase of € 5,069 thousand compared to 2005, mainly attributable to sales force incentives to support the new organisational structure, effective since January, and the launch of new product sales. The item also included costs for *training*, with a 20% increase in the total number of training hours compared to 2005, including the sales force convention organised in Morocco in April 2006 (the convention did not take place in 2005);
- *advertising and promotion costs* amounted to € 96,773 thousand in 2006, with an increase of € 22,479 thousand compared to 2005 mainly attributable to the sharp increase in advertising costs to support directory assistance services in France (+€ 20,162 thousand);
- *production costs* increased by 3.8% to € 81,901 thousand compared to 2005, due to higher alphabetical directory printing costs as a result of the introduction of full-color in the PAGINEBIANCHE® print process;
- *call center services* amounted to € 24,532 thousand in 2006, with an increase of € 15,566 thousand compared to 2005, attributable to the sharp increase in the number of calls to the 118 000 directory assistance service managed by outsourced call centers;
- *data costs* increased from € 9,973 thousand in 2005 to € 12,773 thousand in 2006, due to the development of directory assistance services in France, despite the reduction in price for the purchase of subscriber data that Deutsche Telekom charged to Telegate A.G..

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#### 28.4 Salaries, wages and employee benefits

Salaries, wages and employee benefits, of € 231,921 thousand in 2006 (€ 219,128 thousand in 2005), increased by € 12,793 thousand compared to 2005. This upward trend was attributable to the increase in the number of employees at the Livorno call center to manage calls to the 12.40 Pronto PAGINEBIANCHE® service and the start-up of the new call center in Bologna in late November following the restructuring of the "Local Sale" channel and the insourcing of the SEAT Pagine Gialle S.p.A. Customer Service. The comparison with 2005 also reflects the contribution of Cipi S.p.A., consolidated in 2005 for only three months, leading to an increase in salaries, wages and employee benefits of € 4,899 thousand.

The Group workforce, including directors, project workers and trainees, was 6,661 units at December 31, 2006 (6,105 units at December 31, 2005). The average workforce (FTE for foreign companies) was 5,164 units in this year (4,760 units in 2005).

#### 28.5 Other operating expenses

Other operating expenses, of € 4,975 thousand in 2006 (€ 5,237 thousand in 2005) included € 1,117 thousand for indirect taxes and duties and € 854 thousand for entertainment costs.

#### 28.6 Non-recurring cost, net

They amounted to € 12,932 thousand in 2006 (€ 11,144 thousand in 2005) and were detailed as follows

(euro/thousand)	Year 2006	Year 2005	Change	
			Absolute	%
Costs for stock options	4,768	7,907	(3,139)	(39.7)
Other non-recurring costs	8,164	3,237	4,927	n.s.
<b>Total non-recurring costs, net</b>	<b>12,932</b>	<b>11,144</b>	<b>1,788</b>	<b>16.0</b>

Comments on *costs for stock options* are included in Note 22.

*Other non-recurring costs* included € 5,394 thousand for charges incurred by SEAT Pagine Gialle S.p.A. for the reorganisation of its sales departments, now structured by selected sales channels (large customers, SMEs and retailers), and € 2,770 thousand for legal expenses incurred for litigation concerning competition in Italy and United Kingdom.

#### 28.7 Restructuring costs, net

Restructuring costs, net amounted to € 1,038 thousand in 2006 (€ 764 thousand in 2005) and were detailed as follows

(euro/thousand)	Year 2006	Year 2005	Change	
			Absolute	%
Provision to reserve for restructuring expenses	1,900	15	1,885	n.s.
Restructuring costs	58	2,704	(2,646)	(97.9)
Reversal of reserve for restructuring expenses	(920)	(1,955)	1,035	52.9
<b>Total restructuring costs, net</b>	<b>1,038</b>	<b>764</b>	<b>274</b>	<b>35.9</b>

This item referred for € 1,900 thousand to SEAT Pagine Gialle S.p.A. provisions for redundancies as part of the corporate reorganisation plan. This provision was used in the first months of 2007.

In 2006, € 920 thousand of restructuring expenses accrued in previous years for the restructuring of the call center in Germany were reversed to the statement of operations.

## 29. Interest income and expenses

### 29.1 Interest expenses

Interest expenses amounted to € 257,583 thousand in 2006 (€ 284,753 thousand in 2005) and was detailed as follows

(euro/thousand)	Year 2006	Year 2005	Change	
			Absolute	%
interest expenses on the loan to The Royal Bank of Scotland Plc Milan Branch	131,273	150,596	(19,323)	(12.8)
interest expenses on the loan to Lighthouse International Company S.A.	109,902	113,754	(3,852)	(3.4)
Other financial expenses	15,027	7,658	7,369	96.2
Exchange rate expenses	1,381	12,745	(11,364)	(89.2)
<b>Total interest expenses</b>	<b>257,583</b>	<b>284,753</b>	<b>(27,170)</b>	<b>(9.5)</b>

This item decreased by € 27,170 thousand compared to the previous year and included:

- € 131,273 thousand (€ 150,596 thousand in 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. This item included € 15,843 thousand for the amortisation of the transaction costs incurred at the acquisition and refinancing dates. The item decreased by € 19,323 thousand compared to 2005, mainly as a result of the decrease in the average debt amount. The cost of debt remained instead mostly unchanged thanks to lower costs on the hedging agreements and the positive effects of the debt restructuring that affected the 2005 statement of operations for only seven months, that have offset the increase in the Euribor rate;
- € 109,902 thousand (€ 113,754 thousand in 2005) for interest expenses on the "Subordinated" loan with Lighthouse International Company S.A., which was € 3,852 thousand lower than in 2005 due to the tax legislation introduced in July 2005, under which such interest is no longer subject to withholding tax, effective as of that date;
- € 15,027 thousand (€ 7,658 thousand in 2005) for other interest and financial charges, of which € 4,978 thousand related to interest expenses on asset backed securities issued by the special purpose entity, Meliadi Finance S.r.l., in the framework of the securitisation program, and € 6,115 thousand related to discounting losses on non-current assets and liabilities (€ 5,521 thousand in 2005);
- € 1,381 thousand (€ 12,745 thousand in 2005) for foreign exchange charges, recognised as a result of changes in the euro/sterling exchange rate.

### 29.2 Interest income

Interest income, of € 11,374 thousand in 2006 (€ 24,185 thousand in 2005), included:

- € 5,178 thousand (€ 4,734 thousand in 2005) for discounting gains on non-current assets and liabilities;
- € 4,734 thousand (€ 2,595 thousand in 2005) for interest income arising from short-term cash deposits with banks;
- € 1,245 thousand (€ 16,463 thousand in 2005) for exchange rate income, mainly due to the change in the euro/sterling exchange rate on the portion of the loan to the subsidiary TDL Infomedia Ltd. not covered by foreign rate exchange contracts (Forex).

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## 30. Income taxes

Income taxes for 2006 amounted to € 74,116 thousand (€ 25,383 thousand in 2005) and are detailed as follows

(euro/thousand)	Year 2006	Year 2005	Change	
			Absolute	%
Current income taxes	29,221	24,008	5,213	21.7
Deferred tax assets		(21,771)	21,771	100.0
Deferred tax liabilities	43,116	65,355	(22,239)	(34.0)
Reversal of deferred tax assets (liabilities)	2,606	(60,370)	62,976	n.s.
Upfront tax on Customer DataBase		19,448	(19,448)	(100.0)
Income taxes referred to previous years	(827)	(1,287)	460	35.7
<b>Total income taxes</b>	<b>74,116</b>	<b>25,383</b>	<b>48,733</b>	<b>n.s.</b>

In 2006, income taxes increased by € 48,733 thousand compared to 2005, which had benefited from the positive effect of the realignment between the book and tax value of the *Customer DataBase*, pursuant to Italian Law No. 342/2000, Article 14. As a result, € 60,370 thousand of deferred tax liabilities had been reversed to the statement of operations against payment of an upfront tax of € 19,448 thousand.

The **reconciliation** between actual and theoretical income taxes calculated by applying Italian tax rates for the years ended December 31, 2006 and 2005 to the income before taxes was as follows

(euro/thousand)	Year 2006	Year 2005
<b>Income before income taxes</b>	<b>155,904</b>	<b>163,869</b>
<b>Current income taxes calculated with the theoretical tax rate (37.25%)</b>	<b>(58,074)</b>	<b>(61,041)</b>
Fiscal effect on non-deductible expenses for IRAP purposes (personnel expenses, interest income and expenses, etc.)	(15,637)	(15,139)
Benefits on non-recognised tax losses referred to previous years	9,075	10,123
Non-recognised tax losses for the year	(4,997)	(2,905)
Effects of different tax rates in foreign countries	2,307	1,568
Lower income taxes referred to previous years	827	1,287
Permanent differences	(221)	117
Non-deductible goodwill amortisation	(7,396)	(315)
Customer DataBase fiscal alignment		60,370
Upfront tax on Customer DataBase		(19,448)
<b>Income taxes for the year</b>	<b>(74,116)</b>	<b>(25,383)</b>

It should be noted that *permanent differences* are mainly related to costs for stock options.

### Deferred tax assets and deferred tax liabilities

At December 31, 2006 deferred tax assets, net of deferred tax liabilities, amounted to € 48,346 thousand (€ 99,778 thousand at December 31, 2005) and were detailed as follows

(euro/thousand)	At 12.31.2005 (*)	Income taxes accounted for to statement of operations	Income taxes accounted for to equity	Exchange rate adjustments and other movements	At 12.31.2006
<b>Deferred tax assets</b>					
Tax losses	89,682	9,732		(85)	99,329
Allowance for doubtful trade accounts receivable	37,080	(1,882)		15	35,213
Reserves for contractual risks	13,832	(4,627)			9,205
Write-downs of investments	13,387	(6,658)			6,729
Fair value of cash flow hedge instruments	7,621		(7,238)		383
Reserves to employees	5,353	(596)	1,783	156	6,696
Other	10,285	1,425	187	15	11,912
<b>Total deferred tax assets</b>	<b>177,240</b>	<b>(2,606)</b>	<b>(5,268)</b>	<b>101</b>	<b>169,467</b>
<b>Deferred tax liabilities</b>					
Customer DataBase	(60,370)	(35,216)			(95,586)
Goodwill amortisation	(13,469)	(5,303)			(18,772)
Fair value of cash flow hedge instruments			(1,139)		(1,139)
Other	(3,623)	(2,597)	596		(5,624)
<b>Total deferred tax liabilities</b>	<b>(77,462)</b>	<b>(43,116)</b>	<b>(543)</b>		<b>(121,121)</b>
<b>Net deferred tax assets</b>	<b>99,778</b>	<b>(45,722)</b>	<b>(5,811)</b>	<b>101</b>	<b>48,346</b>

(\*) The items referred to December 31, 2005 have been restated to include the deferred tax effects on the actuarial gains (losses) referred to the defined benefit pension plans, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in note 4 "Change in accounting policies with retrospective application" of these Notes.

### Current tax assets

Current tax assets amounted to € 5,239 thousand at December 31, 2006 (€ 6,267 thousand at December 31, 2005) and were detailed as follows

(euro/thousand)	At 12.31.2006	At 12.31.2005	Change
Direct tax receivables	3,105	3,733	(628)
Indirect tax receivables	2,134	2,534	(400)
<b>Total current tax assets</b>	<b>5,239</b>	<b>6,267</b>	<b>(1,028)</b>

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## Current tax payables

Current tax payables amounted to € 23,533 thousand at December 31, 2006 (€ 40,958 thousand at December 31, 2005) and were detailed as follows

(euro/thousand)	At 12.31.2006	At 12.31.2005	Change
Income tax payables	5,823	23,486	(17,663)
Other tax payables	17,710	17,472	238
<b>Total current tax payables</b>	<b>23,533</b>	<b>40,958</b>	<b>(17,425)</b>

They decreased by € 17,425 thousand compared to the previous year due to the payment in 2006 of the upfront tax accrued in 2005 following the alignment between the book value and tax value of the *Customer DataBase* (€ 19,448 thousand).

## 31. Related party transactions

In compliance with IAS 24 and with Article 2, paragraph h of Consob Regulations for Issuers No. 11971/1999 (as 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 2006.

In the consolidated 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 laws and regulations. There were no atypical and/or unusual transactions, or transactions that may represent a conflict of interests.

(euro/thousand)		Descriptions
External services	123	they refer to legal and marketing consulting costs.
interest expensess	109,902	they refer to interest expensess on the long-term "Subordinated" loan to Lighthouse International Company S.A..
Non-recurring costs	21	they refer to legal and marketing consulting costs.
Other current assets	199	they refer to prepaid expenses of services to be received in 2007.
Non-current financial debts	1,258,549	they refer to € 1,300,000 thousand for the "Subordinated" loan with Lighthouse International Company S.A., net of € 41,151 thousand for transaction costs incurred at the inception of the loan and not yet amortised.
Current financial debts	17,375	they refer to financial debts to Lighthouse International Company S.A. arising from interest expensess on the "Subordinated" loan.
Trade account payables and other current liabilities	211	they refer to payables for services received and not yet paid to suppliers, of which € 199 thousand relating to Studio Giliberti Pappalettera Triscomia.



## Other information

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

#### Annex 1

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; database 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
EUROPAGES S.A. (production, promotion and marketing of the directory "Europages")	Neuilly-sur-Seine (France)	Euro	2,800,000	93.562	SEAT Pagine Gialle S.p.A.	93.562
PRONTOSEAT S.r.l. (call center services)	Turin	Euro	10,500	100.00	SEAT Pagine Gialle S.p.A.	100.00
SEAT CORPORATE UNIVERSITY S.c.a.r.l. (personnel training especially in advertising communications to SME)	Turin	Euro	10,000	95.00 5.00	SEAT Pagine Gialle S.p.A. PRONTOSEAT S.r.l.	100.00
TDL INFOMEDIA Ltd. (holding)	Hampshire (United Kingdom)	GBP	139,524.78	100.00	SEAT Pagine Gialle S.p.A.	100.00
THOMSON DIRECTORIES Ltd. (publishing and distribution of trade directories)	Hampshire (United Kingdom)	GBP	1,340,000	100.00	TDL INFOMEDIA Ltd.	100.00
CALLS YOU CONTROL Ltd. (call routings services provider)	Hampshire (United Kingdom)	GBP	1	100.00	THOMSON DIRECTORIES 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
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 n. 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

Company (thousand)	Currency	Equity		Income (loss) (1)	% held by SEAT Pagine Gialle	Equity held by SEAT Pagine Gialle
		(1)	(2)			
CIPI S.p.A.	Euro	5,513		414	51.00	2,812
CONSODATA S.p.A.	Euro	12,473		3,599	100.00	12,473
CONSODATA GROUP Ltd. (in liquidation)	GBP	322		(54)		
	Euro	480		(79)	100.00	480
EUROPAGES S.A.	Euro	9,518		3,338	93.562	8,905
PRONTOSEAT S.r.l.	Euro	123		(178)	100.00	123
SEAT CORPORATE UNIVERSITY S.c.a.r.l.	Euro	10		-	100.00	10
TDL INFOMEDIA Ltd. (3)	GBP	102,830		14,167		
	Euro	153,134		20,782	100.00	153,134
TELEGATE HOLDING GmbH	Euro	67,323		8,557	100.00	67,323
TELEGATE A.G. (3)	Euro	62,480		5,982	78.28	48,909

(1) Amounts inferred from the last Financial Statements.

(2) Income (loss) for the year included.

(3) Amounts referred to the last consolidated Financial Statements of the subsidiary.

## List of investments accounted for using the equity method

### Annex 1

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

### Annex 2

Company (thousand)	Currency	Equity		Income (loss) (1)	% held by SEAT Pagine Gialle	Equity held by SEAT Pagine Gialle
		(1)	(2)			
LIGHTHOUSE INTERNATIONAL COMPANY S.A.	Euro	330		138	25.00	83
INDIRECT S.P.R.L. (in liquidation)	BEF	378		(1,546)		
	Euro	9		(38)	27.00	3
TDL BELGIUM S.A. (in liquidation)	BEF	(387,890)		(495,592)		
	Euro	(9,616)		(12,286)	49.60	(4,769)

(1) Amounts inferred from the last Financial Statements.

(2) Income (loss) for the year included.

## ➤ Report of the Board of Statutory Auditors on the consolidated financial statements of the SEAT Pagine Gialle group for the financial year ended December 31, 2006

Dear Shareholders of the Parent Company SEAT Pagine Gialle S.p.A.,

this report relates to the consolidated financial statements of the SEAT Pagine Gialle group companies.

The report considers the duties assigned to the Board of Statutory Auditors under Legislative Decree No. 58 of February 24, 1998, for which reference is made to the report on the Parent Company SEAT Pagine Gialle financial statements as at December 31, 2006.

Based on these assumptions, the Board of Statutory Auditors:

- with regard to the matters falling within its competence, the Board of Statutory Auditors acquired knowledge of and supervised the adequacy of the organisation of the Company and the compliance with the principles of good management, through direct assessments, information gathered from directors responsible for administration and through meetings with the Independent Auditors of Reconta Ernst & Young S.p.A., for the purposes of mutual exchange of significant data and information;
- received the 2006 financial statements, including the report on operations, and the consolidated financial statements, including the related explanatory notes, from the Board of Directors within the deadlines laid down by law;
- assessed compliance with the rules of law governing consolidated financial statements and reports on operations;
- acquired knowledge of the independent auditor's report of April 2, 2007, that does not contain observations;
- the financial statements of the main subsidiaries have been audited by their respective Boards of Statutory Auditors, by an independent auditor or by an accounting firm.

No significant events to require mention in this report emerged during the global supervisory activities.

To complete this report, we refer you to the report prepared by this Board, as regards the annual accounts of SEAT Pagine Gialle S.p.A., which contains all the information required by the Supervisory Authority of the Italian stock exchange market.

In our opinion, the consolidated financial statements as a whole give a fair representation of the economic and financial performance of the SEAT Pagine Gialle group and the consolidated income statements for the year (equal to €/mln. 80,136) for the financial year ended December 31, 2006, in accordance with the rules governing consolidated financial statements as previously referred to.

Furthermore, the Board believes that the report on the Group's operations is correct and consistent with the consolidated financial statements.

Milan, April 2, 2007

The Board of Statutory Auditors

Enrico Cervellera

Vincenzo Ciruzzi

Andrea Vasapolli

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**INDEPENDENT AUDITORS' REPORT**  
**PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58**  
**OF FEBRUARY 24, 1998**  
**(TRANSLATION FROM THE ORIGINAL ITALIAN TEXT)**

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

1. We have audited the consolidated financial statements of SEAT Pagine Gialle S.p.A. and subsidiaries (the "SEAT Pagine Gialle Group"), as of and for the year ended December 31, 2006, comprising the consolidated balance sheet, the consolidated statement of operations, changes in shareholder's equity and cash flows and the related explanatory notes. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statement, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For our opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 11, 2006.

3. In our opinion, the consolidated financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholder's equity and the cash flows of the SEAT Pagine Gialle Group as of December 31, 2006 and for the year then ended in accordance with IFRS as adopted by the European Union and the standards issued in accordance with art. 9 of Italian Legislative Decree n° 38/2005.

Reconta Ernst & Young S.p.A.

*Signed by*  
Mario Lamprati  
Partner

Turin, Italy  
April 2, 2007

*This report has been translated into the English language solely for the convenience of international readers.*

■ Reconta Ernst & Young S.p.A.  
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A  
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## Financial Statements of SEAT Pagine Gialle S.p.A.



“WIVO il mio quartiere!”

SEAT visits schools to find out how children see their surroundings

## ➤ Balance sheet of SEAT Pagine Gialle S.p.A.

### Assets

(euro/thousand)	At 12.31.2006	At 12.31.2005 (*)	Change	Note
<b>Non-current assets</b>				
Intangible assets with indefinite useful life	3,187,161	3,187,161	-	(5)
Intangible assets with finite useful life	468,696	615,782	(147,086)	(7)
Property, plant and equipment	11,291	10,864	427	(8)
Investments	396,691	386,561	10,130	(9)
Other non-current financial assets	1,548	110,718	(109,170)	(10)
Deferred tax assets	27,924	80,928	(53,004)	(28)
Other non-current assets	482	927	(445)	(13)
<b>Total non-current assets</b>	<b>(A) 4,093,793</b>	<b>4,392,941</b>	<b>(299,148)</b>	
<b>Current assets</b>				
Inventories	7,376	8,398	(1,022)	(11)
Trade account receivables	587,131	588,480	(1,349)	(12)
Current tax assets	1,812	1,853	(41)	(28)
Other current assets	55,475	62,058	(6,583)	(13)
Current financial assets	1,310	2,349	(1,039)	(17)
Current financial assets to subsidiaries	104,302	3,033	101,269	(17)
Cash and cash equivalents	171,519	158,403	13,116	(17)
<b>Total current assets</b>	<b>(B) 928,925</b>	<b>824,574</b>	<b>104,351</b>	
<b>Total assets</b>	<b>(A+B) 5,022,718</b>	<b>5,217,515</b>	<b>(194,797)</b>	

(\*) The items referred to December 31, 2005 have been restated in order to include the actuarial gains (losses), net of deferred income taxes, arising from the evaluation of the reserve for severance indemnities, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of these Notes.



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## Liabilities and Shareholders' equity

(euro/thousand)	At 12.31.2006	At 12.31.2005	Change	Note
		(*)		
<b>Shareholders' equity</b>				
Share capital	249,879	248,012	1,867	(14)
Additional paid-in capital	460,428	441,893	18,535	(14)
Reserve for transition to IAS/IFRS	161,750	161,750	-	
Reserve for retained earnings	47,114	-	47,114	(14)
Reserve for stock options	5,829	7,552	(1,723)	(14)
Reserve for hedging instruments on interest rate risks	1,533	(14,262)	15,795	(14)
Reserve for actuarial gains (losses)	1,686	(375)	2,061	(14)
Other reserves	50,054	49,927	127	
Income for the year	83,395	84,715	(1,320)	
<b>Total Shareholders' equity</b>	<b>(A) 1,061,668</b>	<b>979,212</b>	<b>82,456</b>	<b>(14)</b>
<b>Non-current liabilities</b>				
Non-current financial debts	1,870,861	2,273,729	(402,868)	(17)
Non-current financial debts to related parties	1,419,154	1,252,897	166,257	(17)
Non-current reserves to employees	26,077	29,853	(3,776)	(20)
Other non-current liabilities	21,238	19,465	1,773	(22)
<b>Total non-current liabilities</b>	<b>(B) 3,337,330</b>	<b>3,575,944</b>	<b>(238,614)</b>	
<b>Current liabilities</b>				
Current financial debts	254,521	261,949	(7,428)	(17)
Trade account payables	231,319	231,643	(324)	(24)
Payables for services to be rendered and other current liabilities	90,106	97,040	(6,934)	(24)
Reserve for current risks and charges	29,402	35,644	(6,242)	(23)
Current tax payables	18,372	36,083	(17,711)	(28)
<b>Total current liabilities</b>	<b>(C) 623,720</b>	<b>662,359</b>	<b>(38,639)</b>	
<b>Total liabilities</b>	<b>(B+C) 3,961,050</b>	<b>4,238,303</b>	<b>(277,253)</b>	
<b>Total liabilities and Shareholders' equity</b>	<b>(A+B+C) 5,022,718</b>	<b>5,217,515</b>	<b>(194,797)</b>	

(\*) The items referred to December 31, 2005 have been restated in order to include the actuarial gains (losses), net of deferred income taxes, arising from the evaluation of the reserve for severance indemnities, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of these Notes.

## ➤ Statement of operations of SEAT Pagine Gialle S.p.A.

(euro/thousand)	Year 2006	Year 2005	Change		Note
			Absolute	%	
Sales of goods	21,070	22,328	(1,258)	(5.6)	(25)
Rendering of services	1,056,425	1,039,485	16,940	1.6	(25)
<b>Revenues from sales and services</b>	<b>1,077,495</b>	<b>1,061,813</b>	<b>15,682</b>	<b>1.5</b>	<b>(25)</b>
Other income and revenues	5,865	6,229	(364)	(5.8)	(26)
<b>Total revenues</b>	<b>1,083,360</b>	<b>1,068,042</b>	<b>15,318</b>	<b>1.4</b>	
Materials	(54,780)	(56,516)	1,736	3.1	(26)
External services	(360,688)	(337,728)	(22,960)	(6.8)	(26)
Salaries, wages and employees benefits	(81,510)	(85,213)	3,703	4.3	(26)
Other valuation adjustments	(28,824)	(31,987)	3,163	9.9	(12)
Provisions to reserves for risks and charges, net	(11,999)	(18,041)	6,042	33.5	(23)
Other operating expenses	(3,135)	(3,347)	212	6.3	(26)
<b>Operating income before amortisation, depreciation, non-recurring and restructuring costs, net</b>	<b>542,424</b>	<b>535,210</b>	<b>7,214</b>	<b>1.3</b>	
Amortisation, depreciation and write-downs	(181,722)	(181,379)	(343)	(0.2)	(5-8)
Non-recurring costs, net	(10,753)	(7,348)	(3,405)	(46.3)	(26)
Restructuring costs, net	(1,958)	(2,659)	701	26.4	(26)
<b>Operating income</b>	<b>347,991</b>	<b>343,824</b>	<b>4,167</b>	<b>1.2</b>	
interest expensess	(252,924)	(281,738)	28,814	10.2	(27)
Interest income	46,899	33,667	13,232	(39.3)	(27)
Write-up (write-down) of investments	-	447	(447)		
Gains (losses) on disposal of equity investments	(39)	(432)	393		
<b>Income before income taxes</b>	<b>141,927</b>	<b>95,768</b>	<b>46,159</b>		
Income taxes	(58,532)	(11,053)	(47,479)		(28)
<b>Income for the year</b>	<b>83,395</b>	<b>84,715</b>	<b>(1,320)</b>		

SEAT Pagine Gialle Shares	8,329,290,482	8,267,065,482		
- ordinary	8,193,215,696	8,130,990,696		
- savings	136,074,786	136,074,786		
Income (loss) per share (in euro)	0.01004	0.01029		
Diluted income (loss) per share (in euro)	0.01001	0.01028		

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## ➤ Cash flow statement of SEAT Pagine Gialle S.p.A. (indirect method)

(euro/thousand)		Year 2006	Year 2005	Change
<b>Cash inflow from operating activities</b>				
Income for the year		83,395	84,715	(1,320)
Amortisation, depreciation and write-downs		181,722	181,379	343
interest expensess, net (*)		204,585	247,073	(42,488)
Cost for stock options		3,271	6,454	(3,183)
Income taxes for the year		58,532	11,053	47,479
(Gains) losses on disposal of non-current assets		(58)	502	(560)
(Write-up) write-down of assets		-	(447)	447
Change in working capital		(36,352)	9,484	(45,836)
Other changes		1,028	2,248	(1,220)
<b>Cash inflow from operating activities</b>	<b>(A)</b>	<b>496,123</b>	<b>542,461</b>	<b>(46,338)</b>
<b>Cash outflow for investments</b>				
Purchase of intangible assets with finite useful life		(29,368)	(21,224)	(8,144)
Purchase of property, plant and equipment		(5,731)	(6,367)	636
Other investments		(450)	(18,377)	17,927
Proceeds from disposal of non-current assets		595	26,758	(26,163)
<b>Cash outflow for investments</b>	<b>(B)</b>	<b>(34,954)</b>	<b>(19,210)</b>	<b>(15,744)</b>
<b>Cash outflow for financing</b>				
Repayment of non-current loans		(431,411)	(230,364)	(201,047)
Net flow from securitisation program		176,993	-	176,993
Proceeds of current loans		-	40,000	(40,000)
Repayment of current loans		-	(40,000)	40,000
Paid interest expensess, net		(197,706)	(228,533)	30,827
Payment of transaction costs on loans		-	(26,052)	26,052
Payment of securitisation costs		(1,525)	-	(1,525)
Change in financial assets and financial debts		7,495	6,666	829
Increase in share capital from exercised stock options		20,434	5,576	14,858
Payment of costs relating to dividends distribution		(565)	-	(565)
Paid dividends		(21,768)	-	(21,768)
<b>Cash outflow for financing</b>	<b>(C)</b>	<b>(448,053)</b>	<b>(472,707)</b>	<b>24,654</b>
<b>Increase (decrease) in cash and cash equivalents in the year</b>	<b>(A+B+C)</b>	<b>13,116</b>	<b>50,544</b>	<b>(37,428)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>158,403</b>	<b>107,859</b>	<b>50,544</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>171,519</b>	<b>158,403</b>	<b>13,116</b>

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

## ➤ Changes in Shareholders' equity of SEAT Pagine Gialle S.p.A. in 2006

	Share capital	Additional paid-in capital	Other capital	Income (loss) for the year	Total
<b>(euro/thousand)</b>					
<b>At 12.31.2005 (*)</b>	<b>248,012</b>	<b>441,893</b>	<b>204,592</b>	<b>84,715</b>	<b>979,212</b>
Allocation of 2005 year result			42,215	(84,715)	(42,500)
Exercise of stock options	1,867	18,535	32		20,434
Gain (losses) recognised directly to equity					
- Change in the reserve for hedging instruments on interest rate risks			15,795		15,795
- Actuarial gains (losses)			2,061		2,061
Fair value of stock option plans			3,271		3,271
Income for the year				83,395	83,395
<b>At 12.31.2006</b>	<b>249,879</b>	<b>460,428</b>	<b>267,966</b>	<b>83,395</b>	<b>1,061,668</b>

(\*) The items referred to December 31, 2005 have been restated to include the actuarial gains (losses), net of deferred income taxes, arising from the evaluation of the reserve for severance indemnities, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of these Notes.

## ➤ Changes in Shareholders' equity of SEAT Pagine Gialle S.p.A. in 2005

	Share capital	Additional paid-in capital	Other capital	Income (loss) for the year	Total
<b>(euro/thousand)</b>					
<b>At 12.31.2004 (*)</b>	<b>247,539</b>	<b>541,845</b>	<b>77,301</b>	<b>33,316</b>	<b>900,001</b>
Opening balance adjustments for adoption IAS 39			(2,499)		(2,499)
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)		
Exercise of stock options	473	4,796	307		5,576
Gain (losses) recognised directly to equity					
- Change in the reserve for hedging instruments on interest rate risks			(14,262)		(14,262)
- Actuarial gains (losses)			(733)		(733)
Fair value of stock option plans			6,414		6,414
Income for the year				84,715	84,715
<b>At 12.31.2005 (*)</b>	<b>248,012</b>	<b>441,893</b>	<b>204,592</b>	<b>84,715</b>	<b>979,212</b>

(\*) The items referred to December 31, 2005 and December 31, 2004 have been restated to include the actuarial gains (losses), net of deferred income taxes, arising from the evaluation of the reserve for severance indemnities, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of these Notes.

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## ➤ Accounting principles and notes

### 1. Corporate information

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

The Company has its registered offices in Milan, Via Grosio 10/4. The share capital is € 249,879 thousand.

The main businesses of SEAT Pagine Gialle S.p.A. are described in the Report on operations, under the section "Economic and financial performance of the Business Areas – Italian Directories".

### 2. Preparation criteria

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

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 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 Management assumptions and accounting estimates

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

The estimates are used to recognise provisions for doubtful receivables and claims for mistakes in the print 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

For a summary of the accounting standards adopted, reference should be made to the corresponding section of the financial statements of the Group at December 31, 2006, 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 arising at takeover 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" when they are measured.

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. Change in accounting policies with retrospective application

To provide more transparent information on the amount of liabilities for defined benefit pension plans (reserve for severance indemnities), effective as of January 1, 2006, SEAT PAGINE Gialle S.p.A. believed it is appropriate to change the accounting treatment of actuarial gains and losses for the measurement of such pension plans – as allowed by IAS 19, paragraph 93A – recognising them immediately in the financial statements, with a corresponding entry in the Shareholders' equity as "Reserve for actuarial gains (losses)".

Previously the "corridor approach" was applied whereby the portion of the net cumulative actuarial gains and losses exceeding 10% of the present value of the defined benefit obligation at the previous year-end is amortised over the average remaining working life of the employees.

To date, recognised actuarial gains (losses) have never exceeded the 10% limit.

For comparative purposes, the change in the accounting standard was applied retrospectively, redetermining the financial statement entries for the years ended December 31, 2004 and 2005.

The effects on the balance sheet and Shareholders' equity items are reported below. The change had no impact on the statement of operations items.

(euro/thousand)	At 12.31.2004	At 12.31.2005	At 12.31.2006
(Increase) decrease in Reserve for severance indemnities	534	(560)	2,516
Deferred tax assets, net	(176)	185	(830)
<b>Shareholders' equity</b>			
Recognition of reserve for actuarial gains (losses)	358	(375)	1,686

Apart from this change, the IAS/IFRS used in preparing the financial statements at December 31, 2006 are the same as those adopted in preparing the financial statements at December 31, 2005.

## 5. Intangible assets with indefinite useful life

This item amounted to € 3,187,161 thousand at December 31, 2006 and refers mainly to goodwill arising on mergers carried out in prior years.

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

The impairment test for goodwill stated in the balance sheet was carried out at the end of the year, with positive results. The impairment test procedures are described in note 7 of the financial statements of the Group at December 31, 2006.

## 7. Intangible assets with finite useful life

	Year 2006				Year 2005	
	Customer database	Software	Work in progress	Other intangible assets	Total	Total
<b>(euro/thousand)</b>						
<i>Cost</i>	972,400	87,578	13,663	10,755	1,084,396	1,067,846
<i>Accumulated amortisation</i>	(391,662)	(69,644)		(7,308)	(468,614)	(297,002)
<b>Net value at the beginning of the year</b>	<b>580,738</b>	<b>17,934</b>	<b>13,663</b>	<b>3,447</b>	<b>615,782</b>	<b>770,844</b>
- Investments		17,256	9,383	2,729	29,368	21,224
- Amortisation and write-downs	(162,067)	(12,534)		(1,853)	(176,454)	(176,286)
- Other movements		7,075	(7,165)	90		
<i>Cost</i>	972,400	111,817	15,881	13,574	1,113,672	1,084,396
<i>Accumulated amortisation</i>	(553,729)	(82,086)		(9,161)	(644,976)	(468,614)
<b>Net value at the end of the year</b>	<b>418,671</b>	<b>29,731</b>	<b>15,881</b>	<b>4,413</b>	<b>468,696</b>	<b>615,782</b>

Intangible assets with finite useful life include:

- *Customer DataBase*, with a value of € 418,671 thousand at December 31, 2006 (€ 580,738 thousand at December 31, 2005). The Customer DataBase is the information and relationship asset relating to customers, 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 carried out in December 2003 (€ 972,400 thousand). The Customer DataBase is amortised over six years: the amortisation for the year was € 162,067 thousand;
- *software*, of € 29,731 thousand at December 31, 2006 (€ 17,934 thousand at December 31, 2005). The software includes costs for purchases from third parties and in-house production of proprietary and licensed software programs used in particular in the commercial, publishing and administrative functions;



- *intangible assets – work in progress*, of € 15,881 thousand at December 31, 2006 (€ 13,663 thousand at December 31, 2005). They refer primarily to software projects in progress, being developed in-house;
- *other intangible assets* increased from € 3,447 thousand at December 31, 2005 to € 4,413 thousand at December 31, 2006, including € 2,817 thousand in concessions, licenses, trademarks and similar rights, and € 1,596 thousand in costs for the study and development of PAGINEGIALLE online and PAGINEBIANCHE online.

*Investments* for the year amounted to € 29,368 thousand (+ € 8,144 thousand compared to 2005). For detailed reporting on the objectives and features of investment made during the year, please see the "Report on operations", section "Economic and financial performance of the Business Areas – Italian Directories".

## 8. Property, plant and equipment

(euro/thousand)	Year 2006				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)
<b>Net value at the beginning of the year</b>	<b>1,289</b>	<b>1,296</b>	<b>8,279</b>	<b>10,864</b>	<b>10,009</b>
- Investments	258	288	5,185	5,731	6,367
- Amortisation and write-downs	(475)	(446)	(4,347)	(5,268)	(5,093)
- Disposal and other movements		25	(61)	(36)	(419)
<i>Cost</i>	2,366	5,772	47,439	55,577	52,746
<i>Accumulated amortisation</i>	(1,294)	(4,609)	(38,383)	(44,286)	(41,882)
<b>Net value at the end of the year</b>	<b>1,072</b>	<b>1,163</b>	<b>9,056</b>	<b>11,291</b>	<b>10,864</b>

Property, plant and equipment amounted to € 11,291 thousand at December 31, 2006 (€ 10,864 thousand at December 31, 2005) and are stated net of accumulated depreciation amounting to € 44,286 thousand (€ 41,882 thousand at December 31, 2005).

*Other fixed assets* amounted to € 9,056 thousand at December 31, 2006 (€ 8,279 thousand at December 31, 2005), including € 8,201 thousand for EDP systems.

*Investments* for the year were € 5,731 thousand (€ 6,367 thousand at December 31, 2005) and mainly relate to the purchase of EDP systems (€ 4,690 thousand), including servers and other IT equipment, as part of the projects described in the previous paragraph. Accumulated depreciation stands at 80% of the gross value of property, plant and equipment (79% at December 31, 2005).

The following table shows a summary of the depreciation rates used

	Year 2006	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 effective technical use.*

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## 9. Investments

Investments in subsidiaries and associates at December 31, 2006 amounted to € 396,691 thousand (€ 386,561 thousand at December 31, 2005).

The following table provides the breakdown and movements of this item for the year

	At 12.31.2005	Change during the year	At 12.31.2006
(euro/thousand)	Net value	Subscriptions of capital increase	Net value
<b>Subsidiaries</b>	<b>386,352</b>	<b>10,130</b>	<b>396,482</b>
CIPI S.p.A.	8,328		8,328
CONSODATA GROUP Ltd.	258		258
CONSODATA S.p.A.	22,955		22,955
EUROPAGES S.A.	38,039		38,039
PRONTOSEAT S.r.l.	162	450	612
SEAT CORPORATE UNIVERITY S.c.a.r.l.	10		10
TDL INFOMEDIA Ltd.	190,627	9,680	200,307
TELEGATE A.G.	21,563		21,563
TELEGATE GmbH	104,410		104,410
<b>Associates</b>	<b>209</b>		<b>209</b>
LIGHTHOUSE INTERNATIONAL COMPANY S.A.	209		209
<b>Total investments</b>	<b>386,561</b>	<b>10,130</b>	<b>396,691</b>

This item increased by € 10,130 thousand in the year, as a result of:

- € 9,680 thousand for the conversion into capital of part of the current exposure under the revolving credit line with TDL Infomedia Ltd. expiring in 2009;
- € 450 thousand to cover the loss for the year 2005 reported by Prontoseat S.r.l..

## 10. Other non-current financial assets

Other non-current financial assets amounted to € 1,548 thousand at December 31, 2006 (€ 110,718 thousand at December 31, 2005) and include:

- finance and loans to employees of € 1,424 thousand, issued at market rates for transactions of this type;
- assets held for sale amounting to € 124 thousand, including € 110 thousand for the 2.2% interest in the share capital of Emittenti Titoli S.p.A..

At December 31, 2005, other non-current financial assets included € 109,441 thousand for the financial receivable from the subsidiary TDL Infomedia Ltd., reclassified under "other current financial assets" following the restructuring of the financing agreement into a revolving line facility.

## 11. Inventories

This item is detailed as follows

	At 12.31.2005	Change during the year			At 12.31.2006
		Increases (Decreases)	(Provision) Reversal to the statement of operations	Total	
<b>(euro/thousand)</b>					
Raw materials, suppliers and consumable items	6,165	(388)		(388)	5,777
Work in progress and semi-finished goods	1,756	(538)		(538)	1,218
Finished goods	477	(59)	(37)	(96)	381
- <i>Finished good (gross value)</i>	607	(59)		(59)	548
- <i>Allowance for finished goods</i>	(130)		(37)	(37)	(167)
<b>Total inventories</b>	<b>8,398</b>	<b>(985)</b>	<b>(37)</b>	<b>(1,022)</b>	<b>7,376</b>

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

## 12. Trade account receivables

This item is detailed as follows

	Year 2006				Year 2005
	Trade accounts receivables	Trade account receivables from subsidiaries	Allowance for doubtful trade account receivables	Net value	Net value
<b>(euro/thousand)</b>					
<b>Value at the beginning of the year</b>	<b>686,999</b>	<b>16,450</b>	<b>(114,969)</b>	<b>588,480</b>	<b>617,618</b>
Provision to allowance			(28,517)	(28,517)	(31,500)
Utilisation of allowance			35,897	35,897	39,642
Other movements	(12,522)	3,793		(8,729)	(37,280)
<b>Value at the end of the year</b>	<b>674,477</b>	<b>20,243</b>	<b>(107,589)</b>	<b>587,131</b>	<b>588,480</b>
<i>of which subject to securitisation program</i>	<i>291,847</i>	<i>6,538</i>	<i>(13,364)</i>	<i>285,021</i>	

Trade account receivables amounted to € 587,131 thousand at December 31, 2006 (net of an allowance for doubtful accounts of € 107,589 thousand) and include receivables for services to be rendered amounting to € 83,273 thousand gross of VAT.

In June 2006, SEAT Pagine Gialle S.p.A. launched a trade receivables securitisation program pursuant to Law No. 130 of 1999, for a five-year period. More information on this transaction is provided in the "Report on operations - section Main events during 2006". Securitised receivables continue to be recognised in "trade account receivables" pursuant to IAS 39, since SEAT Pagine Gialle S.p.A. continues to bear the operating risks and rewards thereof. At December 31, 2006 securitised receivables amounted to € 298,385 thousand, of which € 6,538 thousand due by the subsidiary Telegate Italia S.r.l.

*Trade account receivables from subsidiaries*, amounting to € 20,243 thousand at December 31, 2006, include € 19,958 thousand for receivables from Telegate Italia S.r.l. for the amount due to SEAT Pagine Gialle S.p.A. on telephone traffic generated by the 89.24.24 Pronto PAGINEGIALLE® service and the 12.40 Pronto PAGINEBIANCHE® service.

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The *allowance for doubtful accounts* of € 107,589 thousand at December 31, 2006 is considered adequate to cover estimated losses. It has been utilised during the year for € 35,897 thousand (€ 39,642 thousand in 2005) and supplemented by a provision of € 28,517 thousand (€ 31,500 thousand in 2005).

All trade receivables fall due within 5 years.

#### Information concerning the securitisation transactions pursuant to law No.130/99 (Consob notice No. 97003369)

It should be noted that the assignments of receivables to the vehicle Meliadi Finance S.r.l., which took place in 2006, amounted to € 914,701 thousand (turnover). Total collections during the year amounted to € 600,175 thousand and the receivables outstanding at December 31, 2006 amounted to € 298,385 thousand.

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

This item is made up as follows

(euro/thousand)	At 12.31.2006	At 12.31.2005	Change
Other current assets			
- <i>Sale commission advances and other operating receivables from agents</i>	46,523	52,334	(5,811)
- <i>Advances to suppliers</i>	4,162	5,165	(1,003)
- <i>Other current receivables from subsidiaries</i>	2,057	989	1,068
- <i>Prepaid expenses</i>	889	1,697	(808)
- <i>Other current receivables</i>	1,844	1,873	(29)
<b>Total other current assets</b>	<b>55,475</b>	<b>62,058</b>	<b>(6,583)</b>
<b>Total other non-current assets</b>	<b>482</b>	<b>927</b>	<b>(445)</b>

In detail:

- *sale commission advances and other receivables from agents* amounted to € 46,523 thousand at December 31, 2006 (€ 52,334 thousand at December 31, 2005) and are shown net of the related allowance for doubtful accounts amounting to € 2,957 thousand (€ 3,121 thousand at December 31, 2005). They included € 2,284 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 € 4,162 thousand at December 31, 2006 (€ 5,165 thousand at December 31, 2005), refer mainly to advances paid to the printer Ilte S.p.A. (€ 4,023 thousand at December 31, 2005);
- *other current receivables from subsidiaries*, amounting to € 2,057 thousand at December 31, 2006, include € 1,452 thousand of receivables arising on the tax consolidation of Italian subsidiaries and € 583 thousand of receivables for cost recovery of centralised expenses.

*Other non-current assets* amounted to € 482 thousand at December 31, 2006 (€ 927 thousand at December 31, 2005) and are mainly referred to tax receivables for advances of € 385 thousand on the reserve for severance indemnities (as provided for by Law No. 662 of December 23, 1996 and subsequent amendments and riders, written-up in accordance to legal criteria).

## 14. Shareholders' equity

Shareholders' equity is detailed as follows

	At 12.31.2005 (*)	Change during the year			At 12.31.2006
		Resolution of Shareholders' Meeting on April 27, 2006	Exercised stock options	Other movements	
<b>(euro/thousand)</b>					
Share capital	248,012		1,867	1,867	249,879
- ordinary shares	243,930		1,867	1,867	245,797
- savings shares	4,082				4,082
Shareholders' contributions to future share capital increases	A,B,C 307		32	32	339
Additional paid-in capital	A,B,C 441,893		18,535	18,535	460,428
Other reserves					
- Legal reserve	B 49,508	95		95	49,603
- Reserve for grants to research	A,B,C 80				80 (1)
- Reserve for grants to equity	A,B,C 32				32 (1)
- Retained earnings	A,B,C	42,120	4,994	47,114	47,114
- Reserve for transition to IAS/IFRS	A,B,C 161,750				161,750
Reserve for gains (losses) directly recognised to Equity					
- Reserve for hedging instruments on interest rate risks	(14,262)			15,795	1,533
- Reserve for actuarial gain (losses)	(375)			2,061	1,686
Reserve for stock options	7,552		(4,994)	3,271	5,829
Income for the year	84,715	(84,715)		83,395	83,395
<b>Shareholders' equity</b>	<b>979,212</b>	<b>(42,500)</b>	<b>20,434</b>	<b>104,522</b>	<b>82,452</b>
					<b>1,061,668 (**)</b>

A: reserve available for capital increase.

B: reserve available for covering losses.

C: reserve available for distribution to Shareholders.

(1) reserve subject to tax imposition in case of distribution.

(\*) The items referred to December 31, 2005 have been restated to include the actuarial gains (losses), net of deferred income taxes, arising from the evaluation of the reserve for severance indemnities, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of these Notes.

(\*\*) Of which € 196,514 thousand subject to tax imposition in case of distribution (see art. 109 of T.U.I.R. modified by Legislative Decree No. 344/2003).

### Share capital

Share capital amounted to € 249,879 thousand at December 31, 2006 (€ 248,012 thousand at December 31, 2005).

It consists of No. 8,193,215,696 ordinary shares and No.136,074,786 savings shares, all of which have a par value of € 0.03 each. Share capital increased in the year by € 1,867 thousand through the issue of No. 62,225,000 ordinary shares, with a par value of € 0.03, following the exercise of the same number of options by the beneficiaries of the "2004 Stock Option Plan for Employees" and the "2005 Stock Option Plan for Employees".

It should be noted that at the reporting date, March 13, 2007, share capital amounted to € 250,182 thousand following the further issue of No. 10,110,000 ordinary shares due to a corresponding number of options exercised by the beneficiaries of the existing stock option plans.

It should be noted that € 13,741 thousand of share capital 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 € 460,428 thousand at December 31, 2006 (€ 441,893 thousand at December 31, 2005). It increased by € 18,535 thousand following the issue of ordinary shares during the year, as described above.

€ 142,619 thousand of the additional paid-in capital is pending taxation, due to the realignment in 2005 of the accounting value of the *Customer DataBase* to its tax value, 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 reserve was formed during the year, when allocating the 2005 undistributed profits (as resolved by the Shareholders' Meeting of April 27, 2006), equal to € 42,120 thousand, net of dividend payout charges. It further increased by a total amount of € 4,994 thousand for the reversal of the reserve for stock options, following the exercise of options by the beneficiaries of the existing stock option plans.

### Reserves for gains (losses) directly recognised to equity

- The "Reserve for hedging instruments on interest rate risks" shows a positive balance of € 1,533 thousand at December 31, 2006, up by € 15,795 thousand compared to December 31, 2005 (a negative balance of € 14,262 thousand). The change reflects the different net market value of the hedging instruments on interest rate risks at the beginning of the year and the end of the year, net of applicable deferred taxes, as detailed in note 20 of the financial statements of the Group.
- The "Reserve for actuarial gains (losses)" of € 1,686 thousand at December 31, 2006 includes actuarial gains (losses), net of the relevant tax effect, accrued on the reserve for severance indemnities at December 31, 2006 (€ 2,516 thousand). As described in note 4, "Change in accounting principles with retrospective application", for comparative purposes the value of this reserve at December 31, 2005 (negative for € 375 thousand) was restated in accordance with IAS 8, paragraphs 19 and 22.

### Reserve for stock options

The "Reserve for stock options" amounted to € 5,829 thousand at December 31, 2006 (€ 7,552 thousand at December 31, 2005). The change reflects the following movements:

- a reduction of € 4,994 thousand due to the movement to the reserve "Retained earnings" for the options exercised during the year;
- an increase of € 3,271 thousand reflecting the cost for the year of the stock option plans for which the maturity period has not yet concluded.

## 15. Dividends distributed to Shareholders

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

- € 0.0050, gross of legal withholding, for each of the No. 8,149,443,196 ordinary shares outstanding at the detachment date (May 22, 2006);
- € 0.0101, gross of legal withholding, for each of the No. 136,074,786 savings shares.

Total dividends amounted to € 42,121 thousand. These dividends were distributed drawing partly on profits for 2005 and were subject to tax regulations as per Articles 44 and 89 of the Italian Presidential Decree No. 917 of December 22, 1986.

In 2005, there had been no resolution on dividend distribution.

## 16. Earning per share

		At 12.31.2006	At 12.31.2005
Number of shares of SEAT Pagine Gialle S.p.A.		8,329,290,482	8,267,065,482
- <i>ordinary</i>		8,193,215,696	8,130,990,696
- <i>savings</i>		136,074,786	136,074,786
Par value per share	€	0.030	0.030
Income for the year	€/migliaia	83,395	84,715
<b>Earning per share</b>	€	<b>0.01004</b>	<b>0.01029</b>
Diluted earning per share	€	0.01001	0.01028

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

## 17. Net financial debt

This item amounted to € 3,369,306 thousand at December 31, 2006 (€ 3,613,486 thousand at December 31, 2005).

It differs from the net financial debt – “book value” described hereafter, since it is reported “gross” of:

- transaction costs for the acquisition and refinancing of the medium and long-term “Senior” loan with The Royal Bank of Scotland Plc Milan Branch and of the “Subordinated” loan with Lighthouse International Company S.A., as well as for the start of a securitisation program for trade receivables. These costs amounted to € 102,326 thousand at December 31, 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 € 999 thousand at December 31, 2006 (€ 23,178 thousand of net liabilities at December 31, 2005).

	At 12.31.2006	At 12.31.2005	Change	Note
<b>(euro/thousand)</b>				
<b>Net financial debt</b>	<b>3,369,306</b>	<b>3,613,486</b>	<b>(244,180)</b>	
Transaction costs on loans and securitisation costs not yet amortised	(102,326)	(122,474)	20,148	
Net market value of hedging instruments on interest rate risks	(999)	23,178	(24,177)	
<b>Net financial debt - “book value”</b>	<b>3,265,981</b>	<b>3,514,190</b>	<b>(248,209)</b>	
of which:				
- <i>Non-current financial debts</i>	<i>1,870,861</i>	<i>2,273,729</i>	<i>(402,868)</i>	<i>(a)</i>
- <i>Non-current financial debts due to related parties</i>	<i>1,419,154</i>	<i>1,252,897</i>	<i>166,257</i>	<i>(b)</i>
- <i>Current financial debts</i>	<i>254,521</i>	<i>261,949</i>	<i>(7,428)</i>	<i>(c)</i>
- <i>Non-current financial assets (*)</i>	<i>(1,424)</i>	<i>(110,600)</i>	<i>109,176</i>	<i>(d)</i>
- <i>Current financial assets</i>	<i>(1,310)</i>	<i>(2,349)</i>	<i>1,039</i>	<i>(e)</i>
- <i>Current financial assets from subsidiaries</i>	<i>(104,302)</i>	<i>(3,033)</i>	<i>(101,269)</i>	<i>(f)</i>
- <i>Cash and cash equivalents</i>	<i>(171,519)</i>	<i>(158,403)</i>	<i>(13,116)</i>	<i>(g)</i>

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



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### a) Non-current financial debts

(euro/thousand)	At 12.31.2006	At 12.31.2005	Change
<i>Debts due to The Royal Bank of Scotland Plc Milan Branch (gross value)</i>	1,930,389	2,349,100	(418,711)
<i>less transaction costs</i>	(59,528)	(75,371)	15,843
Debts due to The Royal Bank of Scotland Plc Milan Branch (net value)	1,870,861	2,273,729	(402,868)
<b>Total non-current financial debts</b>	<b>1,870,861</b>	<b>2,273,729</b>	<b>(402,868)</b>

*Debts due to The Royal Bank of Scotland Plc Milan Branch* amounted to € 1,870,861 thousand at December 31, 2006 (€ 2,273,729 thousand at December 31, 2005), net of the transaction and refinancing costs not yet amortised amounting to € 59,528 thousand (€ 75,371 thousand at December 31, 2005).

A more detailed description is provided in the note 18.a) of the financial statements of the Group at December 31, 2006.

### b) Non-current financial debts due to related parties

(euro/thousand)	At 12.31.2006	At 12.31.2005	Change
<i>Debts due to Lighthouse International Company S.A. (gross value)</i>	1,300,000	1,300,000	
<i>less transaction costs</i>	(41,451)	(47,103)	5,652
Debts due to Lighthouse International Company S.A. (net value)	1,258,549	1,252,897	5,652
<i>Debts due to Meliadi Finance S.r.l. (gross value)</i>	161,952		161,952
<i>less securitisation costs</i>	(1,347)		(1,347)
Debts due to Meliadi Finance S.r.l. (net value)	160,605		160,605
<b>Total non-current financial debts to related parties</b>	<b>1,419,154</b>	<b>1,252,897</b>	<b>166,257</b>

*Debts due to Lighthouse International Company S.A.* amounted to € 1,258,549 thousand at December 31, 2006 (€ 1,252,897 thousand at December 31, 2005), net of € 41,451 thousand for transaction costs not yet amortised at the end of the year (€ 47,103 thousand at December 31, 2005).

A more detailed description is provided in the note 18.b) of the financial statements of the Group at December 31, 2006.

*Debts due to Meliadi Finance S.r.l.* amounted to € 160,605 thousand at December 31, 2006. They represent the amounts due to the special purpose entity (Meliadi Finance S.r.l.) under the securitisation program, entered into in June 2006 for a five-year scheduled period, pursuant to the Law No. 130 /1999.

The debts were recognised net of the costs incurred for organising the securitisation program, not yet amortised at the end of the year (€ 1,347 thousand).

They represent the balance between the value of the securitised receivables, the amount already collected, the deferred purchase price (DPP) and the amount paid to the special purpose entity as a discount.

A more detailed description is provided in the "Report on operations – section Main events during 2006".

### c) Current financial debts

Current financial debts amounted to € 254,521 thousand at December 31, 2006 (€ 261,949 thousand at December 31, 2005) and include

(euro/thousand)	At 12.31.2006	At 12.31.2005	Change
Current portion of the debt due to The Royal Bank of Scotland Plc Milan Branch	158,301	171,000	(12,699)
Debts due to banks	30,385	1,027	29,358
Debts due to subsidiaries	27,535	47,989	(20,454)
Debts due to associates	17,375	17,375	
Debts due to Shareholders for dividends	20,774		20,774
Liabilities relating to hedging instruments on interest rate risks		24,558	(24,558)
Liabilities relating to hedging instruments on exchange rate risks	151		151
<b>Total current financial debts</b>	<b>254,521</b>	<b>261,949</b>	<b>(7,428)</b>

- *Debts due to banks*, of € 30,385 thousand at December 31, 2006, refer mainly to accrued interest expensess on the loan issued by The Royal Bank of Scotland Plc Milan Branch. The increase compared to 2005 was due to the change in the maturity date for the interest payment;
- *debts due to subsidiaries*, of € 27,535 thousand at December 31, 2006, include debts for short-term deposits of Telegate A.G. (€ 17,076 thousand) and current account debts due to Europages S.A. (€ 7,254 thousand) and Consodata S.p.A. (€ 3,125 thousand). These financial debts are regulated at market rates;
- *debts due to associates*, of € 17,375 thousand at December 31, 2006, refer to accrued interest expensess on the "Subordinated" loan from Lighthouse International Company S.A.;
- *debts due to Shareholders for dividends*, of € 20,774 thousand at December 31, 2006, refer to the dividends resolved but not yet collected at the end of the year.

#### d) Non-current financial assets

Non-current financial assets are included in the net financial position only for the components relating to *loans and receivables* (€ 1,424 thousand at December 31, 2006), as described in the note 10 of these Notes.

#### e) Current financial assets

Current financial assets amounted to € 1,310 thousand at December 31, 2006 (€ 2,349 thousand at December 31, 2005) and included € 999 thousand relating to the net market value of the hedging instruments entered into to hedge interest rate risks. This item was negative for € 23,178 thousand at December 31, 2005.

For further details on the hedging instruments on interest rate risks please see note 20 "Information on financial risks" of the financial statements of the Group at December 31, 2006.

#### f) Current financial assets from subsidiaries

At December 31, 2006 current financial assets from subsidiaries amounted to € 104,302 thousand (€ 3,033 thousand at December 31, 2005) and included:

- € 102,051 thousand for financial receivables from TDL Infomedia Ltd., in the form of a revolving credit line;
- € 2,251 thousand for financial receivables from treasury transactions, of which € 1,577 thousand from Cipi S.p.A. and € 437 thousand from Prontoseat S.r.l.

These receivables are regulated at market rates.

#### g) Cash and cash equivalents

This item increased by € 13,116 thousand compared to December 31, 2005 and included

(euro/thousand)	At 12.31.2006	At 12.31.2005	Change
Bank deposits	168,863(*)	156,392	12,471
Postal deposits	2,637	1,995	642
Cash	19	16	3
<b>Total cash and cash equivalents</b>	<b>171,519</b>	<b>158,403</b>	<b>13,116</b>

(\*) of which € 6,746 thousand related to current account receivables from Meliadi Finance S.r.l..

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## 18. 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, which 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 carrying value equivalent to or higher than € 25,000.

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

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

(euro/thousand)	Expiration date - within					beyond five years	Total
	12.31.2007	12.31.2008	12.31.2009	12.31.2010	12.31.2011		
Debts due to							
The Royal Bank of Scotland Plc Milan Branch	158,301	163,491	219,240	231,768	245,191	1,070,699	2,088,690
Debts due to Lighthouse International Company S.A.						1,300,000	1,300,000
Debts due to Meliadi Finance S.r.l.					161,952(*)		161,952
<b>Total non-current financial debts (gross value)</b>	<b>158,301</b>	<b>163,491</b>	<b>219,240</b>	<b>231,768</b>	<b>407,143</b>	<b>2,370,699</b>	<b>3,550,642</b>

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

## 19. 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 20 of the financial statements of the Group at December 31, 2006.

## 20. Non-current reserves to employees

This item is detailed as follows

(euro/thousand)	Year 2006			Total	Year 2005
	Reserve for severance indemnities	Reserve for defined contribution pension plans	Reserve for termination indemnities		(*) Total
<b>Value at the beginning of the year</b>	<b>29,273</b>		<b>580</b>	<b>29,853</b>	<b>28,183</b>
Provisions	2,302	1,037	633	3,972	3,686
Utilisation/repayment	(4,044)	(1,045)	(1,003)	(6,092)	(5,039)
interest expensess (income), net	1,117			1,117	1,152
Actuarial losses (gains) recognised to equity	(3,076)			(3,076)	1,094
Other movements	(42)	47	298	303	777
<b>Value at the end of the year</b>	<b>25,530</b>	<b>39</b>	<b>508</b>	<b>26,077</b>	<b>29,853</b>

(\*) The items referred to December 31, 2005 have been restated to include the actuarial gains (losses), net of deferred income taxes, arising from the evaluation of the reserve for severance indemnities, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of these Notes.

The *reserve for severance indemnities*, of € 25,530 thousand at December 31, 2006 (€ 29,273 thousand at December 31, 2005), was accounted for in accordance with IAS 19 (since it is considered as a defined benefit pension plan).

At December 31, 2006, € 2,516 thousand for net actuarial gains were directly recognised to equity.

(euro/thousand)	At 12.31.2006	At 12.31.2005 (1)
<b>A. Change in benefit obligation</b>		
1. Benefit obligation at the beginning of the year	29,273	27,741
2. Current service cost	2,302	2,121
3. interest expenses	1,117	1,152
4. Actuarial (gains) losses recognised to equity	(3,076)	1,094
5. Benefits paid from plan/company	(4,044)	(2,877)
6. Other movements	(42)	42
Benefit obligation at the end of the year	25,530	29,273
<b>B. Account recognised in the balance sheet</b>		
<i>Plans that are wholly unfunded and plans that are wholly or partly funded</i>		
1. Present value of funded obligations	25,530	29,273
Net liability (asset) recognised in the balance sheet	25,530	29,273
<i>Amounts in the balance sheet:</i>		
1. Liabilities	25,530	29,273
2. Assets	-	-
<b>C. Components of pension cost</b>		
<i>Amounts recognised in the statement of operations:</i>		
1. Current service cost	2,302	2,121
2. interest expenses	1,117	1,152
Total pension cost recognised in the statement of operations	3,419	3,273
<b>D. Principal actuarial assumptions</b>		
<i>Weighted-average assumptions to determine benefit obligation:</i>		
1. Discount rate	4.25%	4.00%
2. Rate of compensation increase	4.00%	4.00%
3. Rate of price inflation	2.00%	2.00%
<i>Weighted-average assumptions to determine net pension cost:</i>		
1. Discount rate	4.00%	4.50%
2. Expected rate of compensation increase	4.00%	4.00%
3. Rate of price inflation	2.00%	2.00%
<b>E. History of experience gains and losses</b>		
a. Amount <sup>(2)</sup>	(3,286)	1,094
b. Percentage of present value of plan liabilities	-12.9%	4%

(1) The items referred to December 31, 2005 have been restated to include the actuarial gains (losses), arising from the evaluation of the reserve for severance indemnities, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of these Notes.

(2) The item represents the actuarial gains/losses determined by applying the previous year actuarial assumptions to the actual population.

The *reserve for termination indemnities* represents the amount due to the Chief Executive Officer, net of premiums periodically paid into an insurance policy, of which he will be the beneficiary at the end of his mandate. Payments into this policy include not only the defined contributions to the end-of-service reserve, but also part of the CEO's variable compensation.

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## 21. Share-based payments

The stock option plans in force at December 31, 2006 are described in the section "Report on operations – Human resources".

These plans are accounted for in the financial statements in compliance with IFRS 2.

For a more detailed description of the method used to value these plans please refer to note 22 in the financial statements of the Group.

Beneficiaries	Grant date	Number of granted options	Number of expired options	First vesting date	Strike price (euro)	Number of exercised options	Number of not exercised options	Number of outstanding options at 12.31.2006	Fair value	of which accrued in the year 2006
										(euro/thousand)
<b>2004 stock option plan</b>										
Employees of SEAT P.G. group	06-07-2004	59,265,000	(450,000)	09-30-2005	0.3341	(40,515,000)	(400,000)	17,900,000	5,590	-
Managing Director	11-25-2004	5,000,000		09-30-2005	0.3341			5,000,000	400	-
<b>2005 stock option plan</b>										
Employees of SEAT P.G. group	04-08-2005	62,500,000	(1,950,000)	09-30-2006	0.3221	(28,335,000)	(50,000)	32,165,000	5,211	2,553
Employees of SEAT P.G. group	11-04-2005	1,600,000		09-30-2006	0.3915			1,600,000	200	164
Managing Director	04-08-2005	5,000,000		09-30-2006	0.3221			5,000,000	498	252
<b>Key People plan</b>	09-12-2006	20,000,000		04-15-2008	0.3724				1,595	302
<b>Total</b>		<b>153,365,000</b>	<b>(2,400,000)</b>			<b>(68,850,000)</b>	<b>(450,000)</b>	<b>61,665,000</b>	<b>13,494</b>	<b>3,271</b>

Stock option costs of € 3,271 thousand for 2006 (€ 6,454 thousand in 2005) are included in the statement of operations under non-recurring costs.

## 22. Other non-current liabilities

Other non-current liabilities amounted to € 21,238 thousand at December 31, 2006 and consisted only of the *reserve for sales agents' termination indemnities*, which shows the following movements in the year

(euro/thousand)	Year 2006	Year 2005
<b>Value at the beginning of the year</b>	<b>19,465</b>	<b>17,861</b>
Provision	3,349	4,003
Utilisation/Repayment	(2,017)	(2,518)
Discounting losses (gains)	441	119
<b>Value at the end of the year</b>	<b>21,238</b>	<b>19,465</b>

In 2006 the *reserve for sales agents' termination indemnities* increased by € 1,773 thousand. This item reflected the accrued liabilities at the end of the year due to sales agents in force for their indemnity in the event their agency contract is interrupted, as required by current regulations.

The balance, 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 is due to the passage of time and to variations in the discount rate applied and has been accounted for as a financial item.

## 23. Reserves for current risks and charges

This item is detailed as follows

	Year 2006			Year 2005	
	Reserve for commercial risks	Reserves for contractual risks and other operating risks	Current reserve for restructuring expenses	Total	Total
(euro/thousand)					
<b>Value at the beginning of the year</b>	<b>16,144</b>	<b>16,183</b>	<b>3,317</b>	<b>35,644</b>	<b>40,535</b>
Provisions	12,682	512	1,900	15,094	18,041
Utilisations	(13,129)	(3,684)	(3,328)	(20,141)	(22,932)
Reversal to statement of operations		(1,195)		(1,195)	
<b>Value at the end of the year</b>	<b>15,697</b>	<b>11,816</b>	<b>1,889</b>	<b>29,402</b>	<b>35,644</b>

In detail:

- the *reserve for commercial risks*, of € 15,697 thousand at December 31, 2006, related to cover claims on the publishing errors on PAGINEGIALLE®, PAGINEBIANCHE® and Annuari. In 2006, provisions to these reserves have been reduced by € 3,618 thousand thanks to the constant attention to customer care activities and processes: the establishment of a SEAT Pagine Gialle S.p.A. call center dedicated to high-end customers, in particular, reduced the number of claims about contract execution errors by almost 20% compared to 2005;
- the *reserves for contractual and other operating risks* amounted to € 11,816 thousand at December 31, 2006 and included € 6,476 thousand to cover pending litigation and € 5,340 thousand for lawsuits with sales agents and employees;
- the *current reserve for restructuring expenses*, which amounted to € 3,317 thousand at December 31, 2005, was entirely used during the year and a new provision of € 1,889 thousand was made to cover costs related to the company restructuring plan begun in late 2003, which led to the obtainment of Extraordinary Unemployment Compensation (CIGS) decrees and early retirement up to December 31, 2006. The amount at the end of the year was used in the early months of 2007.

## 24. Trade account payables and other current liabilities

Trade account payables and other current liabilities are detailed as follows

(euro/thousand)	At 12.31.2006	At 12.31.2005	Change
Payables due to suppliers	138,360	131,747	6,613
Payables due to sales agents	55,040	63,330	(8,290)
Payables due to subsidiaries	13,711	8,404	5,307
Payables due to employees	13,033	17,285	(4,252)
Payables due to social security institutions	9,663	9,215	448
Payables due to directors and statutory auditors	1,512	1,662	(150)
<b>Total trade account payables</b>	<b>231,319</b>	<b>231,643</b>	<b>(324)</b>
Payables for services to be rendered	83,790	91,885	(8,095)
Advances from customers	4,097	3,752	345
Deferred income and other current liabilities	2,219	1,403	816
<b>Total payables for services to be rendered and other current liabilities</b>	<b>90,106</b>	<b>97,040</b>	<b>(6,934)</b>

All *trade account payables* are due within 12 months.

*Payables for services to be rendered and other current liabilities* included € 86 thousand of payables with due dates of more than 12 months (€ 99 thousand at December 31, 2005).

In detail:

- *payables due to suppliers*, amounting to € 138,360 thousand at December 31, 2006, increased by € 6,613 thousand compared to December 31, 2005 due to a higher level of consumption and investments in the year;

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- *payables due to sales agents* amounted to € 55,040 thousand at December 31, 2006 and they are to be read in conjunction with the item "sale commission advances" included in "Other current assets", which amounted to € 46,523 thousand at December 31, 2006 (€ 52,334 thousand at December 31, 2005). This item decreased by € 8,290 thousand compared to December 31, 2005, mostly as a consequence of the different maturity and payment timing of some sales premiums and commissions recognised to the sales force;
- *payables for services to be rendered*, amounting to € 83,790 thousand at December 31, 2006, refer to advance billing of advertising services, of which € 12,349 thousand (€ 14,065 thousand at December 31, 2005) already paid by customers.

## 25. Revenues from sales and services

In 2006, SEAT Pagine Gialle S.p.A.'s revenues from sales and services reached € 1,077,495 thousand, up by 1.5% on the previous year (€ 1,061,813 thousand), with an upward trend compared to the years 2004 and 2005, featured by a substantial stability. They also benefited from the important product innovations launched in the second half of the year.

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

- "*Print*": revenues from print products amounted to € 801,485 thousand in 2006, down by 3.9% compared to the previous year, with an upward trend in the second half of the year, when the decrease was just 3.0% (lower than -5.3% recorded in the first half of 2006). This result was achieved thanks to the positive performance of the new PAGINEBIANCHE®, which benefited from the innovative introduction of full-color.
- "*Online*": revenues amounted to € 128,953 thousand in 2006 (+11.3% compared to 2005), mainly thanks to PAGINEGIALLE.it®, which increased by 11.3% to € 123,508 thousand (€ 110,952 thousand in 2005) with an upward trend in the second half of the year.
- "*Voice*": revenues from SEAT Pagine Gialle S.p.A. voice platform continued to grow, with an increase of 49.6% to € 103,150 thousand (€ 68,966 thousand in 2005), thanks to the growth of the 89.24.24 Pronto PAGINEGIALLE® service and the success of the new 12.40 Pronto PAGINEBIANCHE® service.
- "*Other products*": revenues from Direct Marketing products continued to grow (€ 11,928 thousand), benefiting from the continuous development of products and services offered, as well as the new offer of direct marketing campaigns via short text messaging. The Giallo Promo merchandising offer recorded a stable performance compared to 2005.

The "Report on operations - section Economic and financial performance of the Business Areas – Italian Directories" - provides a more detailed analysis of revenues.

## 26. Other revenues and operating costs

### 26.1 Other income and revenues

This item amounted to € 5,865 thousand in 2006 (€ 6,229 thousand in 2005) and include € 5,316 thousand for repayments of costs, mainly referred to postal shipping costs and payment of damages.

### 26.2 Materials

Materials amounted to € 54,780 thousand in 2006, with a decrease of € 1,736 thousand compared to the previous year. In detail:

- *paper consumption*, of € 42,251 thousand in 2006, decreased by € 986 thousand due to the reduction in the number of signature marks. In 2006, 62,682 tons of paper (64,141 tons in 2005) and 16.2 million sheets (12.1 million in 2005) were used. The increase in the number of sheets used is mainly 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 € 10,829 thousand in 2006 (€ 11,547 thousand in 2005), referred to the purchase of customised items used for merchandising activities.



### 26.3 External services

External services amounted to € 360,688 thousand in 2006, up by € 22,960 thousand compared to 2005. In detail:

- *sales commissions and other agent costs*, of € 121,037 thousand in 2006, increased by € 4,837 thousand compared to 2005 as a consequence of higher sales incentives (+ € 2,194 thousand) granted to motivate the sales force in order to support the new organisational structure, introduced in January 2006, and the sale of new products. This item also included costs incurred in organising the Convention held in Morocco in April 2006 (in 2005 it did not take place);
- *production costs of print directories*, of € 72,951 thousand in 2006, referred to the composition, printing and binding of the PAGINEGIALLE®, PAGINEBIANCHE® and Annuari. The increase of € 5,712 thousand compared to 2005 was due for € 2,100 thousand to the introduction of the full-color print process and for € 2,595 thousand to the costs related to PAGINEGIALLE VISUAL;
- *advertising and promotion costs* amounted to € 34,643 thousand in 2006, substantially in line with 2005;
- *professional services, consultancy and collaboration costs* amounted to € 31,410 thousand in 2006 (€ 29,620 thousand in 2005) and refer mainly to IT, legal and administrative services;
- *costs for call center services*, of € 23,740 thousand in 2006, increased by € 7,641 thousand (+47.5%) compared to the previous year due to the increase in call volume also as a result of the impact of the 12.40 Pronto PAGINEBIANCHE® service on the whole of 2006.

### 26.4 Salaries, wages and employee benefits

Salaries, wages and employee benefits amounted to € 81,510 thousand in 2006, a 4.3% decrease compared to the previous year (€ 85,213 thousand) due to: *i*) the capitalisation of personnel costs referred to projects realised during the year (€ 3,658 thousand), in particular in the Internet area and in relation to administrative and commercial systems. In previous years the new projects were less significant and mainly outsourced: therefore the related costs were directly capitalised; and *ii*) savings on variable compensation based on business performance (€ 4,133 thousand).

The workforce at December 31, 2006, including directors, project workers and trainees, numbered 1,393 units (1,331 units at December 31, 2005), while the average workforce during the year was 1,345 units (1,288 units in 2005).

### 26.5 Other operating expenses

Other operating expenses amounted to € 3,135 thousand in 2006 (€ 3,347 thousand in 2005) and included € 1,008 thousand for entertainment expenses and € 722 thousand for indirect taxes and duties.

### 26.6 Non-recurring costs, net

In 2006, non-recurring costs, net amounted to € 10,753 thousand (€ 7,348 thousand in 2005). They included € 3,271 thousand for costs related to the 2005 and "Key People" stock option plans (as described in note 22 of the financial statements of the Group at December 31, 2006), € 5,394 thousand for costs incurred in the reorganisation of the Sales Department, now structured by selected sale channels (large customers, SMEs and retailers), and € 2,088 thousand for charges incurred in disputes concerning competition in Italy and UK.

### 26.7 Restructuring costs, net

Restructuring costs, net decreased from € 2,659 thousand in 2005 to € 1,958 thousand in 2006 and were related to the CIGS (Cassa Integrazione Guadagni Straordinaria - extraordinary unemployment compensation) decrees and early retirement incentives for redundancies as part of the corporate reorganisation plan.

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## 27. Interest income and expenses

### 27.1 Interest expenses

In 2006, this item amounted to € 252,924 thousand (€ 281,738 thousand in 2005). This item included € 131,273 thousand for interest expenses on the "Senior Credit Agreement" loan with The Royal Bank of Scotland Plc Milan Branch, € 109,902 thousand on the "Subordinated" loan with Lighthouse International Company S.A. and € 4,492 thousand for interest and charges due to Meliadi Finance S.r.l..

For a more detailed description, reference should be made to the note 29.1 "interest expenses" of the financial statements of the Group at December 31, 2006.

### 27.2 Interest income

Interest income amounted to € 46,899 thousand in 2006 (€ 33,667 thousand in 2005) and included:

- € 35,376 thousand for *dividends from subsidiaries* (€ 2,292 thousand in 2005), received for € 19,116 thousand from TDL Infomedia Ltd., € 8,300 thousand from Telegate GmbH, € 2,936 thousand from Consodata S.p.A., € 2,783 thousand from Europages S.A. and € 2,241 thousand from Telegate A.G.;
- € 7,636 thousand for *income from financial receivables from subsidiaries* (€ 13,059 thousand in 2005), of which € 7,580 thousand from TDL Infomedia Ltd.;
- € 2,739 thousand for *other interest income* (€ 1,898 thousand in 2005);
- € 1,148 thousand for *exchange rate income* (€ 16,418 thousand in 2005), mainly attributable to the change in the euro/sterling exchange rate on the portion of the loan to the subsidiary TDL Infomedia Ltd. not covered by foreign exchange contracts (Forex).

## 28. Income taxes

Income taxes for 2006 are detailed as follows

(euro/thousand)	Year 2006	Year 2005	Change
Current income taxes	15,285	12,081	3,204
Deferred tax assets		(26,035)	26,035
Deferred tax liabilities	42,570	65,357	(22,787)
Reversal of deferred tax assets (liabilities)	882	(60,370)	61,252
Upfront tax on Customer DataBase		19,448	(19,448)
Income taxes referred to previous years		572	(572)
Reversal of income taxes referred to previous years	(205)		(205)
<b>Total income taxes</b>	<b>58,532</b>	<b>11,053</b>	<b>47,479</b>

The **reconciliation** between actual and theoretical income taxes calculated by applying the tax rates for the years ended December 31, 2006 and 2005 to the income before taxes is as follows

(euro/thousand)	At 12.31.2006	At 12.31.2005
<b>Income before income taxes</b>	<b>141,927</b>	<b>95,768</b>
<b>Current income taxes calculated with the theoretical tax rate (37,25%)</b>	<b>(52,868)</b>	<b>(35,674)</b>
Fiscal effect on non-deductible expenses for IRAP purposes	(12,792)	(14,851)
Customer DataBase fiscal alignment		60,370
Upfront tax on Customer DataBase		(19,448)
Income taxes referred to previous years		(572)
Reversal of income taxes referred to previous years	205	
Permanent difference and other movements	6,923	(879)
<b>Income taxes for the year</b>	<b>(58,532)</b>	<b>(11,053)</b>

It should be noted that *permanent differences and other movements* were mainly referred to the dividends received from subsidiaries, costs for stock options and the non-deductible costs for business cars.

### 28.1 Net deferred tax assets

Net deferred tax assets amounted to € 27,924 thousand at December 31, 2006 (€ 80,928 thousand at December 31, 2005) and are stated net of deferred tax liabilities of € 118,058 thousand (€ 74,946 thousand at December 31, 2005).

They decreased during the year due to: *i*) the deferred tax liabilities accounted for on the income for the year (€ 42,570 thousand), *ii*) the utilisation of net deferred tax assets recognised directly to equity (€ 8,608 thousand).

(euro/thousand)	At 12.31.2005 (*)	Income taxes accounted to statement of operations	Income taxes accounted for to equity	Group taxation agreement and other movements	At 12.31.2006		
					Total	of which IRES	of which IRAP
<b>Deferred tax assets</b>							
Allowance for doubtful trade accounts receivable	36,935	(1,946)			34,989	34,989	
Reserves for contractual risks	14,920	(3,108)			11,812	10,558	1,254
Reserve for severance indemnities	64	181	(1,015)		(770)	(770)	
Write-downs of investments	13,387	(6,694)			6,693	6,693	
Net losses carry forwards	79,461	9,094		(944)	87,611	87,611	
Fair value of cash flow hedge instruments	7,621		(7,238)		383	383	
Other	3,486	1,591	187		5,264	4,899	365
<b>Total deferred tax assets</b>	<b>155,874</b>	<b>(882)</b>	<b>(8,066)</b>	<b>(944)</b>	<b>145,982</b>	<b>144,363</b>	<b>1,619</b>
<b>Deferred tax liabilities</b>							
Customer DataBase	(60,370)	(35,216)			(95,586)	(84,680)	(10,906)
Goodwill amortisation	(13,007)	(5,288)			(18,295)	(16,208)	(2,087)
Fair value of cash flow hedge instruments			(1,138)		(1,138)	(1,138)	
Other	(1,569)	(2,066)	596		(3,039)	(2,727)	(312)
<b>Total deferred tax liabilities</b>	<b>(74,946)</b>	<b>(42,570)</b>	<b>(542)</b>		<b>(118,058)</b>	<b>(104,753)</b>	<b>(13,305)</b>
<b>Net deferred tax assets</b>	<b>80,928</b>	<b>(43,452)</b>	<b>(8,608)</b>	<b>(944)</b>	<b>27,924</b>	<b>39,610</b>	<b>(11,686)</b>

(\*)The deferred tax assets, net referred to December 31, 2005 have been restated to include the effect of actuarial gains (losses) arising from the evaluation of the reserve for severance indemnities, in compliance with the retrospective application of the IAS 19 paragraph 93A, as described in the note 4 "Change in accounting policies with retrospective application" of these Notes.

### 28.2 Current tax assets

Current tax assets amounted to € 1,812 thousand at December 31, 2006 (€ 1,853 thousand at December 31, 2005) and were detailed as follows

(euro/thousand)	At 12.31.2006	At 12.31.2005	Change
Direct tax receivables	1,798	1,839	(41)
Indirect tax receivables	14	14	
<b>Total current tax assets</b>	<b>1,812</b>	<b>1,853</b>	<b>(41)</b>

### 28.3 Current tax payables

Current tax payables amounted to € 18,372 thousand at December 31, 2006 (€ 36,083 thousand at December 31, 2005) and were detailed as follows

(euro/thousand)	At 12.31.2006	At 12.31.2005	Change
Income tax payables	2,574	20,802	(18,228)
Other tax payables	15,798	15,281	517
<b>Total current tax payables</b>	<b>18,372</b>	<b>36,083</b>	<b>(17,711)</b>

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## 29. Related party transactions

In compliance with the provisions of IAS 24 and on the basis of article 2, paragraph h of CONSOB Regulations for Issuers No. 11971/1999 (as 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 2006.

All the transactions entered into by the Company with related parties are ordinary transactions regulated at market conditions or in accordance with specific norms and regulations. There were no atypical and/or unusual transactions, or transactions that may represent a conflict of interests.

(euro/thousand)		Descriptions
Revenues from sales and services	71,859	this item includes € 64,806 thousand for revenues on call rebate from Telegate Italia S.r.l. and € 6,877 thousand for royalties on Europages paid by Europages S.A..
Other income and revenues	960	this item refers to cost refunds for rentals from Prontoseat S.r.l. for € 488 thousand and costs recovered for seconded personnel for € 302 thousand, of which € 146 thousand from Prontoseat S.r.l. and € 156 thousand from Europages S.A..
Materials and external services	49,568	this item refers for € 23,538 thousand to costs for call-center services paid to Telegate Italia S.r.l.. It also includes: € 10,808 thousand for the purchase of goods and products for resale paid to Cipi S.p.A.; € 10,410 thousand for direct marketing services paid to Consodata S.p.A.; € 2,060 thousand in costs incurred to update and enhance the 12.40 Pronto PAGINEBIANCHE® database.
Salaries, wages and employees benefits	1,050	this item refers to costs for seconded personnel, of which € 831 thousand paid to Consodata S.p.A and € 119 thousand to Prontoseat S.r.l.. It also includes € 100 thousand in fees to directors.
Other operating expenses	256	this item refers to costs for the purchase of entertainment goods and services provided by Cipi S.p.A..
Non-recurring costs, net	21	this item refers to legal fees paid to Studio Giliberti, Pappalettera, Triscornia e Associati.
Interest income	43,012	this item includes € 35,376 thousand in dividends recognised from subsidiaries (see section 27.2 of these notes), € 7,580 thousand in interest received for the loan to TDL Infomedia Ltd. and € 55 thousand in current account interests to subsidiaries.
Interest expenses	115,525	this item refers to € 109,902 thousand for interest paid on the long-term "Subordinated" loan to Lighthouse International Company S.A., € 4,490 thousand for interest paid on the non-current account payable to Meliadi Finance S.r.l. and € 1,133 thousand for interest paid on short-term current account deposits (of which € 842 thousand to Telegate A.G.).
Income taxes	1,149	this item refers to income taxes attributable to subsidiaries which entered into the Italian tax consolidation agreement.
Current financial assets	104,302	this item includes: € 102,051 thousand for the revolving financing line granted to TDL Infomedia Ltd; € 2,028 thousand for current account receivables from subsidiaries (of which € 1,577 thousand from Cipi S.p.A.); and € 223 thousand for financial receivables from Meliadi Finance S.r.l..
Trade account receivables	20,243	this item includes € 19,958 thousand for receivables from Telegate Italia S.r.l. and € 204 thousand for receivables from Consodata S.p.A..
Other current assets	2,301	other current assets include € 1,453 thousand in receivables from subsidiaries as a result of the Italian tax consolidation agreement: Cipi S.p.A. (€ 244 thousand), Prontoseat S.r.l. (€ 342 thousand) and Telegate Italia (€ 866 thousand). This item also includes € 650 thousand in receivables for services rendered by the subsidiaries, of which € 388 thousand from Prontoseat S.r.l. and € 169 thousand from Europages S.A..
Bank deposits	6,746	this item refers to current account receivables from Meliadi Finance S.r.l..
Non-current financial debts	1,419,154	this item refers for € 1,258,549 thousand for the "Subordinated" loan with Lighthouse International Company S.A. and for € 160,605 thousand to payables to Meliadi Finance S.r.l..
Current financial debts	44,910	this item refers to € 17,375 thousand outstanding interest payable to Lighthouse International Company S.A. € 17,076 thousand payables to Telegate A.G. for liquidity deposits, € 10,459 thousand for current account debts, of which € 7,254 thousand due to Europages S.A. and € 3,125 thousand to Consodata S.p.A..
Trade account payables	13,723	this item refers to accounts payables for services rendered by the subsidiaries. In detail, this item includes € 7,429 thousand payable to Telegate Italia S.r.l., € 3,283 thousand to Consodata S.p.A., € 1,809 thousand to Cipi S.p.A. and € 999 thousand to Prontoseat S.r.l..
Payables for services to be rendered and Current liabilities	483	this item included of € 236 thousand payable to Prontoseat S.r.l. as a result of the Italian tax consolidation agreement. It also includes € 199 thousand payable to Studio Giliberti Pappalettera Triscornia e Associati for consulting services relating to the purchase of the 12.88 number and the property that will host the new offices of SEAT Pagine Gialle S.p.A. in Turin.
Investments	372	this item refers to the purchase of work in progress fixed assets from Consodata S.p.A..

## 30. Other information

### Stock options granted to Directors

As already described in the Report on operations, section "Stock Option Plans", with regard to the "2004 Stock Option Plan for Managing Director" and the "2005 Stock Option Plan for Managing Director", 5,000,000 options for each of these plans were granted to the Company's Managing Director Luca Majocchi, entitling him to subscribe a corresponding number of ordinary shares at a strike price of € 0.3341 and € 0.3221, respectively. The options are personal rights and may not be transferred *inter vivos*.

Pursuant to article 79 of the Regulations implementing Italian Legislative Decree of February 24, 1998, adopted through Consob Resolution No. 11971 of May 14, 1999 and subsequent amendments, detailed information of such rewards is provided in notes 21 of these Notes.

No options were granted to other Directors.

### Shares held by Directors and Statutory Auditors

In observance of Art. 79 of the Regulations implementing Legislative Decree No. 58 of February 24, 1998, adopted through Consob Resolution No. 11971 of May 14, 1999 and subsequent amendments, the following table shows the shares held by the Directors in SEAT Pagine Gialle S.p.A. and its subsidiaries.

Surname and Name	Company	Share owned at the end of the previous year	Purchased shares	Sold shares	Share owned at the end of the year 2006
GILIBERTI Enrico	SEAT Pagine Gialle S.p.A.	6,144 savings shares	-	-	6,144 savings shares
GROS PIETRO Gian Maria	SEAT Pagine Gialle S.p.A.	60,000 ordinary shares	-	-	60,000 ordinary shares
MAJOCCHI Luca	SEAT Pagine Gialle S.p.A.	3,670,000 ordinary shares	1,788,000 ordinary shares	-	5,458,000 ordinary shares

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## Fees paid to Directors and Statutory Auditors

Listed below is the information required by Article 78 of the Consob Regulations adopted through Resolution No. 11971 of May 14, 1999 and subsequent amendments.

Person Surname and Name	Description of Office		Emoluments (figures in €)			
	Position	Office period	Fees	Non-monetary benefits	Bonuses and other incentives	Other fees
GILIBERTI Enrico	Director	01.01.2006 - 12. 31.2006	10,000			
	Chairman	01.01.2006 - 12.31.2006 <sup>(1)</sup>	90,000			336,000 <sup>(2)</sup>
MAJOCCHI Luca	Director	01.01.2006 - 12.31.2006 <sup>(3)</sup>	10,000			
	Managing Director	01.01.2006 - 12.31.2006 <sup>(1)</sup>	853,333	3,308	1,064,850 <sup>(4)</sup>	633,001 <sup>(5)</sup>
BELLONI Antonio	Director	10.10.2006 - 12.31.2006	2,500			
	Member of Compensation Committee	10.10.2006 - 12.31.2006 <sup>(6) (7)</sup>	7,500			
BENASSI Lino	Director	01.01.2006 - 12.31.2006	10,000			
	Chairman of Internal Audit Committee	01.01.2006 - 12.31.2006	40,000			
COSSUTTA Dario	Director	01.01.2006 - 12.31.2006	10,000			
	Member of Compensation Committee	01.01.2006 - 12.31.2006 <sup>(6)</sup>	30,000			
DI PALO Carmine	Director	10.10.2006 - 12.31.2006 <sup>(7)</sup>	2,500			
GROS PIETRO Gian Maria	Director	01.01.2006 - 12.31.2006	10,000			
	Chairman of Compensation Committee	01.01.2006 - 12.31.2006	40,000			
LANARI Luigi	Director	01.01.2006 - 12.31.2006 <sup>(7)</sup>	10,000			
LUCCHINI Marco	Director	01.01.2006 - 12.31.2006	10,000			
	Member of Internal Audit Committee	05.01.2006 - 12.31.2006 <sup>(6)</sup>	20,000			
MARINI Michele	Director	01.01.2006 - 12.31.2006	10,000			
MASERA Pietro Giovanni	Director	01.01.2006 - 12.31.2006 <sup>(7)</sup>	10,000			
MAZZOTTI Stefano	Director	01.01.2006 - 10.10.2006 <sup>(7)</sup>	7,500			
QUADRIO CURZIO Stefano	Director	01.01.2006 - 10.10.2006	7,500			
	Member of Compensation Committee	01.01.2006 - 10.10.2006 <sup>(6) (7)</sup>	22,500			
REBOA Marco	Director	01.01.2006 - 12.31.2006	10,000			
	Member of Internal Audit Committee	01.01.2006 - 12.31.2006	30,000			
	Chairman of Supervisory Committee	01.01.2006 - 12.31.2006	10,000			
VOLPI Nicola	Director	01.01.2006 - 12.31.2006	10,000			
	Member of Internal Audit Committee	01.01.2006 - 04.30.2006 <sup>(6) (7)</sup>	10,000			
CERVELLERA Enrico	Chairman of Board of Statutory Auditors	01.01.2006 - 12.31.2006	61,975			
VASAPOLLI Andrea	Acting Auditor	01.01.2006 - 12.31.2006	41,317			3,284 <sup>(8)</sup>
CIRUZZI Vincenzo	Acting Auditor	01.01.2006 - 12.31.2006	41,317			8,523 <sup>(9)</sup>

(1) Fees for the year 2006 according to ex - art. 2389, 3rd comma of the Italian civil code.

(2) "Other fees" attributed to Mr. Gilberti refer to fees recognised to Studio Gilberti Pappalettera Triscornia e Associati, for consulting activities performed for SEAT Pagine Gialle S.p.A. during 2006.

(3) Fees for the year 2006 according to ex - art. 2389, 1st comma of the Italian civil code: this amount was waived.

(4) Of which 40% will be paid only if he holds the office until December 1, 2007 (20%) and then until December 1, 2008 (20%).

(5) "Other fees" attributed to Mr. Majocchi refer to the amount of termination indemnity accrued in 2006.

(6) The following members have partially waived fees paid as members of:

a) Compensation Committee: Antonio Belloni (€ 6,250); Dario Cossutta (€ 25,000); Stefano Quadrio Curzio (€ 18,750);

b) Internal Audit Committee: Marco Lucchini (€ 16,667); Nicola Volpi (€ 8,333).

(7) Luigi Lanari and Pietro Giovanni Masera repaid their fees to CVC Capital Partners S.r.l.; Antonio Belloni (net of the amount indicated in footnote (6)), Carmine Di Palo and Stefano Mazzotti to BC Partners S.r.l.; Nicola Volpi (net of the amount indicated in footnote (6)) to Permira Associati S.p.A.; Stefano Quadrio Curzio (net of the amount indicated in footnote (6)) to BC Partners Limited.

(8) Fees for the year 2006 received for the position of Chairman of the Board of Statutory Auditors in the subsidiary Prontoseat S.r.l.

(9) Fees for year 2006 received for the position of Chairman of the Board of Statutory Auditors in the subsidiary Consodata S.p.A. (€ 5,011) and for the position of Acting Auditor in the subsidiary Cipi S.p.A. (€ 3,512).

## Final statement of Independent Auditors' fees

The 2006 financial statements of SEAT Pagine Gialle S.p.A. have been audited by Reconta Ernst & Young S.p.A. based on the assignment given to the Firm during the Shareholders' Meeting held on April 27, 2006 for the financial years 2006-2011 in compliance with the requirements of the Consolidation Act concerning financial brokerage (Legislative Decree No. 58 of February 24, 1998).

The fees for auditing the 2006 financial statements and verifying the adequacy of the accounting procedures and the exactness and completeness of the book entries was € 135 thousand. The auditing fees for the 2006 financial statements of the Group was € 29 thousand.

The limited review of the 2006 half-year separated and consolidated report of SEAT Pagine Gialle involved a total cost of € 36 thousand.

## Annex 1

### Major interests in investments

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

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

All equity investments are held through ownership.

Company	Registered Office	Share capital	Held by	%
CIPI S.p.A.	Milan	Euro 1,200,000.00	SEAT Pagine Gialle S.p.A.	51
CONSODATA S.p.A.	Rome	Euro 2,446,330.00	SEAT Pagine Gialle S.p.A.	100
CONSODATA GROUP Ltd. in liquidation	London (United Kingdom)	GBP 25,146,140.00	SEAT Pagine Gialle S.p.A.	100
EUROPAGES S.A.	Neuilly-sur-Seine Cedex (France)	Euro 2,800,000.00	SEAT Pagine Gialle S.p.A.	93.562
LIGHTHOUSE INTERNATIONAL COMPANY S.A.	Luxembourg	Euro 31,000.00	SEAT Pagine Gialle S.p.A.	25
PRONTOSEAT S.r.l.	Turin	Euro 10,500.00	SEAT Pagine Gialle S.p.A.	100
SEAT CORPORATE UNIVERSITY S.c.a.r.l.	Turin	Euro 10,000.00	SEAT Pagine Gialle S.p.A.	95
TELEGATE HOLDING GmbH	Munich (Germany)	Euro 26,100.00	SEAT Pagine Gialle S.p.A.	100
TELEGATE A.G.	Munich (Germany)	Euro 20,987,045.00	Telegate Holding GmbH SEAT Pagine Gialle S.p.A.	61.85 16.43
11811 NUEVA INFORMACION TELEFONICA S.A.U.	Madrid (Spain)	Euro 222,000.00	Telegate A.G.	100
11880 TELEGATE GmbH	Wien (Austria)	Euro 35,000.00	Telegate A.G.	100
DATAGATE GmbH	Munich (Germany)	Euro 60,000.00	Telegate A.G.	100
11880.COM GmbH	Munich (Germany)	Euro 25,000.00	Datagate GmbH	100
MOBILSAFE A.G.	Munich (Germany)	Euro 150,000.00	Datagate GmbH	100
TELEGATE AKADEMIE GmbH	Rostock (Germany)	Euro 25,000.00	Telegate A.G.	100
TELEGATE FRANCE Sarl	Paris (France)	Euro 1.00	Telegate A.G.	100
Le 118000 S.A.S. (ex Scoot France Sarl)	Paris (France)	Euro 87,000.00	Telegate France Sarl	100
TELEGATE ITALIA S.r.l.	Turin	Euro 129,000.00	Telegate A.G.	100
UNO UNO OCHO CINCO CERO GUIAS S.L.	Madrid (Spain)	Euro 3,100.00	Telegate A.G.	100
TELEGATE AUSKUNFTDIENSTE GmbH	Munich (Germany)	Euro 25,000.00	Telegate A.G.	100
TDL INFOMEDIA Ltd.	Hampshire (United Kingdom)	GBP 139,524.78	SEAT Pagine Gialle S.p.A.	100
INDIRECT S.P.R.L. in liquidation	Brussels (Belgium)	BEF 6,000,000.00	TDL Infomedia Ltd.	27
TDL BELGIUM S.A. in liquidation	Brussels (Belgium)	BEF 750,087,200.00	TDL Infomedia Ltd.	49.6
THOMSON DIRECTORIES Ltd.	Hampshire (United Kingdom)	GBP 1,340,000.00	TDL Infomedia Ltd.	100
THOMSON DIRECTORIES PENSION COMPANY Ltd.	Hampshire (United Kingdom)	GBP 2.00	Thomson Directories Ltd.	100
CALLS YOU CONTROLL Ltd.	Hampshire (United Kingdom)	GBP 1.00	Thomson Directories Ltd.	100
MOBILE COMMERCE Ltd.	Cirencester (United Kingdom)	GBP 497.00	TDL Infomedia Ltd.	10



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## ➤ Report of the Board of Statutory Auditors to the Shareholders' Meeting of SEAT Pagine Gialle S.p.A. pursuant to Article 2429 of the Italian Civil Code and Article 153 of Legislative Decree No. 58/98

Dear Shareholders,

in this report the Board of Statutory Auditors discloses its activities, as required by Article 2429 of the Italian Civil Code and Article 153 of Legislative Decree No. 58/98 and in compliance with the recommendations issued by the National Boards of Certified Accountants (*Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri*) and CONSOB resolutions No. DEM-1025564 dated April 6, 2001, No. 97001574 dated February 20, 1997 and No. 98015375 dated February 27, 1998.

### 1. Notes on the most important economic and financial transactions carried out by the Company and their compliance with the law and the memorandum of association.

The Board of Statutory Auditors points out the following transactions, considered the most significant in 2006.

a) Securitisation of trade account receivables: a securitisation plan was launched in June 2006 pursuant to Law No. 130/1999.

The transaction, as detailed in the "Report on operations", had as its object the sale of an initial credit portfolio of €/000 355,531 on May 31, 2006. The securitisation program provides for assignments of newly-established trade account receivables on a monthly basis.

The liquidity arising from the transaction was used to make an early repayment pro-quota of two tranches of the Senior debt, for a total of €/mln 254.4.

b) In December 2006, the Company executed a preliminary contract of sale related to a real estate complex in course of being constructed in Turin, comprising a gross area of approximately 26,600 m<sup>2</sup>. The acquisition will be funded through a leaseback.

The Board of Statutory Auditors considers the above-mentioned openly transactions in compliance with the law and the memorandum of association, made in the interest of the Company, not outwardly imprudent or risky or in contrast with the resolutions passed by the Shareholders' Meeting, and not compromising the integrity of the Company's assets.

### 2. Related party transactions.

The Company adopted an in-house procedure to provide information pursuant to Article 150, paragraph 1, of Legislative Decree No. 58/1998, on related party transactions, business activities, as well as significant, atypical or unusual transactions.

2.1. The Board of Statutory Auditors has not met any atypical and/or unusual transactions carried out by the Company with related parties.

2.2. The Board of Statutory Auditors has not met any atypical and/or unusual transactions carried out by the Company with third parties or Group companies, nor extraordinary related party transactions (subject to approval of the Board of Directors).

2.3. With regard to ordinary and financial transactions with related parties, the Company has economic and financial relationships with Group companies; these transactions are carried at market values;

With reference to the ordinary transactions between Group companies and with related parties described above, the Board of Statutory Auditors deems the performed transactions to be in the Company's interest and their amounts appropriate.

**3. The Board of Statutory Auditors believes that the information provided by the Directors in the Financial Statements with reference to transactions between Group companies and related parties is adequate.**

**4. On April 2, 2007, the Independent Auditors Reconta Ernst & Young issued their report pursuant to Article 156 of Legislative Decree No. 58/98, without raising any objections.**

**5. Complaints pursuant to Article 2408 of the Italian Civil Code.**

The Board of Statutory Auditors confirms that no anomalies were found.

**6. No briefs were filed.**

**7. Additional assignments given to Reconta Ernst & Young S.p.A. for a total of €/000 143:**

- annual report on the report prepared for Lighthouse Bondholders;
- comfort letters on covenants on the Senior debt;
- procedures to assess data in the quarterly report required by the Servicing and Sub-servicing contracts entered into with Meliadi Finance S.r.l.

**8. No services were rendered by entities which are related to the Independent Auditors.**

**9. The Board of Statutory Auditors issued favourable opinions pursuant to Article 2389, No. 3, of the Italian Civil Code and verified that the criteria and the procedures adopted by the Board of Directors for the assessment of the independence of its members had been correctly applied pursuant to Article 3-c-5 of the Company Governance Code.**

**10. The following meetings were held:**

- 14 meetings of the Board of Directors;
- 6 meetings of the Board of Statutory Auditors;
- 6 meetings of the Internal Audit Committee.

The Board of Statutory Auditors, or some of its members, participated in all the aforesaid meetings.

Furthermore, 3 meetings of the Compensation Committee were held.

**11. With regard to the matters falling within its competence, the Board of Statutory Auditors has acquired knowledge of and supervised the compliance with the principles of good management through direct assessments, information gathered from executive directors and through meetings with the Independent Auditors, for the purposes of mutual exchange of significant data and information.**

With regard to this point, no issues are to be disclosed.

**12. Furthermore, with regard to the matters falling within its competence, the Board of Statutory Auditors has acquired knowledge of and supervised the adequacy of the organisation of the Company and has no objections to make.**

**13. The Board of Statutory Auditors has supervised the adequacy of the Company's internal audit system, assessing the control activities and procedures carried out.**

The head of the Internal Audit Department is the person appointed to run the Internal Audit system. He reports to the Managing Director, the Internal Audit Committee and the Board of Statutory Auditors, as required by the Company Governance Code.

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14. The Board of Statutory Auditors believes that the administrative and accounting system is both adequate and reliable for a correct and true representation of operations.

15. The Company has provided subsidiaries with the necessary instructions to fulfil disclosure obligations under Article 114, paragraph 2, of Legislative Decree No. 58/98.

16. During the meetings held with the Independent Auditors, pursuant to Article 150, paragraph 2, of Legislative Decree No. 58/98, no issues emerged.

17. Regarding Corporate Governance and the procedures to actually implement the relevant rules under the Company Governance Code issued by Italian Stock Exchange (*Borsa Italiana*), the subscription procedures by the Company are detailed in the appropriate report submitted to the Shareholders' Meeting, whose contents are shared by the Board of Statutory Auditors.

18. During the course of our supervisory activities, no significant facts emerged that needed to be reported to the supervisory bodies or be mentioned in this report.

19. As the Financial Statements for the year ended December 31, 2006 shows a net profit of €/000 83,395, the Board of Statutory Auditors has no objections to raise against the resolution proposed by the Board of Directors about the allocation of this profit.

Milan, April 2, 2007

The Board of Statutory Auditors

Enrico Cervellera

Vincenzo Ciruzzi

Andrea Vasapoli



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 Fax (+39) 011 5612554  
 www.ey.com

**INDEPENDENT AUDITORS' REPORT**  
**PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58**  
**OF FEBRUARY 24, 1998**  
**(TRANSLATION FROM THE ORIGINAL ITALIAN TEXT)**

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

1. We have audited the financial statements of SEAT Pagine Gialle S.p.A., as of and for the year ended December 31, 2006, comprising the balance sheet, the statement of operations, changes in shareholder's equity and cash flows and the related explanatory notes. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statement, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For our opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 11, 2006.

3. In our opinion, the financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholder's equity and the cash flows of SEAT Pagine Gialle S.p.A. as of December 31, 2006 and for the year then ended in accordance with IFRS as adopted by the European Union and the standards issued in accordance with art. 9 of Italian Legislative Decree n° 38/2005.

Reconta Ernst & Young S.p.A.

*Signed by*  
 Mario Lamprati  
 Partner

Turin, Italy  
 April 2, 2007

*This report has been translated into the English language solely for the convenience of international readers.*

■ **Reconta Ernst & Young S.p.A.**  
 Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A  
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Καταλογο  
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Seznamu

Annuario

Seznamu

Kataloogi

Directory

Katalogu

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## ➤ Proposed resolutions

Dear Shareholders,

the Financial Statements as of December 31, 2006, submitted to You for Your approval, show a net profit of € 83,395,368.51.

It is proposed to distribute € 0.0070 per each ordinary share and € 0.0076 per each savings share.

The overall amount of the distributed dividend may vary, in relation to the number of shares with regular settlement on the payment day of the dividend, and taking into consideration the number of shares susceptible of subscription for the purposes of the capital increases under Article 5 of the Company's By-Laws and actually issued by such date.

Given that, We invite You to deliberate as follows:

the Shareholders' Meeting of SEAT PAGINE GIALLE S.p.A.

- a) having examined the Financial Statements for the year ended December 31, 2006;
- b) having viewed the Report on Operations attached to the Financial Statements;
- c) having acknowledged the Report of the Board of Statutory Auditors and of the Independent Auditors Reconta Ernst & Young S.p.A.

Hereby approves

1. the Report on Operations and the Financial Statements of SEAT Pagine Gialle S.p.A., which closed with an income of € 83,395,368.51;
2. to allocate the income of € 83,395,368.51 as follows:
  - € 373,350.00 to the Legal Reserve, given that, with such allocation, this reserve reaches the amount of € 49,975,742.89 equal to 20% of the share capital existing at December 31, 2006;
  - to Shareholders a total dividend of € 58,457,448.24, determined as follows:
    - (i) € € 0.0070, including legal withholding, per each of No. 8,203,325,696 ordinary shares amounted to € 57,423,279.87;
    - (ii) € 0.0076, including legal withholding, per each of No. 136,074,786 savings shares (due to the whole preferred dividend for the 2003, 2004 and 2005 financial years and to the increase set for savings shares on the 2005 financial year) amounted to € 1,034,168.37.
 Such dividend is subject to the taxation prescribed for profits under articles 44 and 89 of Presidential Decree No. 917 of December 22, 1986;
    - the remaining profit of € 24,564,570.27 to the "Retained Earnings" reserve;
3. to pay the dividend as from May 24, 2007, with ex-dividend date fixed on May 21, 2007;
4. to delegate to the Chairman and to the Managing Director, separately, the power to verify, in due course, on the basis of the exact final amount of shares for which dividends are paid, the total income distributed and the income carried forward.

## ➤ Resolutions of the Shareholders' Meeting

On April 19, 2007, in Turin, Via Aurelio Saffi 18, at the secondary office of the Company, the Ordinary and Extraordinary Meeting of SEAT Pagine Gialle S.p.A. was held in second convocation.

The Ordinary Meeting resolved:

1. to approve the Report on Operations of the Board of Directors and the Financial Statements of SEAT Pagine Gialle S.p.A., which present a net income of € 83,395,368.51;
  - 1.a. to allocate the income of € 83,395,368.51 as follows:
    - 373,350.00 to the Legal Reserve, in order for such reserve to reach one fifth of the certified share capital (€ 49,975,742.89) existing as at December 31, 2006;
    - to Shareholders a total dividend of € 58,457,448.24, determined as follows:
      - (i) € 0.0070, including legal deductions, per each of No. 8,203,325,696 ordinary shares totalling € 57,423,279.87;
      - (ii) € 0.0076, including legal deductions, per each of No. 136,074,786 savings shares (due to the increase set for savings shares) totalling € 1,034,168.37. Such dividend is subject to the taxation prescribed for incomes under articles 44 and 89 of Presidential Decree No. 917 of December 22, 1986;
    - the remaining income of € 24,564,570.27 to the "Retained Earnings" reserve;
  - 1.b. to pay the dividend as from May 24, 2007, with ex-dividend date fixed on May 21, 2007;
  - 1.c. to delegate to the Chairman and to the Managing Director, jointly or severally, the power to verify, in due course, on the basis of the exact final amount of shares for which dividends are paid, the total profit distributed and the profit carried forward, since the overall amount of the distributed dividend may vary, subject to the number of shares with regular settlement on the payment day of the dividend, and taking into consideration the number of shares susceptible of subscription for the purposes of the capital increases under Article 5 of the Company's By-Laws and actually issued by such date;
2. to appoint Antonio Belloni and Carmine Di Palo as member of the Board of Directors;

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The Extraordinary Meeting resolved:

- to integrate Article 5, third paragraph, of the Company's By Laws (Share Capital) with an expressed indication on the deadline to subscribe the capital increase referred to above;
- to modify the following Articles of the Company's By Laws: Article 8 (Right to Participate), aligning it to the rules established by the Article 2370 of the Italian Civil Code; Article 14 (Composition of the Board of Directors), aligning the rules concerning the appointment and composition of the Board of Directors to the provisions of the Article 147, paragraph 3, of the Legislative Decree No. 58/1998 and some recommendations laid down by the Code of Conduct for the Italian listed company; Article 16 (Meeting of the Board of Directors) granting each member of the Board of Statutory Auditor with the right to convene the Board of Directors; Article 19 (Powers of the Board – Delegation of Power) establishing the procedure to appoint the Manager charged with the drawing up of the Company's accounting documents; Article 22 (Board of Statutory Auditors) aligning the procedure allowing the Minority to appoint an Acting Auditor of the Board of Statutory Auditors and that for the appointment of the Chairman of the Board to the provisions of the Article 148 of the Legislative Decree No. 58/1998, and also aligning the procedure for submitting lists of candidate to the recommendations laid down by the Code of Conduct for the Italian listed company.

\* \* \* \*

It should be noted that, on April 19, 2007, in Turin, Via Aurelio Saffi 18, at the secondary office of the Company, the Special Meeting of Savings Shareholders, held in third convocation, resolved to appoint Edoardo Guffanti as Common Representative of Savings Shareholders for the years 2007-2008-2009.

To contact SEAT Pagine Gialle S.p.A.

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SEAT Pagine Gialle S.p.A.

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