

SEAT Pagine Gialle S.p.A.



First Half Report at June 30, 2007





➤ First Half Report at  
June 30, 2007

Registered office: Via Grosio, 10/4 - 20151 Milan (Italy)  
Secondary office: Via Saffi, 18 - 10138 Turin (Italy)  
Fully paid-up share capital: € 250,322,414.46  
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* and 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

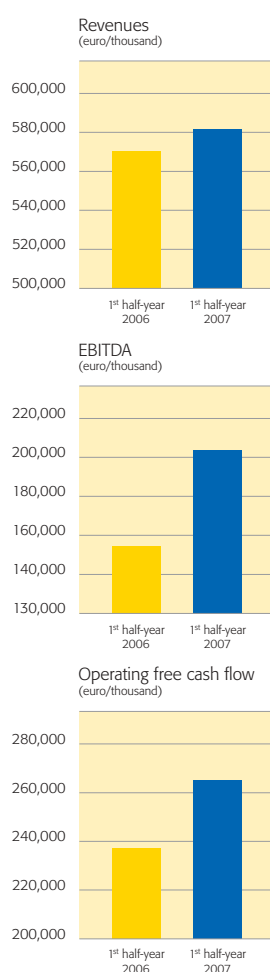
(information updated to September 7, 2007)

<b>Board of Directors</b>	↑	Chairman Managing Director Non-Executive Directors	Enrico Giliberti Luca Majocchi Antonio Belloni Lino Benassi <sup>(l)</sup> Dario Cossutta Carmine Di Palo Gian Maria Gros Pietro <sup>(l)</sup> Luigi Lanari Marco Lucchini Michele Marini Pietro Masera Marco Reboa <sup>(l)</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>Manager responsible for preparing the Company's financial reports</b>	↑		Maurizia Squinzi (*)
<b>Board of Statutory Auditors</b>	↑	Chairman Acting Auditors	Enrico Cervellera Vincenzo Ciruzzi Andrea Vasapolli
		Alternate Auditors	Guido Costa Guido Vasapolli
<b>Common representative of Savings Shareholders</b>	↑		Edoardo Guffanti
<b>Independent Auditors</b>	↑		Reconta Ernst & Young S.p.A.

(l) Independent Director pursuant to Art. 3 of the Corporate Governance Code of Listed Companies.

(\*) Appointed by the Board of Directors on June 19, 2007, pursuant to Art. 154 bis paragraph 2 of the Legislative Decree No. 58/1998.

## ➤ Economic and financial highlights of the Group



(euro/thousand)	1 <sup>st</sup> half-year 2007	1 <sup>st</sup> half-year 2006	Year 2006
<b>Economic and financial highlights</b>			
Revenues from sales and services	582,263	573,591	1,460,183
Gross operating profit	235,953	183,441	659,501
Operating income before amortisation, depreciation, non-recurring and restructuring cost, net (EBITDA)	207,573	154,993	611,424
Operating result (EBIT)	95,658	53,781	402,118
Income (loss) before income taxes and Minority interests	(27,646)	(70,194)	155,904
Income (loss) for the period	(31,066)	(69,344)	80,136
Operating free cash flow (FCF)	266,208	236,526	548,335
Capital expenditure	26,213	17,115	48,323
Net invested capital <sup>(1)</sup>	4,215,408	4,357,782	4,377,887
<i>of which goodwill and Customer DataBase</i>	3,915,817	4,071,856	3,997,672
<i>of which net operating working capital</i>	212,436	186,550	298,690
Equity Shareholders of the Group <sup>(1)</sup>	989,188	893,951	1,057,184
Net financial debt <sup>(2)</sup>	3,316,160	3,568,281	3,405,782
<b>Income ratios</b>			
EBITDA/Revenues	35.6%	27.0%	41.9%
Operating result/Revenues	16.4%	9.4%	27.5%
Operating result/Net invested capital	2.3%	1.2%	9.2%
Income (loss)/Equity Shareholders of the Group	(3.1%)	(7.8%)	7.6%
Operating free cash flow/Revenues	45.7%	41.2%	37.6%
Operating working capital/Revenues	36.5%	32.5%	20.5%
<b>Workforce</b>			
Workforce at the end of the period (units)	6,969	6,656	6,661
Average workforce for the period (FTE) (units)	5,326	5,156	5,164
Revenues/Average workforce	109	111	283

(1) Figures as at June 30, 2006 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.

(2) Net financial debt does not include transaction costs on loans and the net market value of cash flow hedge instruments recognised as a financial asset amounting to € 107,312 thousand at June 30, 2007.

### Legenda:

**Gross operating profit** - Revenues from sales and services less operating costs.

**EBITDA** - Earning before interests, tax, depreciation and amortisation: gross operating profit less other valuation adjustments, provisions to reserves for risks and charges, other income and expenses.

**EBIT** - Earning before interests and tax: EBITDA less non-recurring and restructuring costs, operating amortisation, depreciation and write-downs and non-operating amortisation.

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

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

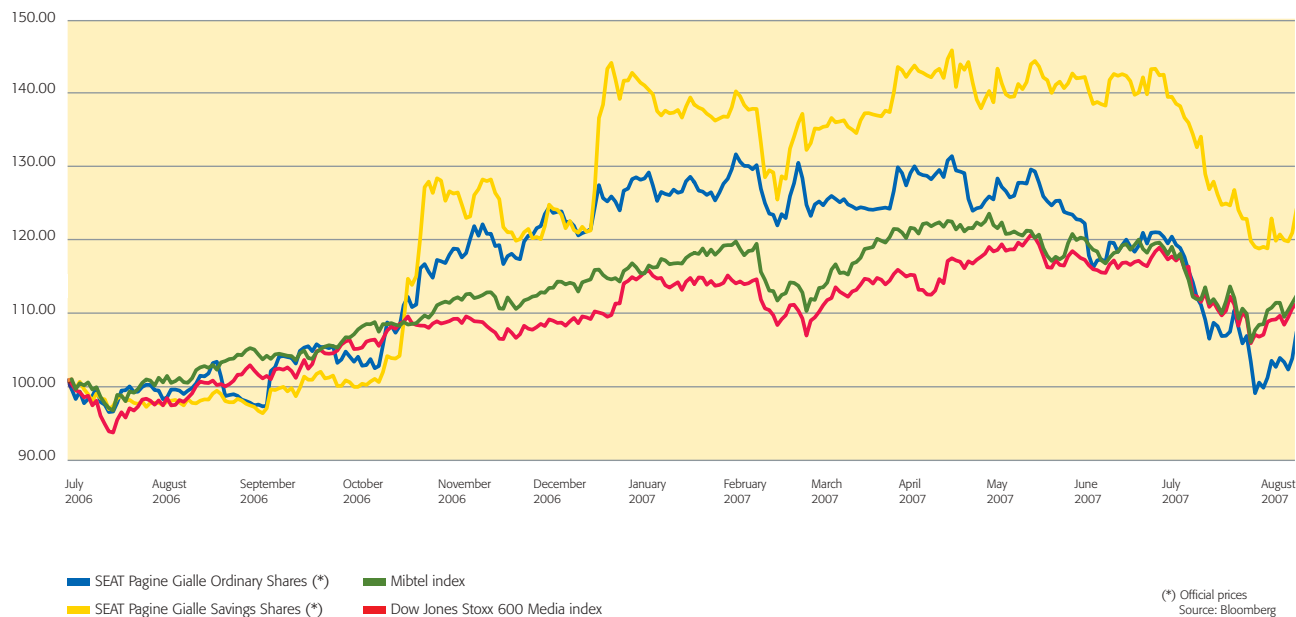
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## ➤ Information for Shareholders

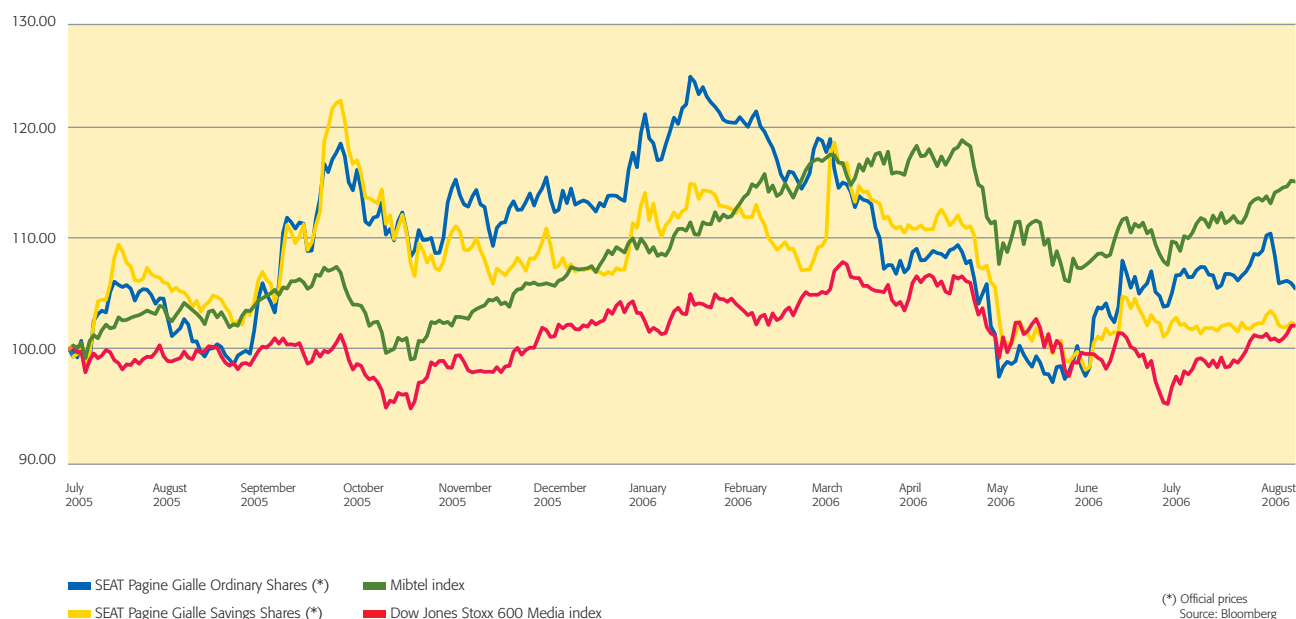
### Shares

Share capital ( <i>at June 30, 2007</i> )	euro	250,303,664.46
Number of ordinary shares ( <i>par value 0.03 euro</i> )	No.	8,207,380,696
Number of savings shares ( <i>par value 0.03 euro</i> )	No.	136,074,786
Market capitalisation ( <i>on average official market prices for June 2007</i> )	euro/mln	3,809
Market ratio of SEAT Pagine Gialle (SPG ordinary shares) at June 30, 2007		
- on Mibtel index		0.435%
- on Dow Jones Stoxx 600 Media index		1.068%

## Performance of SEAT Pagine Gialle S.p.A. shares vs. Mibtel and Dow Jones Stoxx 600 Media indexes - at August 31, 2007



## Performance of SEAT Pagine Gialle S.p.A. shares vs. Mibtel and Dow Jones Stoxx 600 Media indexes - at August 31, 2006



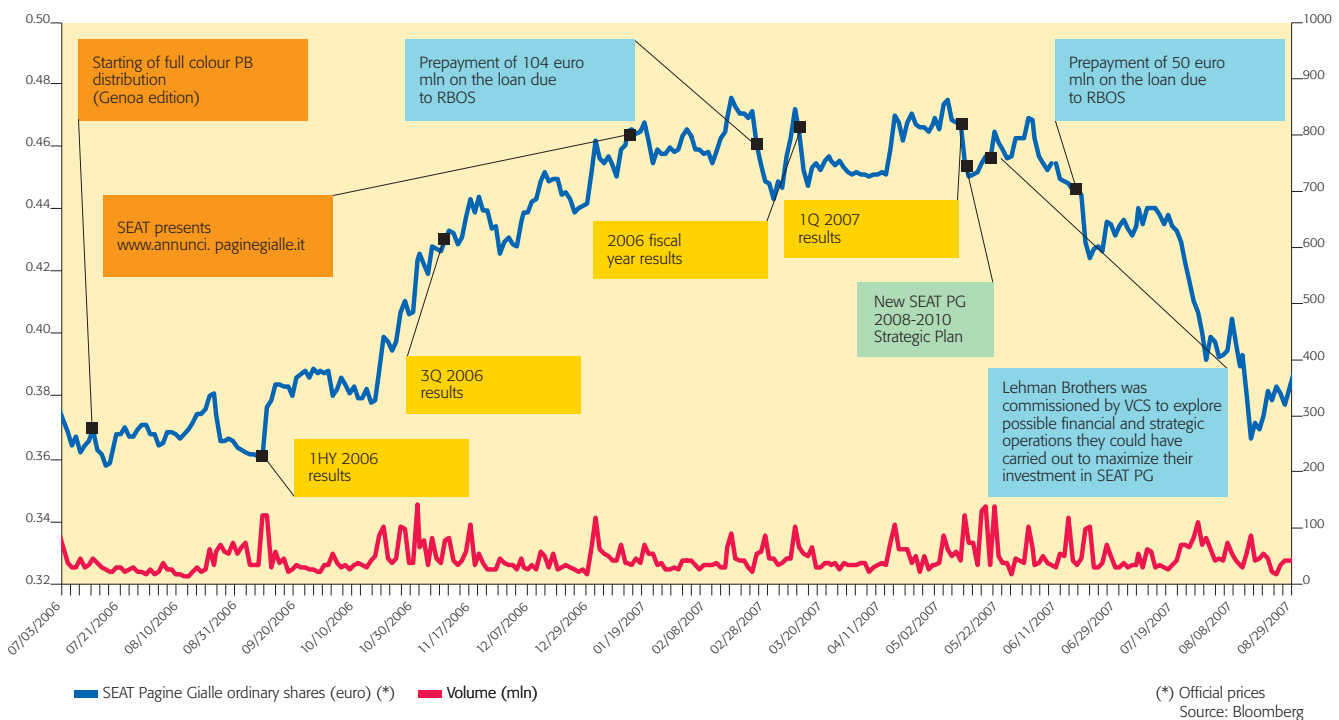


## Stock performance of SEAT Pagine Gialle and traded volume over the last twelve months

At June 30, 2007, the market value of the ordinary shares of SEAT Pagine Gialle S.p.A. was € 0.4453, up 24% compared to June 30, 2006 (€ 0.3601), recording a better performance than the average performance (+3%) recorded by the other European "directory" shares.

As a consequence of the recession of the financial markets in the first two months of the second quarter of 2007, the market value of SEAT Pagine Gialle S.p.A.'s shares amounted to € 0.3872 at August 30, 2007, still increased by 8% compared to June 30, 2006 and anyway with a better trend than the average of the other European "directory" shares, which decreased by 2% in the same period.

During the last twelve months average daily traded volumes were around 39.7 million shares (40 million at August 30, 2007).



## Shareholders

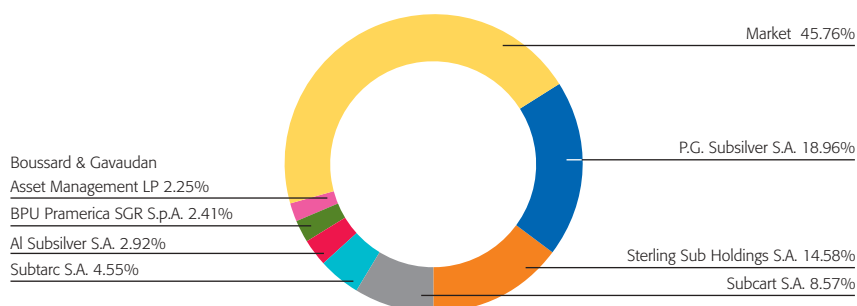
The following table lists the Holders of ordinary shares in SEAT Pagine Gialle S.p.A. who held more than 2% of the share capital at June 30, 2007

Shareholders at June 30, 2007	No. of ordinary shares	% of ordinary share capital
P.G. Subsilver S.A.	1,555,920,894	18.96 <sup>(1)</sup>
Sterling Sub Holdings S.A.	1,196,849,420	14.58 <sup>(1)</sup>
Subcart S.A.	703,586,244	8.57 <sup>(1)</sup>
Subtarc S.A.	373,595,387	4.55 <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 <sup>(2)</sup>	184,920,637	2.25

(1) Shares pledged on a first priority basis in favour 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 favour 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.

(2) At September 7, 2007 (date of approval of this report by the Board of Directors) Boussard & Gavaudan Asset Management LP owns 416,289,943 ordinary shares equal to 5.072% of ordinary share capital of SEAT Pagine Gialle S.p.A.

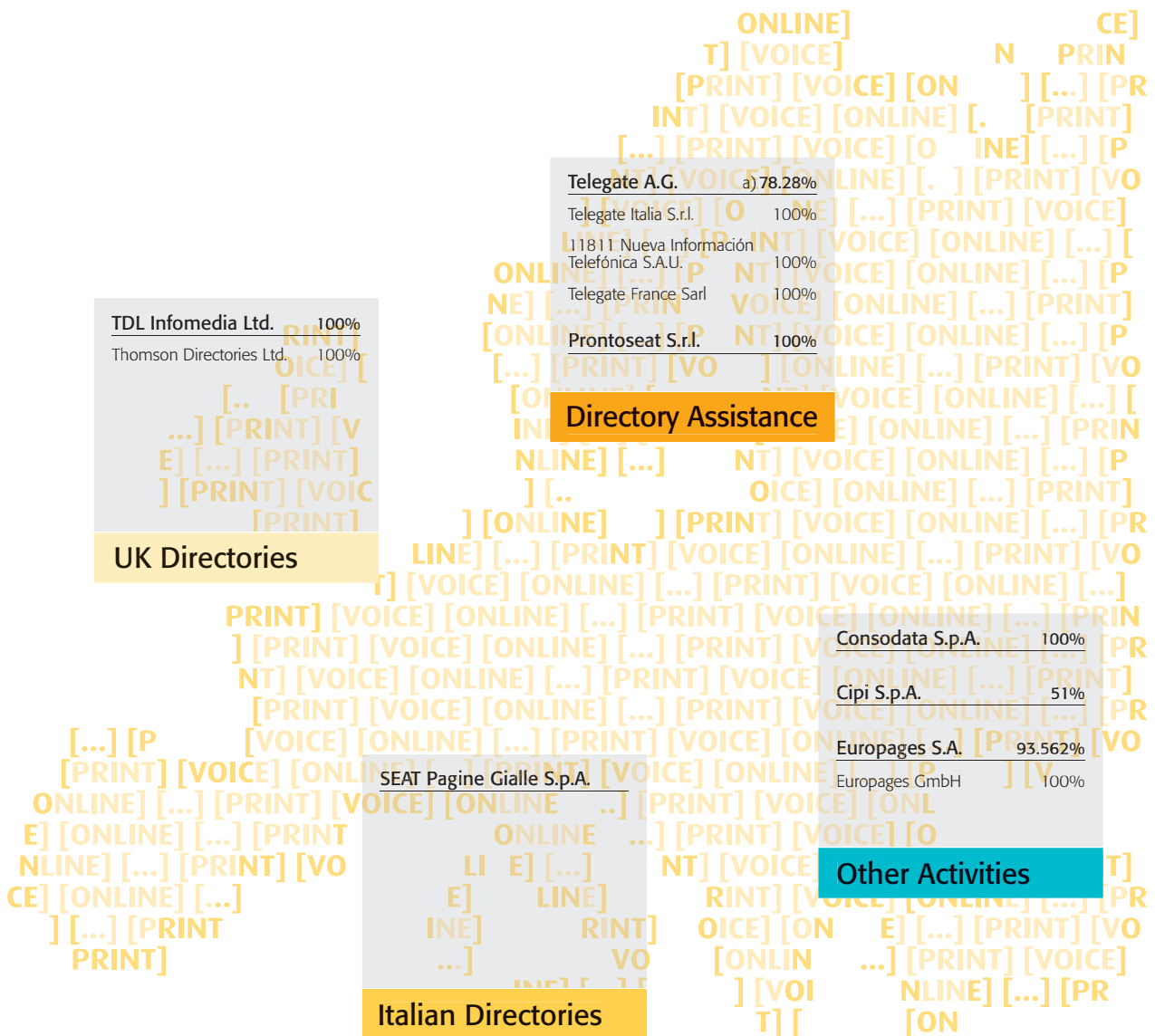
## SEAT Pagine Gialle S.p.A. Shareholders at June 30, 2007



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## ➤ Organisational structure of the Group



### Legenda

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







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 for the first half of 2007

Group revenues and EBITDA experienced a positive trend in the first half of 2007, in line with the second half of 2006. These results were achieved thanks to strategical actions carried out in Italy in the previous years and focused on the strengthening of the commercial portfolio and re-training of the sale force. Also, foreign companies reported positive performance during the first half of 2007, in particular the Telegate group, whose EBITDA had been impacted in 2006 by the high level of investments necessary to enter the directory assistance market in France, following its liberalisation.

**Revenues from sales and services** amounted to € 582,263 thousand in the first half of 2007, up 1.5% compared to the same period of the previous year (€ 573,591 thousand). On a like for like basis (same exchange rate and number of published directories), the increase was 3.6%, thanks in particular to the positive performance of SEAT Pagine Gialle S.p.A..

Gross of eliminations between Business Areas, revenues from sales and services were as follows:

- revenues from the *"Italian Directories"* (SEAT Pagine Gialle S.p.A.) Business Area, which amounted to € 428,381 thousand in the first half of 2007, up 2.7% compared to the same period of the previous year, despite the shift to the third quarter of 2007 of the publication of the Forli edition of PAGINEGIALLE® and PAGINEBIANCHE® (amounted to € 11,692 thousand of revenues in the first half of 2006). At the same number of published directories, revenues of SEAT Pagine Gialle S.p.A. recorded a 5.6% growth in the first half of 2007, up compared to the 0.5% growth recorded in the same period of the previous year, thanks to the positive performance of online (PAGINEGIALLE.it® at € 51,688 thousand, up 28.2%) and on voice services (89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE® at € 57,505 thousand, up 35.2%).

The decrease in revenues from print products, still perceptible, was largely concentrated on PAGINEGIALLE®, whose performance (although negative, with a decrease of 6.6%) improved compared to the first half of 2006. Results in the second quarter of 2007, in particular, started to benefit from product innovations (restyling of the Casa and Lavoro editions) and from the reorganisation of the commercial area and the new sales methods which were introduced in 2006.

Positive results for PAGINEBIANCHE®: at the same number of published directories, revenues increased by 2.8% compared to the first half of 2006, in line with the growth of 2.5% recorded in the second half of 2006, thanks, in particular, to full colour;

- revenues from the “UK Directories” (*Thomson Directories group*) Business Area, which amounted to € 58,484 thousand in the first half of 2007, down 4.4% compared to the first half of 2006. At the same number of published directories, revenues in local currency fell by 5.0%, with a slight growth in online revenues (+2.6%) and a fall of 6.0% in print products. This result reflects the high competitive pressure on the United Kingdom market and the contraction following the initial stages of the internal reorganisation process, necessary to offer an increasingly wider product range and relocate the Thomson group on the market as an online media agency for English SMEs;
- revenues from the “Directory Assistance” (*Telegate group and Prontoseat S.r.l.*) Business Area, which amounted to € 92,880 thousand in the first half of 2007, substantially flat compared to the same period of the previous year.  
Revenues from the Telegate group fell by 1.7% mainly due to the performance in the French market. It should be noted that in the first half of 2006 revenues had included € 9,562 thousand in relation to the management in outsourcing of services for the mobile phone operators SFR and Bouygues Telecom, an unproductive business in terms of operating margins that has been discontinued following market liberalisation. If such revenues are excluded, growth was 10.3% compared to the first half of 2006, thanks to the positive performance in France and in Italy.  
Prontoseat S.r.l. also benefited from the solid performance of phone calls to the 89.24.24 Pronto PAGINEGIALLE® service, thus recording an increase in revenues from call center services of 37.0% in the first half of 2007 compared to the first half of 2006;
- revenues from the “Other activities” (*Consodata S.p.A., Europages S.A. and Cipi S.p.A.*) Business Area, which amounted to € 30,896 thousand in the first half of 2007 (€ 26,255 thousand in the first half of 2006), mainly sustained from online revenues in Europages S.A., more than double compared to the first half of 2006 (€ 12,481 thousand in the first half of 2007 and € 6,115 thousand in the first half of 2006).

**Materials and external services**, net of repayments of cost, amounted to € 224,616 thousand in the first half of 2007, a decrease of € 49,048 thousand compared to the same period of the previous year, mainly due to:

- *advertising and promotion costs*, which decreased by € 32,726 thousand in the first half of 2007 compared to the first half of 2006, significantly impacted in 2006 by the launch of directory assistance services in Italy and France;
- *industrial costs*, which decreased by € 13,606 thousand in the first half of 2007 compared to the first half of 2006, of which € 9,562 thousand referred to the costs incurred in 2006 by the Telegate group in France to manage in outsourcing services for mobile phone operators. These services were provided until April 2006, before market liberalisation (more details are included in the following section “Economic and financial performance of the Business Areas - Directory Assistance”). Net of this change, industrial costs declined by 5.1%, reflecting in particular the reduction of € 3,074 thousand in the purchase and updating costs of telephone subscriber data in Germany also as a consequence of the positive outcome of the lawsuits with Deutsche Telekom.



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**Salaries, wages and employee benefits**, net of repayments of cost, amounted to € 121,694 thousand in the first half of 2007, up 4.5% (+€ 5,208 thousand) compared to the first half of 2006. The change includes a € 4,469 thousand increase in the "Directory Assistance" Business Area, as a consequence of a different labour agreement and the increase in the average number of telephone operators both in Italy and Spain and the strengthening of the organisational structure in Germany.

In Europages, labour costs increased by € 1,242 thousand in the first half of 2007 due to the development of the commercial area and the establishment of a new subsidiary in Germany.

The Group workforce - including directors, project workers and trainees - amounted to 6,969 units at June 30, 2007 (6,661 units at December 31, 2006).

The average workforce (FTE for non-Italian companies) was 5,326 units in the first half of 2007 (5,156 units in the first half of 2006).

**Gross operating profit** amounted to € 235,953 thousand in the first half of 2007, up 28.6% compared to the first half of 2006 (€ 183,441 thousand). At the same number of published directories and exchange rate, the increase was € 63,490 thousand or 36.8%. This result reflects the containment of operating costs, as described above, in particular advertising costs, which last year included investments to support new directory assistance services in Italy and France.

**Other valuation adjustments and provisions to reserves for risks and charges, net** amounted to € 26,254 thousand in the first half of 2007 and were substantially flat compared to the first half of 2006 (€ 26,538 thousand). The provision to the allowance for doubtful accounts rose by € 2,013 thousand compared to the first half of 2006, to face the higher utilization in this period (+€ 3,824 thousand) and to restore the same level of risk coverage as at the end of the previous year.

**Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)** amounted to € 207,573 thousand in the first half of 2007, up 33.9% compared to the same period of the previous year (€ 154,993 thousand) and up 44.1% at the same exchange rate and number of published directories. The ratio to revenues rose to 35.6% compared to 27.0% in the first half of 2006. This positive performance reflects the positive results achieved in terms of gross operating profit, though valuation adjustments and provisions to reserves for risks and charges were in line compared to the same period of the previous year.

**Operating amortisation, depreciation and write-downs** amounted to € 20,415 thousand in the first half of 2007 (€ 15,233 thousand in the same period of the previous year) and referred to intangible assets with finite useful life for € 13,387 thousand (€ 8,831 thousand in the first half of 2006) and property, plant and equipment for € 7,028 thousand (€ 6,402 thousand in the first half of 2006).

The increase compared to the first half of 2006 resulted from the high level of investments made in previous years.

**Non-operating amortisation and write-downs**, referred to the Customer DataBase, amounted to € 81,033 thousand in the first half of 2007, unchanged compared to the same period of the previous year.

**Non-recurring and restructuring costs** amounted to € 10,467 thousand in the first half of 2007 (€ 4,946 thousand in the first half of 2006). They include a provision of € 7,286 thousand to face the expected restructuring costs arising in SEAT Pagine Gialle S.p.A. from the implementation of a corporate reorganisation plan already approved by the Board and agreed with the Unions. This plan involves 130 redundancies in the 2007-2009 period, through measures of extraordinary unemployment compensation (*Cassa Integrazione Guadagni Straordinaria*) and early retirement, as well as selected dismissals and professional retraining. It will be carried out in publishing and commercial back-office departments, highly influenced by the introduction of new and innovative IT systems.

**Operating result (EBIT)** amounted to € 95,658 thousand in the first half of 2007, up 77.9% compared to the same period of the previous year (€ 53,781 thousand), with a ratio to revenues of 16.4% (9.4% in the first half of 2006).

**Interest expense, net** amounted to € 119,977 thousand in the first half of 2007 and is presented as the balance between interest expense of € 129,178 thousand (€ 129,561 thousand in the first half of 2006) and interest income of € 9,201 thousand (€ 5,602 thousand in the first half of 2006). Interest expense was substantially flat compared to the first half of 2006 due to the combined effect of lower average debt in the first half of 2007 and higher overall average cost of debt (at 6.4% in the first half of 2007, compared to 5.9% in the first half of 2006), following the increase in the Euribor reference rate.

In particular, *interest expense* included:

- € 63,000 thousand (€ 68,030 thousand in the first half of 2006) for interest on the *"Senior Credit Agreement"* between SEAT Pagine Gialle S.p.A. and The Royal Bank of Scotland Plc Milan Branch. This amount included € 7,135 thousand for the amortisation of the transaction costs incurred at the acquisition and refinancing dates and € 1,399 thousand for interest income on hedging transactions (€ 2,288 thousand for expenses on hedging transactions in the first half of 2006).  
Interest expense on the "Senior" loan decreased compared to the first half of 2006, notwithstanding increases in the Euribor rate. This result was mainly due to the lower level of average indebtedness (as a consequence of the € 254.4 million repayment following the securitisation program launched in June 2006) and the decrease in the spreads applied to the various tranches of the loan starting from February 2007;
- € 54,951 thousand for interest on the *"Subordinated"* loan with Lighthouse International Company S.A. in line with the amount recorded in the first half of 2006. This item included € 2,826 thousand for the amortisation of transaction costs;
- € 5,317 thousand (€ 340 thousand in the first half of 2006) for *interest on the asset backed securities* issued in June 2006 by the SPE Meliadi Finance S.r.l. with reference to the securitisation program;
- € 3,466 thousand (€ 3,312 thousand in the first half of 2006) for *losses from discounting* non-current liabilities;
- € 372 thousand (€ 1,186 thousand in the first half of 2006) for *foreign exchange losses* arising from hedging transactions on the Euro/Sterling currency exposure that were offset by foreign exchange gains, as described in the following item.

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*Interest income* included:

- € 4,057 thousand (€ 1,953 thousand in the first half of 2006) for *interest income* arising from short-term cash deposits with banks at rates substantially in line with Euribor. The increase is due to both the sharp rise in market rates and the higher level of average deposits;
- € 3,157 thousand (€ 2,529 thousand in the first half of 2006) for *interest income from non-current assets*, referred to assets designated to finance the pension plan of the TDL group;
- € 1,084 thousand (€ 891 thousand in the first half of 2006) for *foreign exchange gains*, mainly arising from hedging transactions on the Euro/Sterling currency exposure.

**Gains (losses) on valuation/disposal of investments** were negative for € 3,327 thousand in the first half of 2007. They referred to foreign exchange losses recognised in the statement of operations following the deconsolidation of Consodata Group Ltd as of January 1, 2007, since its liquidation process was closed. These losses at December 2006 had been deferred in the "reserve for foreign exchange adjustments", according to IAS 21.

**Income taxes** for the period were negative for € 624 thousand (negative for € 1,551 thousand in the first half of 2006). They included € 9,214 thousand for current income taxes, € 17,493 thousand for deferred tax assets and € 8,903 thousand for deferred tax liabilities. In accordance with IAS 34, income taxes were calculated by applying the expected average tax rates for the 2007 fiscal year to the result before income taxes at June 30, 2007.

**Minority interests** amounted to a profit of € 2,796 thousand (a loss of € 2,401 thousand in the first half of 2006) and were mainly due to the Minorities of the Telegate group.

**Net result for the period** was negative for € 31,066 thousand. This result was exclusively due to business seasonality and was strongly improved compared to the net loss of € 69,344 thousand in the first half of 2006.

## → Reclassified balance sheet of the Group at June 30, 2007

### Foreword

The loan contract 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 major 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**, of € 4,215,408 thousand at June 30, 2007, decreased by € 162,479 thousand compared to December 31, 2006 and was as follows:

- **goodwill and Customer DataBase**, which amounted to € 3,915,817 thousand at June 30, 2007, of which € 3,578,179 thousand related to goodwill and goodwill on consolidation and € 337,638 thousand related to Customer DataBase. The change of € 81,855 thousand in the item compared to December 31, 2006 is due to the amortisation for the period of Customer DataBase (€ 81,033 thousand) and foreign exchange adjustments (€ 822 thousand);
- **other non-current assets**, which amounted to € 175,210 thousand at June 30, 2007, an increase of € 8,390 thousand compared to December 31, 2006. The change reflects:
  - an increase of € 5,710 thousand in *operating intangible and tangible assets* in the first half of 2007, arising from capital expenditure of € 26,213 thousand (€ 17,115 thousand in the first half of 2006) and operating amortisation, depreciation and write-downs of € 20,415 thousand (€ 15,233 thousand in the first half of 2006).

*Capital expenditure* in the first half of 2007 was particularly significant. In SEAT Pagine Gialle S.p.A. (€ 18,943 thousand, compared to € 10,018 thousand in the first half of 2006) it was focused on product innovations, improvements in the effectiveness and efficiency of the IT systems supporting the sales network, as well as the development of customer care systems, credit management and process integration of commercial and administrative back office.

Capital expenditure substantially increased also in Europages (€ 2,069 thousand compared to € 545 thousand in the first half of 2006), where the focus was on the creation of a new database to support the commercial area and the development of "Europages 2.0" new website.

As in the previous year, the Telegate group's capital expenditure (€ 3,295 thousand, in line with € 3,623 thousand in the first half of 2006) was aimed at enhancing and optimising the overall capacity of the call centers through the implementation of a EWSD Siemens system for call management and the development of technological infrastructure.



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Amortisation and depreciation rose by € 5,182 thousand compared to the first half of 2006 as a consequence of the significant investments made in the last few years;

- an increase of € 2,183 thousand in *deferred tax assets* compared to December 31, 2006 due to the recognition of net deferred tax assets on the pre-tax income for the period (€ 8,590 thousand) and net deferred tax liabilities on items recognised directly to equity (€ 6,407 thousand);
- **non-operating non-current liabilities**, of € 2,411 thousand at June 30, 2007, which increased by € 1,977 thousand compared to December 31, 2006. This change is mainly due to the non-current provision to the reserve for restructuring expense accrued in SEAT Pagine Gialle S.p.A. to face the corporate reorganisation plan as described in the item "non-recurring and restructuring costs". This reserve was discounted by applying an average market rate in consideration of the expected future cash flows;
- **operating non-current liabilities**, which amounted to € 68,622 thousand at June 30, 2007 (€ 78,148 thousand at December 31, 2006), were as follows:
  - *net liabilities for defined benefit pension plans* amounted to € 19,452 thousand at June 30, 2007 (€ 26,467 thousand at December 31, 2006). They are presented net of € 92,959 thousand for the assets designated to finance the pension funds (€ 87,150 thousand at December 31, 2006). Both the liabilities and the relevant assets were assessed by an independent actuary, using the projected unit credit method. In the first half of 2007 actuarial gains of € 6,182 thousand were recognised as the result of increasing discount and inflation rates in the United Kingdom, the reference market. Under IAS 19 paragraph 93A, they were recognised directly in equity;
  - *reserve for severance indemnities* amounted to € 27,898 thousand at June 30, 2007 (€ 29,754 thousand at December 31, 2006). It was re-determined (i.e. curtailment) following the entrance into force of the complementary pension reform (Legislative Decree no. 252 of December 5, 2005). As a consequence of this reform, the reserve amounts accrued starting from January 2007 have a different qualification: they are recognised as a contribution plan and no longer as a defined benefit plan. The curtailment, accounted for as non-recurring cost, was estimated at € 332 thousand on the basis of the information available at the balance-sheet date: it will be re-determined definitely in the second half of the year;
  - *reserve for sale agents' termination indemnities* amounted € 20,720 thousand at June 30, 2007, a decrease of € 518 thousand compared to December 31, 2006. This reserve represents the accrued liabilities at the end of the period to active sales agents for the indemnity recognised to them under current regulations, should the agency relationship be interrupted. This reserve was discounted to the balance sheet date at an average market rate for debts of similar duration, taking into account the expected future cash flows also on the basis of the average life of agency contracts;
- **operating working capital**, which amounted to € 212,436 thousand at June 30, 2007, a decrease of € 86,254 thousand compared to December 31, 2006. In particular:

- *inventories* (€ 17,062 thousand at June 30, 2007) rose by € 5,171 thousand compared to December 31, 2006, reflecting the cyclical trend in the publishing of print directories;
- *trade account receivables* (€ 626,468 thousand at June 30, 2007) decreased by € 42,213 thousand compared to December 31, 2006, mainly due to the seasonal trend of selling and invoicing cycles. Their total amount was in line with June 30, 2006 (€ 623,754 thousand);
- *trade account payables* (€ 234,228 thousand at June 30, 2007) decreased by € 58,691 thousand compared to December 31, 2006, of which € 10,556 thousand due to lower payables to sales agents. The change during the first half of 2007 reflects the trend in purchases;
- *payables for services to be provided and other current liabilities* (€ 219,628 thousand at June 30, 2007) rose by € 116,905 thousand compared to December 31, 2006 substantially in line with the amount at June 30, 2006 (€ 224,887 thousand);
- **non-operating working capital**, which was negative for € 17,022 thousand at June 30, 2007, an increase of € 10,309 thousand compared to December 31, 2006.  
This item includes:
  - € 5,047 thousand for *current reserve for restructuring expense* (€ 1,895 thousand at December 31, 2006) increased by € 3,152 thousand in the period following the current provision accrued to the reserve, as detailed in the statement of operations item "non-recurring and restructuring costs". The reserve for restructuring expense at the beginning of the period was wholly used during the first months of the year;
  - € 12,979 thousand for *income tax payables* (€ 5,823 thousand at December 31, 2006);
  - € 3,025 thousand for *income tax receivables* (€ 3,105 thousand at December 31, 2006).

## Equity

**Equity** amounted to € 1,006,560 thousand at June 30, 2007 (€ 1,075,430 thousand at December 31, 2006), of which € 989,188 thousand attributable to equity Shareholders of the Group (€ 1,057,184 thousand at December 31, 2006) and € 17,372 thousand attributable to Minority interests (€ 18,246 thousand at December 31, 2006). The decrease of € 67,996 thousand in the equity Shareholders of the Group is due to:

- € 58,478 thousand for the distribution of an ordinary dividend, as resolved by the Shareholders' meeting approving the 2006 financial statements;
- € 31,066 thousand for the loss of the first half of 2007.

These effects were partly offset by the increase of :

- € 8,583 thousand in the reserve for cash flow hedge instruments due to their different market values;
- € 5,371 thousand in the reserve for actuarial gains/losses, due to the recognition of net actuarial gains on defined benefit pension plans.

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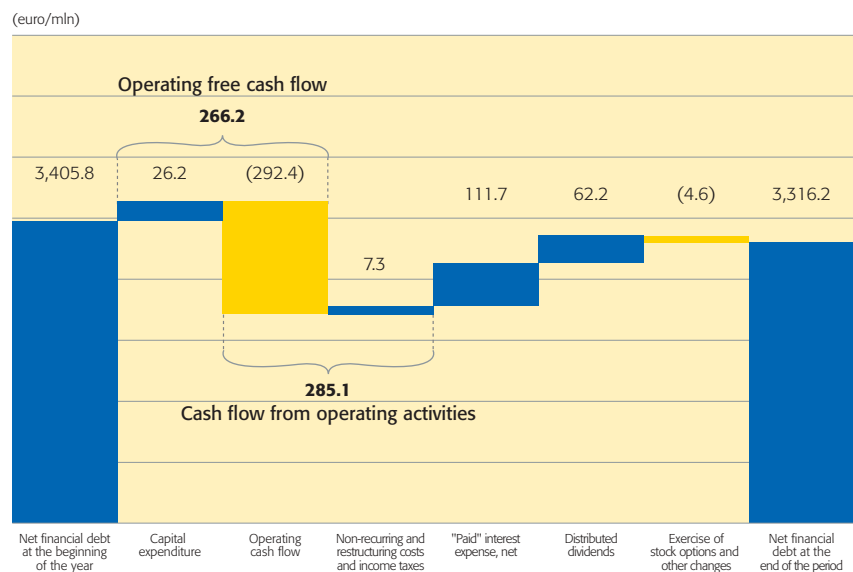
## Net financial debt

**Net financial debt** amounted to € 3,316,160 thousand at June 30, 2007, a decrease of € 89,622 thousand during the first half of 2007.

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 € 92,213 thousand at June 30, 2007, net of accumulated amortisation;
- net assets referred to the market value of cash flow hedge instruments, which amounted to € 15,099 thousand at June 30, 2007 (€ 999 thousand of net assets at December 31, 2006).

The chart below summarizes the main items which impacted the trend of net financial debt during the first half of 2007



**Net financial debt - "book value"** amounted to € 3,208,848 thousand at June 30, 2007 (€ 3,302,457 thousand at December 31, 2006) and was as follows:

- **non-current financial debts** amounted to € 3,262,638 thousand at June 30, 2007 (€ 3,384,189 thousand at December 31, 2006) and were as follows

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change
Debts due to The Royal Bank of Scotland Plc Milan Branch (net value)	1,746,251	1,870,861	(124,610)
Debts due to Lighthouse International Company S.A. (net value)	1,261,375	1,258,549	2,826
Asset backed securities (net value)	254,805	254,653	152
Debts due to other lenders	207	126	81
<b>Total non-current financial debts</b>	<b>3,262,638</b>	<b>3,384,189</b>	<b>(121,551)</b>
<b>Current portion of non-current financial debts</b>	<b>110,896</b>	<b>158,301</b>	<b>(47,405)</b>

- *Debts due to The Royal Bank of Scotland Plc Milan Branch* amounted to € 1,746,251 thousand at June 30, 2007 (€ 1,870,861 thousand at December 31, 2006), net of € 52,393 thousand of transaction costs not yet amortised at June 30, 2007. They related to the "Term and Revolving Facilities Agreement" loan, organised as follows:
- tranche A, for € 1,445 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% subsequent to that date;
  - tranche B, for € 464.5 million, repayable with a lump-sum repayment 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% subsequent to that date;
  - tranche C, for € 90 million, which is currently unused and designed to cover any working capital needs of SEAT Pagine Gialle S.p.A. or its subsidiaries, in the form of a revolving credit line facility, available up to May 2012, bearing interest at a floating rate equal to that applied to tranche A, if drawn. It is requested to pay a commitment fee of 0.56% p.a. for the unused commitments.

It should be noted that starting from August 10, 2007 interest expense on the "Senior" loan benefits from a further reduction of the spread on Euribor other than the one already obtained in February 2007 (from 1.685% to 1.435% with regard to the tranches A and C and from 2.26% to 2.06% with regard to the tranche B). This reduction is due to the application of contractual terms that provide for gradual reductions in the cost of the loan following 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 a quarterly basis. These covenants require to the Group to maintain specific ratio between *i*) net debt and EBITDA, *ii*) EBITDA and interest on debt, *iii*) cash flow and debt service (inclusive of interest and quotas of principal payable in each period referred to). The Group is in compliance with each of the previously mentioned covenants at June 30, 2007.

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The loan agreement provides for certain options, including voluntary prepayments, which allow the Company to use the liquidity in excess over operating needs.

In the first half of 2007, the Company repaid a total of € 179,150 thousand, including voluntary prepayments of € 50,000 thousand on the tranche A instalment contractually due in December 2007 and € 50,000 thousand on the tranche B.

- *Debts due to Lighthouse International Company S.A.* amounted to € 1,261,375 thousand at June 30, 2007, net of € 38,625 thousand for transaction costs not yet amortised at the end of the period. The ten-year loan bears interest at a fixed rate of 8% p.a. and falls due in 2014.

SEAT Pagine Gialle S.p.A., at the inception of the loan, issued guarantees for € 350,000 thousand for any possible additional charges relating to the bond.

- *Asset backed securities* amounted to € 256,000 thousand at June 30, 2007 (gross of transaction costs). They were issued by the SPE, Meliadi Finance S.r.l., to finance on a revolving basis 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 and still ongoing.

These securities, guaranteed by the trade receivables portfolio, had been subscribed through a private placement by an institutional investor. They expire in 2014 and bear interest at a floating rate equal to the rate for commercial papers. They are accounted for net of transaction costs not yet amortised at June 30, 2007 (€ 1,195 thousand);

- **current financial debts** amounted to € 209,699 thousand at June 30, 2007 (€ 229,210 thousand at December 31, 2006) and refer to:

- € 110,896 thousand (€ 158,301 thousand at December 31, 2006) for the current portion of the loan with The Royal Bank of Scotland Plc Milan Branch, due in December 2007 and June 2008;

- € 49,250 thousand (€ 20,774 thousand at December 31, 2006) for payables due to Shareholders for 2005 and 2006 dividends distributed but not yet withdrawn at June 30, 2007;

- € 29,158 thousand for accrued interest expenses on the loan with The Royal Bank of Scotland Plc Milan Branch, which have not been paid yet;

- € 17,375 thousand for accrued interest expenses on the loan due to Lighthouse International Company S.A., which have not been paid yet;

- **non-current financial assets** amounted to € 1,975 thousand at June 30, 2007 (€ 1,424 thousand at December 31, 2006) and were referred to loans to employees bearing market rates for similar operations;

- **current financial assets, cash and cash equivalents** amounted to € 261,514 thousand at June 30, 2007 (€ 309,518 thousand at December 31, 2006) and mainly refer to:
  - € 210,605 thousand for cash and cash equivalents (€ 308,195 thousand at December 31, 2006), of which € 100,415 thousand for the bank current accounts of the SPE Meliadi Finance S.r.l.. These current accounts receive the proceeds from the collection of trade account receivables transferred to the SPE by SEAT Pagine Gialle S.p.A. within the securitisation program;
  - € 35,000 thousand for payments to SNOS S.p.A. as part of the preliminary agreement entered into on December 31, 2006 for the purchase of the “ex Officine Savigliano” real estate complex in Turin (where the new headquarter of SEAT Pagine Gialle S.p.A. will be housed);
  - € 15,099 thousand for the net market value of the cash flow hedge instruments, described below.

The “Senior” loan with The Royal Bank of Scotland Plc Milan Branch as well as the asset backed securities bear floating interest rates linked to Euribor rate. In order to limit the exposure to risks on floating interest rates, SEAT Pagine Gialle S.p.A. entered into hedging agreements on interest rates, with leading international financial counterparties, all of them referred to the “Senior” loan. The following hedging instruments were effective at June 30, 2007:

- a) *Interest Rate Collars*, through which a variable band of the floating Euribor rate was fixed with a maximum (between 4 and 5%) and a minimum threshold (between 3.6 and 4.3%) with reference to an average notional amount of € 1,140 million in the period between March 2007 and December 2011;
- b) *Forward Rate Agreements*, which fixed an average Euribor rate of 3.98% with reference to € 850 million of notional amount in the period from March to September 2007 and an average Euribor rate of 3.78% with reference to € 150 million of notional amount in the first half of 2008;
- c) *Interest Rate Swaps*, entered into in February and March 2006 with reference to the loans expected to be outstanding in the period December 2009 - June 2012, through which the floating six-month Euribor rate was replaced by a fixed rate of approximately 3.75% on an overall notional amount of € 325 million.

In August 2007, with reference to the “Senior” loan expected to be outstanding in the period December 2008 – December 2011, the exposure to risks on floating interest rate was further limited through another Interest Rate Swap with a fixed interest rate at approximately 4.55%, on a notional amount of € 50 million.

Through the aforementioned hedging agreements, the Company has fixed interest rates on about 86% of its total indebtedness at the end of 2007, about 88% over the period 2008-2009 and 81% over the period 2010-2011.



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## → Operating free cash flow of the Group for the first half of 2007

**Operating free cash flow** generated in the first half of 2007 (€ 266,208 thousand) increased by € 29,682 thousand compared to the first half of 2006 thanks to the EBITDA improvement (+€ 52,580 thousand compared to the same period of the previous year) and despite the lower decline in “changes in operating working capital” (a decrease of € 86,254 thousand in the first half of 2007 compared to the decrease of € 100,186 thousand in the first half of 2006) and the higher level of capital expenditure (+€ 9,098 thousand in the first half of 2007 compared to the same period of the previous year).

The reduction in operating working capital compared to the beginning of the year is usual in the first half-year being our business characterised by a high level of invoicing in the last months of the year collected in the following few months. However, even if the decrease in operating working capital showed a positive performance in the first half of 2007, it was lower than in the same period of the previous year as the Company has already normalized the effects arising from the actions carried out in the previous years to enhance its credit management system.

The ratio of operating free cash flow to revenues from sales and services (45.7% in the first half of 2007) increased compared to the first half of 2006 (41.2%); while the ratio of operating free cash flow to EBITDA decreased from 152.6% in the first half of 2006 to 128.3% in the first half of 2007, as the EBITDA improvement was partially offset by the lower decline in operating working capital and the higher level of capital expenditure.

## Reclassified statement of operations of the Group

(euro/thousand)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	Change		Year
	2007	2006	Absolute	%	2006
<b>Revenues from sales and services</b>	<b>582,263</b>	<b>573,591</b>	<b>8,672</b>	<b>1.5</b>	<b>1,460,183</b>
Materials and external services (*)	(224,616)	(273,664)	49,048	17.9	(568,838)
Salaries, wages and employee benefits (*)	(121,694)	(116,486)	(5,208)	(4.5)	(231,844)
<b>Gross operating profit</b>	<b>235,953</b>	<b>183,441</b>	<b>52,512</b>	<b>28.6</b>	<b>659,501</b>
<i>% on revenues</i>	<i>40.5%</i>	<i>32.0%</i>			<i>45.2%</i>
Other valuation adjustments and provisions to reserves for risks and charges, net	(26,254)	(26,538)	284	1.1	(47,180)
Other income (expenses), net	(2,126)	(1,910)	(216)	(11.3)	(897)
<b>Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)</b>	<b>207,573</b>	<b>154,993</b>	<b>52,580</b>	<b>33.9</b>	<b>611,424</b>
<i>% on revenues</i>	<i>35.6%</i>	<i>27.0%</i>			<i>41.9%</i>
Operating amortisation, depreciation and write-downs	(20,415)	(15,233)	(5,182)	(34.0)	(33,269)
Non-operating amortisation and write-downs	(81,033)	(81,033)	-	-	(162,067)
Non-recurring and restructuring costs	(10,467)	(4,946)	(5,521)	n.s.	(13,970)
<b>Operating result (EBIT)</b>	<b>95,658</b>	<b>53,781</b>	<b>41,877</b>	<b>77.9</b>	<b>402,118</b>
<i>% on revenues</i>	<i>16.4%</i>	<i>9.4%</i>			<i>27.5%</i>
Interest expense, net	(119,977)	(123,959)	3,982	3.2	(246,209)
Gains (losses) on valuation/disposal of investments	(3,327)	(16)	(3,311)	n.s.	(5)
<b>Income (loss) before income taxes, discontinued operations and Minority interests</b>	<b>(27,646)</b>	<b>(70,194)</b>	<b>42,548</b>	<b>60.6</b>	<b>155,904</b>
Income taxes	(624)	(1,551)	927	59.8	(74,116)
<b>Income (loss) before Minority interests</b>	<b>(28,270)</b>	<b>(71,745)</b>	<b>43,475</b>	<b>60.6</b>	<b>81,788</b>
Minority interests	(2,796)	2,401	(5,197)	n.a.	(1,652)
<b>Income (loss) for the period</b>	<b>(31,066)</b>	<b>(69,344)</b>	<b>38,278</b>	<b>55.2</b>	<b>80,136</b>

(\*) Less repayments of cost.

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## Reclassified balance sheet of the Group

	At 06.30.2007	At 12.31.2006	Change	At 06.30.2006
<b>(euro/thousand)</b>				
Goodwill and customer database	3,915,817	3,997,672	(81,855)	4,071,856
Other non-current assets (**)	175,210	166,820	8,390	198,787 (*)
Non-operating non-current liabilities	(2,411)	(434)	(1,977)	(573)
Operating non-current liabilities	(68,622)	(78,148)	9,526	(73,171)(*)
Operating working capital	212,436	298,690	(86,254)	186,550
- Operating current assets	721,025	748,544	(27,519)	728,098
- Operating current liabilities	(508,589)	(449,854)	(58,735)	(541,548)
Non-operating working capital	(17,022)	(6,713)	(10,309)	(25,667)
- Non-operating current assets	3,044	3,510	(466)	4,630
- Non-operating current liabilities	(20,066)	(10,223)	(9,843)	(30,297)
<b>Net invested capital</b>	<b>4,215,408</b>	<b>4,377,887</b>	<b>(162,479)</b>	<b>4,357,782 (*)</b>
Equity Shareholders of the Group	989,188	1,057,184	(67,996)	893,951 (*)
Minority interests	17,372	18,246	(874)	14,120
<b>Total equity</b>	<b>(A) 1,006,560</b>	<b>1,075,430</b>	<b>(68,870)</b>	<b>908,071 (*)</b>
<b>Net financial debt</b>	<b>3,316,160</b>	<b>3,405,782</b>	<b>(89,622)</b>	<b>3,568,281</b>
Transaction costs on loans and securitisation program not yet amortised	(92,213)	(102,326)	10,113	(112,316)
Net market value of cash flow hedge instruments	(15,099)	(999)	(14,100)	(6,254)
<b>Net financial debt - "book value"</b>	<b>(B) 3,208,848</b>	<b>3,302,457</b>	<b>(93,609)</b>	<b>3,449,711</b>
of which:				
- Non-current financial debts	3,262,638	3,384,189	(121,551)	3,453,290
- Current financial debts	209,699	229,210	(19,511)	194,966
- Non-current financial assets	(1,975)	(1,424)	(551)	(1,460)
- Current financial assets, cash and cash equivalents	(261,514)	(309,518)	48,004	(197,085)
<b>Total</b>	<b>(A+B) 4,215,408</b>	<b>4,377,887</b>	<b>(162,479)</b>	<b>4,357,782 (*)</b>

(\*) Restated at June 30, 2006 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.

(\*\*) Including financial assets available for sale.

## Operating free cash flow of the Group

(euro/thousand)	1 <sup>st</sup> half-year 2007	1 <sup>st</sup> half-year 2006	Change	Year 2006
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	207,573	154,993	52,580	611,424
Gains (losses) from discounting operating assets and liabilities	373	(722)	1,095	(937)
Decrease (increase) in operating working capital	86,254	100,186	(13,932)	(11,924)
(Decrease) increase in operating non-current liabilities	(1,785)	(832)	(953)	(1,829)
Capital expenditure	(26,213)	(17,115)	(9,098)	(48,323)
(Gains) losses on disposal of non-current assets	6	16	(10)	(76)
<b>Operating free cash flow</b>	<b>266,208</b>	<b>236,526</b>	<b>29,682</b>	<b>548,335</b>

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## → Reconciliation between equity of SEAT Pagine Gialle S.p.A. and consolidated equity at June 30, 2007

(euro/thousand)	Equity Shareholders of the Group				Minority interests			Total
	Share capital	Reserves	Income (loss) for the period	Total	Share capital and reserves	Income (loss) for the period	Total	
<b>SEAT Pagine Gialle S.p.A. at June 30, 2007</b>	<b>250,304</b>	<b>767,078</b>	<b>(29,737)</b>	<b>987,645</b>				<b>987,645</b>
Income (loss) for the period of consolidated companies			19,183	19,183		3,058	3,058	22,241
Share capital and reserves of consolidated companies		284,024		284,024	14,540		14,540	298,564
Book value of consolidated companies		(464,537)		(464,537)				(464,537)
<b>Consolidation adjustments</b>								
Positive difference from acquisition of investments		170,739		170,739				170,739
Intra-group disposals of previous years		(6,959)		(6,959)				(6,959)
Intra-group dividends		16,079	(16,079)					
Foreign exchange adjustments and other adjustments		3,526	(4,433)	(907)	36	(262)	(226)	(1,133)
<b>Consolidated share capital, reserves and results at June 30, 2007</b>	<b>250,304</b>	<b>769,950</b>	<b>(31,066)</b>	<b>989,188</b>	<b>14,576</b>	<b>2,796</b>	<b>17,372</b>	<b>1,006,560</b>

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

(euro/thousand)	Equity Shareholders of the Group				Minority interests			Total
	Share capital	Reserves	Income (loss) for the period	Total	Share capital and reserves	Income (loss) for the period	Total	
<b>SEAT Pagine Gialle S.p.A. at June 30, 2006 (*)</b>	<b>248,565</b>	<b>714,515</b>	<b>(40,669)</b>	<b>922,411</b>				<b>922,411</b>
Income (loss) for the period of consolidated companies			(2,897)	(2,897)		(2,391)	(2,391)	(5,288)
Share capital and reserves of consolidated companies		264,378		264,378	16,479		16,479	280,857
Book value of consolidated companies		(453,916)		(453,916)				(453,916)
<b>Consolidation adjustments</b>								
Positive difference from acquisition of investments		170,739		170,739				170,739
Intra-group disposals of previous years		(6,959)		(6,959)				(6,959)
Intra-group dividends		25,836	(25,836)					
Foreign exchange adjustments and other adjustments		137	58	195	42	(10)	32	227
<b>Consolidated share capital, reserves and results at June 30, 2006 (*)</b>	<b>248,565</b>	<b>714,730</b>	<b>(69,344)</b>	<b>893,951</b>	<b>16,521</b>	<b>(2,401)</b>	<b>14,120</b>	<b>908,071</b>

(\*) Restated at June 30, 2006 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.

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

For notes please refer to the following sections:

- "Italian Directories" Business Area
- Disclosures to the First half-year Financial Statements of SEAT Pagine Gialle S.p.A.



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

(euro/thousand)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	Change		Year
	2007	2006	Absolute	%	2006
<b>Revenues from sales and services</b>	<b>428,381</b>	<b>417,252</b>	<b>11,129</b>	<b>2.7</b>	<b>1,077,495</b>
Materials and external services (*)	(179,449)	(189,286)	9,837	5.2	(410,469)
Salaries, wages and employee benefits (*)	(43,138)	(42,664)	(474)	(1.1)	(81,193)
<b>Gross operating profit</b>	<b>205,794</b>	<b>185,302</b>	<b>20,492</b>	<b>11.1</b>	<b>585,833</b>
<i>% on revenues</i>	<i>48.0%</i>	<i>44.4%</i>			<i>54.4%</i>
Other valuation adjustments and provisions to reserves for risks and charges, net	(24,681)	(22,205)	(2,476)	(11.2)	(40,823)
Other income (expenses), net	(1,255)	(1,200)	(55)	(4.6)	(2,586)
<b>Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)</b>	<b>179,858</b>	<b>161,897</b>	<b>17,961</b>	<b>11.1</b>	<b>542,424</b>
<i>% on revenues</i>	<i>42.0%</i>	<i>38.8%</i>			<i>50.3%</i>
Operating amortisation, depreciation and write-downs	(12,893)	(8,690)	(4,203)	(48.4)	(19,655)
Non-operating amortisation and write-downs	(81,033)	(81,033)	-	-	(162,067)
Non-recurring and restructuring costs	(9,292)	(4,452)	(4,840)	n.s.	(12,711)
<b>Operating result (EBIT)</b>	<b>76,640</b>	<b>67,722</b>	<b>8,918</b>	<b>13.2</b>	<b>347,991</b>
<i>% on revenues</i>	<i>17.9%</i>	<i>16.2%</i>			<i>32.3%</i>
Interest expense, net	(110,491)	(104,214)	(6,277)	(6.0)	(206,025)
Gains (losses) on valuation/disposal of investments	192	(16)	208	n.a.	(39)
<b>Income (loss) before income taxes</b>	<b>(33,659)</b>	<b>(36,508)</b>	<b>2,849</b>	<b>7.8</b>	<b>141,927</b>
Income taxes	3,922	(4,161)	8,083	n.a.	(58,532)
<b>Income (loss) for the period</b>	<b>(29,737)</b>	<b>(40,669)</b>	<b>10,932</b>	<b>26.9</b>	<b>83,395</b>

(\*) Less repayments of cost.

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

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change	At 06.30.2006
Goodwill and customer database	3,524,799	3,605,832	(81,033)	3,686,866
Other non-current assets (**)	499,681	486,537	13,144	505,173 (*)
Non-operating non-current liabilities	(2,080)	-	(2,080)	-
Operating non-current liabilities	(44,787)	(47,315)	2,528	(49,697)(*)
Operating working capital	208,041	285,279	(77,238)	196,255
- Operating current assets	645,183	648,145	(2,962)	639,657
- Operating current liabilities	(437,142)	(362,866)	(74,276)	(443,402)
Non-operating working capital	(11,427)	(2,684)	(8,743)	(20,183)
- Non-operating current assets	4,889	3,649	1,240	5,425
- Non-operating current liabilities	(16,316)	(6,333)	(9,983)	(25,608)
<b>Net invested capital</b>	<b>4,174,227</b>	<b>4,327,649</b>	<b>(153,422)</b>	<b>4,318,414 (*)</b>
<b>Equity (A)</b>	<b>987,645</b>	<b>1,061,668</b>	<b>(74,023)</b>	<b>922,411 (*)</b>
<b>Net financial debt</b>	<b>3,293,894</b>	<b>3,369,306</b>	<b>(75,412)</b>	<b>3,514,573</b>
Transaction costs on loans and securitisation program not yet amortised	(92,213)	(102,326)	10,113	(112,316)
Net market value of cash flow hedge instruments	(15,099)	(999)	(14,100)	(6,254)
<b>Net financial debt - "book value" (B)</b>	<b>3,186,582</b>	<b>3,265,981</b>	<b>(79,399)</b>	<b>3,396,003</b>
of which:				
- Non-current financial debts	3,163,489	3,290,015	(126,526)	3,360,097
- Current financial debts	238,654	254,521	(15,867)	214,886
- Non-current financial assets	(1,975)	(1,424)	(551)	(1,480)
- Current financial assets, cash and cash equivalents	(213,586)	(277,131)	63,545	(177,500)
<b>Total (A+B)</b>	<b>4,174,227</b>	<b>4,327,649</b>	<b>(153,422)</b>	<b>4,318,414 (*)</b>

(\*) Restated at June 30, 2006 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.

(\*\*) Including financial assets available for sale.

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

(euro/thousand)	1 <sup>st</sup> half-year 2007	1 <sup>st</sup> half-year 2006	Change	Year 2006
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	179,858	161,897	17,961	542,424
Gains (losses) from discounting operating assets and liabilities	167	(976)	1,143	(1,440)
Decrease (increase) in operating working capital	77,238	87,333	(10,095)	(1,691)
(Decrease) increase in operating non-current liabilities	(969)	379	(1,348)	1,073
Capital expenditure	(18,943)	(10,018)	(8,925)	(35,099)
(Gains) losses on disposal of non-current assets	(3)	-	(3)	(97)
<b>Operating free cash flow</b>	<b>237,348</b>	<b>238,615</b>	<b>(1,267)</b>	<b>505,170</b>

## ➤ Main events of the first half of 2007

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 2007, the Shareholders' Meeting of Emittenti Titoli S.p.A. resolved the distribution of a dividend of € 0.13596 per share to the Shareholders. The dividend payable to SEAT Pagine Gialle S.p.A., holding 2.2% of the share capital, amounts to € 24 thousand.

### SEAT Pagine Gialle group's Business Plan

In May 2007 the new Business Plan for the three years from 2008 to 2010 was presented to the financial world. The intention behind this plan was to draw attention to the passage of the SEAT Pagine Gialle group from a re-organisational period to a new phase of growth and development.

The Plan, in fact, focuses on benefiting from the actions carried out in these last few years to reorganise the sales area and strengthen the product portfolio in order to support the growth both in Italy and abroad. The Plan is based on the following guidelines:

- in Italy, SEAT will leverage the product and service portfolio offered on all three platforms. In particular, printed directories back to growth supported by product innovations. They continue to be considered a “media” still highly popular among users with a large number of lookups. Internet will accelerate thanks to product innovations in a growing market. Voice - although the market is mature - will continue to grow thanks to the launch of new value-added services alongside the existing ones. Revenues will be supported by increasing investments in advertising and the strengthening of the sales force;
- abroad, SEAT will leverage its experience in the Italian market and that of Group companies to increase its presence in Europe by entering other potentially profitable markets. Recent transactions regarding the acquisition of Wer liefert was? GmbH in Germany and the joint-venture agreement with Doğan Yayın Holding A.S. in Turkey are examples of steps in this direction.

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

As regards the acquisition process of the “ex Officine Savigliano” real estate complex in Turin - at present in progress - SEAT Pagine Gialle S.p.A. and SNOS S.p.A. launched fresh negotiations in the first half of 2007 in order to agree on a series of upgrades and alternative terms to the preliminary sales contract.

The deed of sale of a substantial portion of this complex should be executed before the end of the current year.

Once the purchase has been completed, it will be founded through a finance lease transaction.

## 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 Doğan Yayın Holding A.S., a leading company in the Turkish media and internet market. This agreement aimed at verifying the opportunities for developing a joint venture in the Turkish directories market.

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 directories market.

During the first half of 2007 the Company continued its efforts to carry out the project. In particular organisational and operational elements were analysed as well as the relevant operative contributions of assets and/or services which both partners to the joint-venture will produce. Negotiations with the Turkish top management are at present in progress to agree with and to settle terms, conditions and the governance of the joint-venture by both partners. The results of these actions will be taken into account in the acquisition process of the 50% interest in Katalog (at present owned by the Doğan Yayın Holding group and already operating in the directories business) and in the definition of the governance conditions through an agreement between partners.

## ➤ Events subsequent to June 30, 2007

### Wer liefert was? GmbH (Who supplies what?)

In August 2007 SEAT Pagine Gialle S.p.A. signed an agreement with Eniro AB to buy the 100% interest in Wer liefert was? GmbH (WLW), a company operating in the German BtoB online market, for a consideration of € 115 million in terms of enterprise value.

The acquisition of WLW, a search engine for BtoB customers, represents a strategic transaction for the SEAT group. The intention is to strengthen the position on the BtoB online market in Europe, where the Group is already one of the leading operators through its subsidiary Europages S.A., and to expand online market share in Germany. This acquisition will allow the Group to realize remarkable synergies through the expected growth in the number of users, the expected access to the large number of German SMEs leveraging WLW's sales force to present Telegate's innovative multi-channel offer to the market.

The transaction has been already approved by the German Competition Authority and it will be completed by next weeks.

### Further reduction in the interest expense on the "Senior" loan

As a result of achieving a target ratio between net debt and consolidated EBITDA at June 30, 2007, starting from August 10, 2007, the interest expense on the "Senior" loan will benefit from a further reduction in the spreads applied to the Euribor rate (from 1.685% to 1.435% with regard to tranches A and C and from 2.26% to 2.06% with regard to tranche B). This reduction follows the previous one that occurred in February 2007, thanks to the effectiveness of contractual terms providing gradual reductions in the cost of the loan subject to the improvement in the ratio between net debt and consolidated EBITDA. In 2007, the reduction in the spreads applied to the Euribor rate was thus 47.5 basis points on tranche A and 35 basis points on tranche B.



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## ➤ Outlook

Consolidated revenues are expected to increase in the second half of the year, sustained by the continuous growth of SEAT Pagine Gialle S.p.A.'s activities, thanks to the positive performance in the online and voice segments and the recovery of traditional print products, which are expected to complete their turnaround started in the second half of 2006.

The EBITDA performance is also expected to constantly improve. In Italy, the Group should continue to benefit - as in the first half of the year - from the strategies adopted in previous years, including the reorganisation and re-training of its sales area and the strengthening of its product portfolio. Positive performances are expected abroad, particularly in the Telegate group, whose EBITDA is expected to grow compared to 2006, a year that had been heavily impacted by investments to entry the directory assistance market in France. Now, this highly competitive market has begun to be more consolidated.

On the other side, the Thomson group will continue its actions aimed at the reorganisation and strengthening of its sales force and targeted to enhance its ability to sell multi-product offering. Finally Europages will continue to be focused on the development of direct sales networks in France and Germany.

## ➤ Economic and financial performance of the Business Areas

(euro/million)		Italian Directories	UK Directories	Directory Assistance	Other Activities	Aggregate Total	Eliminations and other adjustments	Consolidated Total
<i>Revenues from sales and services towards third parties</i>	1 <sup>st</sup> half-year 2007	426.2	58.5	75.2	22.4	582.3	-	582.3
<i>Intercompany revenues from sales and services</i>	1 <sup>st</sup> half-year 2007	2.2	-	17.7	8.5	28.4	(28.4)	-
Revenues from sales and services	1 <sup>st</sup> half-year 2007	428.4	58.5	92.9	30.9	610.7	(28.4)	582.3
	1 <sup>st</sup> half-year 2006	417.3	61.2	92.7	26.3	597.5	(23.9)	573.6
	Year 2006	1,077.5	173.5	188.7	77.0	1,516.7	(56.5)	1,460.2
<i>Materials and external services (*)</i>	1 <sup>st</sup> half-year 2007	(179.4)	(20.7)	(33.7)	(17.8)	(251.6)	27.0	(224.6)
<i>Salaries, wages and employee benefits (*)</i>	1 <sup>st</sup> half-year 2007	(43.1)	(33.4)	(34.6)	(10.6)	(121.7)	-	(121.7)
Gross operating profit	1 <sup>st</sup> half-year 2007	205.8	4.4	24.7	2.5	237.4	(1.4)	236.0
	1 <sup>st</sup> half-year 2006	185.3	0.3	(2.7)	0.5	183.4	-	183.4
	Year 2006	585.8	44.9	16.7	12.1	659.5	-	659.5
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	1 <sup>st</sup> half-year 2007	179.9	2.5	22.9	2.3	207.6	-	207.6
	1 <sup>st</sup> half-year 2006	161.9	(2.0)	(5.4)	0.5	155.0	-	155.0
	Year 2006	542.4	39.3	17.7	12.0	611.4	-	611.4
Operating result (EBIT)	1 <sup>st</sup> half-year 2007	76.6	1.0	18.4	(0.3)	95.7	-	95.7
	1 <sup>st</sup> half-year 2006	67.7	(4.3)	(8.3)	(1.3)	53.8	-	53.8
	Year 2006	348.0	35.1	10.6	8.4	402.1	-	402.1
Total assets	June 30, 2007	4,890.1	320.2	149.0	313.2	5,672.5	(593.9)	5,078.6
	June 30, 2006	5,016.1 (**)	301.2 (**)	154.6	323.9	5,795.8	(593.9)	5,201.9
	December 31, 2006	5,022.7	324.3	144.5	322.8	5,814.3	(586.8)	5,227.5
Total liabilities	June 30, 2007	3,902.5	164.5	58.6	290.5	4,416.1	(344.1)	4,072.0
	June 30, 2006	4,093.7 (**)	171.7 (**)	82.8	300.4	4,648.6	(354.8)	4,293.8
	December 31, 2006	3,961.1	171.2	64.5	293.0	4,489.8	(337.7)	4,152.1
Net invested capital	June 30, 2007	4,174.2	215.1	55.3	20.6	4,465.2	(249.8)	4,215.4
	June 30, 2006	4,318.4 (**)	213.9 (**)	47.8	16.8	4,596.9	(239.1)	4,357.8
	December 31, 2006	4,327.6	221.6	61.6	16.1	4,626.9	(249.0)	4,377.9
Capital expenditure	1 <sup>st</sup> half-year 2007	18.9	0.8	3.5	3.1	26.3	(0.1)	26.2
	1 <sup>st</sup> half-year 2006	10.0	1.1	4.1	1.9	17.1	-	17.1
	Year 2006	35.1	2.8	6.0	4.4	48.3	-	48.3
Average workforce (***)	1 <sup>st</sup> half-year 2007	1,382	1,012	2,523	409	5,326	-	5,326
	1 <sup>st</sup> half-year 2006	1,325	1,041	2,390	400	5,156	-	5,156
	Year 2006	1,345	1,004	2,391	424	5,164	-	5,164
Sales agents (average number)	1 <sup>st</sup> half-year 2007	1,608	-	-	-	1,608	-	1,608
	1 <sup>st</sup> half-year 2006	1,836	-	-	-	1,836	-	1,836
	Year 2006	1,757	-	-	-	1,757	-	1,757

(\*) Less repayments of cost.

(\*\*) Restated at June 30, 2006 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.

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

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Key performance indicators of the Group	1 <sup>st</sup> half-year 2007	1 <sup>st</sup> half-year 2006	Year 2006
<b>Number of published directories</b>			
PAGINEBIANCHE®	33	34	103
PAGINEGIALLE®	67	69	202
ThomsonLocal	58	59	173
<b>Number of distributed directories (values in million)</b>			
PAGINEBIANCHE®	10.1	10.4	26.5
PAGINEGIALLE®	7.9	8.4	21.1
ThomsonLocal	7.8	7.9	24.1
<b>Number of visits (values in million)</b>			
<i>Thirty-minute accesses to website with no interruption</i>			
PAGINEBIANCHE.it®	107.4	89.9	183.2
PAGINEGIALLE.it®	41.7	37.8	78.4
TUTTOCITTA'.it®	23.8	22.2	45.6
Europages.com <sup>(1)</sup>	10.2	n.a.	n.a.
<b>Number of users (values in million)</b>			
PAGINEBIANCHE.it® unique users <sup>(2)</sup>	3.9	3.5	3.6
PAGINEGIALLE.it® unique users <sup>(2)</sup>	2.5	3.5	2.7
TUTTOCITTA'.it® unique users <sup>(2)</sup>	1.7	1.8	1.9
Callers to 89.24.24 Pronto PAGINEGIALLE®	2.4	2.6	4.3
Callers to 12.40 Pronto PAGINEBIANCHE®	4.0	3.4	6.2

(1) With regard to 2006, the figures consistent with the new measurement method adopted by the company in 2007 are not available.

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

## → Italian Directories









### Market scenario

The "Italian Directories" Business Area (substantially coinciding with SEAT Pagine Gialle S.p.A.) operates in Italy in the local advertising market for small and medium-sized enterprises (SMEs), in which it is present with its publishing and advertising business principally involving telephone directories and information service. It also operates in the Business Information and merchandising markets.





The overall performance of the business - though not directly dependent on the economic cycle - was affected by the macroeconomic environment and some structural and regulation aspects of the markets in which the Company operates. Therefore, the signs of the economy recovery are positive for SEAT Pagine Gialle S.p.A., even if still weak: according to the most recent ISTAT (Italian National Institute of Statistics) figures, Italy's GDP increased by 0.3% in the first quarter of 2007 compared to the previous one and 2.3% compared to the first quarter of 2006. For the year 2007 GDP is expected to increase between 1.5% and about 2%.

However, since advertising collection on telephone directories covers a twelve-month period, the favourable effects arising from a potential resumption of consumption will produce higher revenues only in the next few months.

### Revenues by product

			1 <sup>st</sup> half-year 2007 % on total revenues
<b>Print revenues</b>			
	PAGINEGIALLE	classified directories of Italian business	34.2
	PAGINEBIANCHE	alphabetical directories	34.5
	PAGINEBIANCHE Office	CD-Rom delivered with PAGINEGIALLE Lavoro containing complete updated information on over 3 million Italian companies	
	TuttoCittà	road map of Italy	1.4
	Eccomi	the directory specifically created for mothers and families with children from 0 to 5 years old	
	Idee InVacanza	tourist guide for shopping and entertainment	
<b>Other products</b>			
<b>Total print revenues</b>			<b>70.1</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	12.8
<b>Other online product (Kompass)</b>			
<b>Total online revenues</b>			<b>12.8</b>

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			1 <sup>st</sup> half-year 2007 % on total revenues
Voice revenues			
	89.24.24 Pronto PAGINEGIALLE	voice service which provides directory assistance value added services	13.4
	12.40 Pronto PAGINEBIANCHE	voice service which provides subscriber information service	
<b>Total voice revenues (from advertising and telephone traffic)</b>			<b>13.4</b>
Other products revenues			
	Direct Marketing	postal and online mailing list services	
	Merchandising	promotional and personalised product portfolio	3.7
	Other products		
<b>Total revenues</b>			<b>100.0</b>

## Investments in innovation and development of new products

**Capital expenditure**, amounted to € 18.9 million in the first half of 2007, almost doubled compared to € 10.0 million in the same period of the last year.

Similar to last year, the company focused on the following three aspects:

- *product innovation*: in the first half of 2007, most initiatives involved the development of *i*) online products (approximately € 3.2 million), including the addition of new functionality to PAGINEGIALLE VISUAL (e.g. 3D Eagle Eye and the management of events), and *ii*) new products as *PagineGialle Annunci* and *PagineGialle Prenota*, both of which were enhanced in terms of content and integrated with PAGINEGIALLE VISUAL;
- *effectiveness and efficiency of the IT systems supporting the sales force*: significant attention was devoted to the continued development of new functionality for the IT systems supporting the sales network (both Business and Local). The company made significant investments (over € 1.1 million) in the sales system *Evolution*, adding functionality such as a new wizard for the automatic production of the offering content to be worked by sales agents relating to Top Customers. This offering content is different for each customer type (Business-to-Business, Business-to-Consumer);
- *focus on customer care systems, credit management and collection of receivables, and integration of commercial and administrative back-office processes*: during the first half of 2007, the implementation of the *SAP CRM-Billing Evolution "from order to cash"* project continued, with completion of data mapping and implementation of functional analysis (€ 6.3 million).



## Economic and financial performance

The table below sets out the highlights for the first half of 2007 compared to those for the same period of the previous year

(euro/million)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	Change		Year
	2007	2006	Absolute	%	2006
Revenues from sales and services	428.4	417.3	11.1	2.7	1,077.5
Gross operating profit	205.8	185.3	20.5	11.1	585.8
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	179.9	161.9	18.0	11.1	542.4
Operating result (EBIT)	76.6	67.7	8.9	13.1	348.0
Net invested capital at the end of the period (*)	4,174.2	4,318.4	(144.2)	(3.3)	4,327.6
Capital expenditure	18.9	10.0	8.9	89.0	35.1
Average workforce	1,382	1,325	57	4.3	1,345

(\*) Restated at June 30, 2006 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.

In SEAT Pagine Gialle S.p.A. **revenues from sales and services** reached € 428.4 million in the first half of 2007, up 2.7% compared to the same period of the previous year, despite the shift in the publication of the Forlì editions of printed PAGINEGIALLE® and PAGINEBIANCHE®. These editions (€ 11.7 million of revenues in the first half of 2006) will be published in the third quarter of 2007.

At the same number of published directories, revenues increased by 5.6%, a strong improvement compared to the increase of 0.5% recorded in the first half of 2006, thanks to the good performance of online and on voice services and the recovery in print products. The latter showed the first positive effects from the introduction of product innovations and new sales methods in 2006, while online and on voice services benefited from the adoption of new sales strategies. Specifically, to improve the sales campaign planning, some contracts with customers have been already renewed in the first half of 2007, whereas these actions have traditionally been carried out at the end of the year. It is also important to consider that in the second quarter of 2006 the performance of online products had been particularly weak: sales had declined compared to the same period of 2005 as a result of the decision to wait until the second half of 2006 to focus sales efforts on online products, when PAGINEGIALLE VISUAL® was launched on the market.

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

- *Print*: revenues amounted to € 300.4 million in the first half of 2007 (€ 314.8 million in the first half of 2006). At the same number of published directories, revenues decreased by 0.9%, an improvement compared to the 5.3% drop in the first half of 2006. Results were positive in the large metropolitan centres, where the specific strategies adopted by the sales force progressively reduced the sharp downward trend in investments referred to certain medium-large customers in the last few years. The Milan directory, for example, showed a positive trend from -11% in 2006 to -5% in 2007 and the Turin, Padua, Treviso and Vicenza directories turned around with an overall performance improved from -4% to +0%.

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As regards PAGINEGIALLE®, revenues, though noticeably improved compared to the first half of 2006, continued to decrease.

However, from the second quarter of 2007 the results started to benefit from product innovations introduced in 2006 (restyling of Casa and Lavoro editions), which impacted revenues starting from the Turin directory.

At the same number of published directories, PAGINEBIANCHE® revenues increased by 2.8% in the first half of 2007, following on from +2.5% in the second half of 2006, boosted by full-color. Also sales of the online edition (PAGINEBIANCHE.it®) in bundle with print products was positive, with the number of visits to PAGINEBIANCHE.it® increasing during the period by 19.5% to 107.4 million and the monthly average of unique users to 3.9 million.

Finally, 18 editions of *Idee InVacanza* (the tourist guide featuring the main holiday resorts in the most popular tourist destinations) were published with revenues at € 1.8 million, up 6.5% compared to the first half of 2006.

- *Online*: revenues amounted to € 54.8 million in the first half of 2007, up 26.5% compared to the same period of the previous year, earned in particular from PAGINEGIALLE.it® with a 28.2% increase to € 51.7 million, thanks also to the new portal PAGINEGIALLE VISUAL®.

The number of searches on PAGINEGIALLE.it® and TuttoCittà.it® increased by 9.2% in the first half of 2007 to approximately 65.5 million (60.0 million in the first half of 2006) and the number of searches on the owned brand PAGINEGIALLE.it® was about 71% of total amount (69% in the first half of 2006). These positive results were achieved through agreements signed with major Italian and international website and search engines and the constant improvement in the product range carried out also thanks the introduction of new services and functionality. Taking into account also the number of visits to PAGINEBIANCHE.it®, searches increased by 15.4% compared to the first half of 2006 at 172.9 million (149.9 million in the first half of 2006). In recent months, the online product range was also enhanced with new video routes available on PG VISUAL, including street-level itineraries through central areas, streets and squares of any Italian cities. In the first half of 2007, the service was extended to the cities of Bari, Florence, Rome, Perugia, Palermo, Naples, Genoa and Ferrara, for a total of 3,795 kilometres of streets available online.

Furthermore, PG VISUAL positively impacted print directories, increasing their renewal rate more than the average (+12.7%).

In May 2007, two important partnership agreements were signed with regard to *PagineGialle Annunci*, for the purchase of geo-referenced advertising (through which SEAT entered the online classified market), and *PagineGialle Prenota*, for online hotel booking and event ticketing. The first agreement was with Casadick, a real estate website leader in Italy. Through the Visual platform, it enables users to locate real estate offers in areas of interest to them thanks to aerial photographs and by identifying the services available in the surroundings (commercial and public interest services). The second agreement was with Federalberghi - Confturismo, Italy's main hoteliers' association, to guarantee better coverage of hotels throughout Italy.

- *Voice*: revenues continued to grow (+35.2% in the first half of 2007) reaching € 57.5 million, compared to € 42.5 million in the first half of 2006, thanks to the constant development of the value-added services of 89.24.24 Pronto PAGINEGIALLE® and the basic services of 12.40 Pronto PAGINEBIANCHE®.

89.24.24 PPG revenues increased to € 37.2 million (up 18.1% compared to the first half of 2006), due to a high increase in advertising revenues (+28.2% supported by a better-balanced planning of sales campaigns in the quarters) and in revenues from telephone traffic (+10.0% thanks to a further growth in the average handling time, as a consequence of higher quality and sophistication of the services).

The 12.40 Pronto PAGINEBIANCHE® subscriber information service, launched at the end of 2005, experienced remarkable results in terms of awareness and call volumes (+29.3% compared to the same period of 2006). Thanks to its call volumes and the ones of 89.24.24 Pronto PAGINEGIALLE®, SEAT Pagine Gialle S.p.A. gained the undisputed leadership in the Italian directory assistance market.

- *Other products*: revenues from Direct Marketing products (€ 5.2 million in the first half of 2007) and merchandising (€ 4.9 million in the first half of 2007) decreased by € 1.8 million compared to the same period of the previous year, suffering from the sales force's focus on the main products, as a consequence of the commercial choice of anticipating the renewal of existing contracts in the first half of the year.

**Materials and external services**, net of repayment of costs, amounted to € 179.4 million, down € 9.8 million compared to the first half of 2006, due in particular to the increase in industrial costs (+€ 3.0 million) and the reduction in commissions and other sales costs (-€ 1.7 million) and advertising costs (-€ 11.5 million).

*Industrial costs* amounted to € 72.9 million in the first half of 2007 and increased by € 3.0 million compared to the first half of 2006 mainly as a result of: *i*) the higher use of *inbound call center services* (€ 14.4 million compared to € 11.3 million in the first half of 2006), as a direct consequence of the rise in the call number and average handling time (+12.8%); *ii*) the increase in *telematic costs* (€ 3.1 million compared to € 1.2 million in the first half of 2006) due to the production of videos used on the PAGINEGIALLE VISUAL platform; *iii*) the decrease in *use of raw materials* of € 1.6 million due to the 5.6% reduction in the number of printed signatures.

*Commissions and other sales costs* amounted to € 54.2 million in the first half of 2007 and decreased by € 1.7 million compared to the same period of 2006, mainly due to *i*) € 2.5 million of reduction in bonuses paid to the sales force, as a result of changes in the timing and mix of incentives and *ii*) € 3.3 million of increase in *outbound call center services* arising from the development of the "Local" sales network. Moreover, in 2006 this item included the costs for the sales agent convention held in Morocco (€ 2.1 million), which was not repeated in 2007.

*Advertising and promotion costs* amounted to € 13.2 million in the first half of 2007 and decreased by € 11.5 million compared to the first half of 2006, mainly due to changes in the media plan for advertising investments, which in 2006 was still impacted by the launch of the 12.40 Pronto PAGINEBIANCHE® service.

**Salaries, wages and employee benefits**, net of repayment of costs for seconded personnel to other Group companies, amounted to € 43.1 million, a 1.1% increase compared to the same period of the previous year (€ 42.7 million). This increase is due to a higher average workforce of 57 units, rising from 1,325 units in the first half of 2006 to 1,382 units in the first half of 2007. This item is presented net of € 2.2 million for capitalised costs, in connection with capital expenditure projects, involving especially online products and administrative and commercial systems. Until early 2006 these projects had been carried out through outsourced workforce.

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The workforce - including directors, project workers and trainees - was 1,455 units at June 30, 2007 (1,393 units at December 31, 2006).

**Gross operating profit** amounted to € 205.8 million and increased by € 20.5 million (+11.1%) compared to the same period of 2006, with a ratio to revenues of 48.0% (44.4% in the first half of 2006). At the same number of published directories, the increase of gross operating profit was € 30.8 million (+17.6%).

**EBITDA** amounted to € 179.9 million, up € 18.0 million or 11.1% compared to the same period of the previous year, with a ratio to revenues of 42.0% (38.8% in the first half of 2006). The performance was slightly lower than that shown by the gross operating profit, being the allowance for doubtful trade account receivables € 1.8 million higher than in the first half of 2006. This increase followed utilisations of the period (€ 3.6 million higher than in the previous year), aligning the risk coverage to the same level as at the end of 2006. Furthermore, at the end of June *i*) a provision of € 1.4 million was accrued to the reserve for contractual risks to cover specifically a possible increase in the cost of interconnection from mobile telephone networks to non-geographical numbers for the period September 2006 - June 2007, which has not yet affected net revenues from telephonic traffic; and *ii*) an allowance for doubtful trade account receivables of € 0.8 million was accrued to cover default risks inherent revenues from telephone traffic. Until the end of 2006, Telegate Italia S.r.l. had paid to SEAT Pagine Gialle S.p.A. revenues from telephone traffic net of an overall percentage to cover possible losses arising from customer's insolvency, whilst Telecom Italia S.p.A. was directly charged with the recovery of these uncollected receivables. Following Telecom Italia S.p.A.'s threat to discontinue such recovery service, and in absence of an agreement signed between the parties, revenues paid to SEAT Pagine Gialle S.p.A. in the first half of 2007 were gross of the previously agreed percentage to cover default risk.

**Operating amortisation, depreciation and write-downs** amounted to € 12.9 million in the first half of 2007, increased by 48.4% compared to € 8.7 million in the first half of 2006, due to the high level of investments made in these last few years.

**Non-operating amortisation and write-downs** amounted to € 81.0 million in the first half of 2007. This amount was unchanged compared to the first half of 2006 and refers to the amortisation of the Customer DataBase.

**Non-recurring and restructuring costs** amounted to € 9.3 million in the first half of 2007 (€ 4.5 million in the same period of 2006). This item included a provision of € 7.3 million to face the expected restructuring costs to implement a corporate reorganisation plan already approved by the Board and agreed with the Unions. This plan involves 130 redundancies in the 2007 - 2009 period, through measures of the extraordinary unemployment compensation (*Cassa Integrazione Guadagni Straordinaria*) and early retirement, as well as selected dismissals and professional retraining. It will be carried out in the publishing and commercial back-office departments, highly influenced by the introduction of new and innovative IT systems.

**Operating result (EBIT)** amounted to € 76.6 million in the first half of 2007 (€ 67.7 million in the first half of 2006), with a ratio to revenues of 17.9% (16.2% in the first half of 2006).

Therefore, EBIT shows a positive trend as gross operating profit and EBITDA, even if lightened by higher operating amortisation, depreciation and non-recurring and restructuring costs.

## Regulatory Framework

### Telephone directories and Universal Database

No new events have occurred to add to the information given in the "Report on operations" in the Financial Statements at December 31, 2006.

### Subscriber information services

- The European Commission pronounced itself against the possibility of regulating the cost of interconnection from mobile telephone networks to non-geographical numbers (among which directory assistance services are included). Therefore, in March 2007 AGCom decided to withdraw the measure it had presented at the end of 2006. This question will be regulated in the framework of a new study on the mobile telephone market (the so-called market 15), which opened its proceeding in May 2007 and should be terminated before the end of this year. Pending the outcome of this proceeding, and although the urgent measures taken by AGCom in the last September (to allow more competition among the providers of directory assistance services by immediately reducing mobile interconnection costs) have expired at the end of February 2007, H3G, Vodafone and Wind continue to apply the origination costs to SEAT and the other companies operating in the directory assistance market, retaining the same amounts as those laid down in AGCom's urgent measure of September 2006.

Meanwhile, in July 2007 the Latium Regional Administrative Court - TAR of Latium -, to which Telecom Italia S.p.A. had applied challenging this urgent measure (resolution 504/06/CONS), granted Telecom Italia's appeal, quashing the resolution on procedural grounds (according to this Court, for the alleged absence of the prerequisites of extraordinary circumstances and urgent reasons). AGCom will be bringing an appeal against this decision before the Council of State. SEAT, which (together with other providers of directory assistance services) had already adhered to the action before the Latium Regional Administrative Court, will also defend the resolution in the appeal to the Council of State. A conclusion to this litigation is presumed to be before the end of 2007.

- Telecom Italia S.p.A. (with an unilateral decision and without any explicit request having been made by those concerned) as from April 2, 2007 made changes to the possibility for its landline subscribers to call 892 numbers, making it more difficult. This decision involves about 5 million subscribers that had asked for some numbers offering premium rate entertainment services to be barred free of charge. These subscribers can now only call 892 numbers after requesting a reinstatement PIN from the Telecom Italia S.p.A. Customer Care.

This decision affected not only the SEAT group but also other companies that, in full compliance with existing legislation, offer social and information services through 892 codes, such as Meridiana, Trenitalia, Ticketone and Tirrenia. Having been impossible to reach a different law interpretation with Telecom Italia S.p.A., an urgent application had to be made to the Court of Milan for the automatic extension of the "selective access" service to cease immediately. The various applications submitted were granted at the end of the first instance of judgment, in May 2007, and the consequent orders obliged Telecom Italia S.p.A. immediately to reinstate access to 892 numbers for those that had not explicitly requested it. Telecom Italia S.p.A., however, appealed against the judgment and obtained a stay of execution of the order. On July 12, 2007, the final hearing was held before a Court of Milan Bench, which granted Telecom Italia S.p.A.'s appeal and confirmed the lawfulness of the bar without explicit request, only with regard to the 5 million subscribers mentioned above. 892 numbers continue to be accessible without the use of a PIN by all other landline (of either Telecom Italia S.p.A. or other telephone operators) and mobile network users.

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## → UK Directories

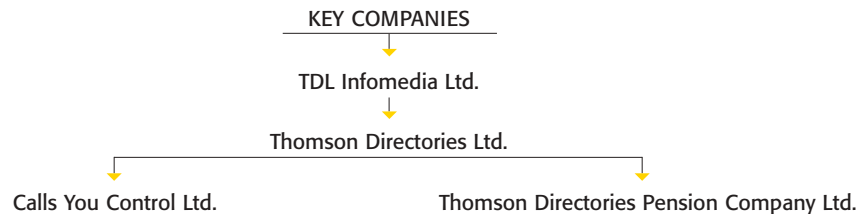
### Market scenario and strategic positioning

The Thomson group - present in the UK directories market since 1980 - joined the SEAT Pagine Gialle group at the end of 2000. Currently, it operates in the British telephone directories sector in a highly competitive market for the presence of large industrial groups such as British Telecom, Yell and Trinity Mirror.

It generates its revenues from collecting advertising on print (71.1%) and online directories (19.8%) and through business information services (9.1%).

### Structure of the Business Area

The "UK Directories" Business Area is organised as follows



### Key events of the period

There are no significant events to report for the first half of 2007.

### Economic and financial performance

In the first half of 2007, the company continued its strategic policy aimed at rationalising and restructuring the sales force by establishing a matrix supporting structure organised by geographical area and customer type. The company also continued to enhance its product portfolio. In particular, the partnership with Nectar (the first loyalty programme in the United Kingdom) became operative. Nectar allows Thomson users to accumulate Nectar points by calling the dedicated numbers of advertisers. The aim is to encourage usage and offer advertisers additional and distinguished functionality compared to that offered by competitors. Also with regard to the online platform, the repositioning process of the commercial offering continued with increasingly efforts to present Thomson to SMEs as an online media agency capable of providing them with complete range of services in relation to their presence on the Internet, by leveraging agreements with the main search engines and portals. It also continued the introduction of a new system that generates qualified leads for advertisers, through a telephone portal managed by Calls You Control Ltd., a subsidiary of the Group.



The table below sets out the highlights for the first half of 2007 compared to those for the same period of the previous year

(euro/million)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	Change		Year
	2007	2006	Absolute	%	2006
Revenues from sales and services	58.5	61.2	(2.7)	(4.4)	173.5
Gross operating profit	4.4	0.3	4.1	n.s.	44.9
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	2.5	(2.0)	4.5	n.a.	39.3
Operating result (EBIT)	1.0	(4.3)	5.3	n.a.	35.1
Net invested capital at the end of the period (*)	215.1	213.9	1.2	0.6	221.6
Capital expenditure	0.8	1.1	(0.3)	(27.3)	2.8
Average workforce (FTE)	1,012	1,041	(29)	(2.8)	1,004

(\*) Restated at June 30, 2006 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.

**Revenues from sales and services** of the TDL group amounted to € 58.5 million in the first half of 2007, down 4.4% in euros and 6.2% in local currency compared to the first half of 2006.

This revenue performance was impacted by the publication of one directory less than in the same period of the previous year, which will be published over the next few months. At the same number of published directories, the decrease in revenues (expressed in GBP) was 5.0%, due to the strong competition on the market and the first phases of internal reorganisation. Particularly in the sales area, the company had to replace some commercial staff and recruit more qualified persons to handle the multiplatform offer (i.e. print and online), which has become more complex and content-rich, thanks to recently added functionality, such as Nectar points and pay-per-click offer.

With regard to print revenues, the restyling of the Thomson Local print directories and the sales of new advertising spaces resulting from the agreement with Nectar showed positive results, generating GBP 5.3 million in revenues ("Nectar phone number").

In the first half of 2007, online revenues increased by 2.6% (in GBP) compared to the first half of 2006, with a trend slowing down from the 40.5% growth recorded in the first half of 2006, characterised by the strong focus of the sales area on the online products. The increase in online revenues was reached in a highly competitive market thanks to the constant development of the internet offering and the addition of new product functionality, such as Nectar points and pay-per-click offer on the main search engines and portals operating in the United Kingdom. These innovations allowed the company to position itself on the market as an online media agency.

Average revenue per advertiser also increased in the first half of 2007 - a sign of the effectiveness of the offering - thus partially offsetting the decrease in the directories customer base (print and online).



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Operating income (**EBITDA**) of the Thomson group, positive for € 2.5 million in the first half of 2007 (negative for € 2.0 million in the first half of 2006), increased by GBP 3.6 million compared to the same period of 2006 at the same number of published directories. This was due to a drop of GBP 2.0 million in advertising costs (in January 2006, a targeted TV campaign was launched to support Thomson Local directories) and further efficiencies in industrial production costs. Salaries, wages and employee benefits decreased by GBP 0.9 million following the reorganisation of the internal sales structure.

**Net invested capital** of the Thomson group amounted to € 215.1 million at June 30, 2007, down € 6.5 million compared to December 31, 2006 and it included € 221.8 million of goodwill. The change during the period was attributable to: *i*) a decrease in operating working capital of approximately € 12 million due both to the cycle of publication of the directories and quicker payments to suppliers; and *ii*) a decrease of € 6.2 million in net liabilities for defined benefit pension plans as a result of the restatement of actuarial gains at June 30, 2007 based on updated discount and inflation rates.

The **average workforce** numbered 1,012 units in the first half of 2007 (1,041 units in the first half of 2006). The decrease was due to the first phases of the internal reorganisation involving the transfer of sales personnel to other areas.

## Regulatory Framework

No new events have occurred to add to the information given in the "Report on operations" in the Financial Statements at December 31, 2006.

## → Directory Assistance

### Market scenario and strategic positioning

The "Directory Assistance" Business Area provides telephone information services through the group reporting to the German subsidiary Telegate A.G. and the subsidiary Prontoseat S.r.l., directly owned by SEAT Pagine Gialle S.p.A..

In Germany, **Telegate A.G.** operates through the 11880 voice portal being the second player in the market, behind the former monopolist, Deutsche Telekom, with a market share of approximately 37%. Recently, Deutsche Telekom announced it is evaluating a possible disposal of its directory assistance operations in Germany to a third party.

In Spain, Telegate A.G. strengthened its role of third player operating with the 11811 number, after the Telefónica group and TPI (Yell Publicidad). The Company recently signed a partnership agreement with QDQ Media, the second player in the market of print and online directories.

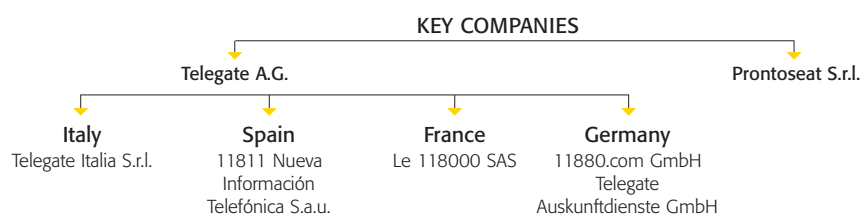
In France, within only a few months from the beginning of the liberalisation process, the Telegate group became the third player in a highly competitive market, through its subsidiary Le 118000 SAS.

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

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

### Structure of the Business Area

The "Directory Assistance" Business Area is organised as follows



### Key events of the period

- In April 2007, 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 at December 31, 2006 by using the equity reserve "Shareholders' contributions" as at December 31, 2006. In June 2007, SEAT Pagine Gialle S.p.A. paid a further capital contribution of € 1 million.

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- In May 2007, the Shareholders' Meeting of Telegate A.G. - 61.85% held by Telegate Holding GmbH and 16.43% held by SEAT Pagine Gialle S.p.A. - resolved the distribution of dividends for an overall amount of € 13.6 million, of which € 10.7 million due to the SEAT Pagine Gialle group.

## Economic and financial performance

The table below sets out the highlights for the first half of 2007 compared to those for the same period of the previous year

(euro/million)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	Change		Year 2006
	2007	2006	Absolute	%	
Revenues from sales and services	92.9	92.7	0.2	0.2	188.7
Gross operating profit	24.7	(2.7)	27.4	n.a.	16.7
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	22.9	(5.4)	28.3	n.a.	17.7
Operating result (EBIT)	18.4	(8.3)	26.7	n.a.	10.6
Net invested capital at the end of the period	55.3	47.8	7.5	15.7	61.6
Capital expenditure	3.5	4.1	(0.6)	(14.6)	6.0
Average workforce (*)	2,523	2,390	133	5.6	2,391

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

In the first half of 2007, **revenues from sales and services** of the "Directory Assistance" Business Area amounted to € 92.9 million, substantially in line with the same period of the last year. EBITDA grew significantly, after being negatively impacted in 2006 by costs for the launch of directory assistance services in France.

The financial data are analysed below at a company level and by geographical area.

## Telegate group

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

The table below sets out the highlights for the first half of 2007 compared to those for the same period of the previous year

(euro/million)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	Change		Year 2006
	2007	2006	Absolute	%	
Revenues from sales and services	86.7	88.2	(1.5)	(1.7)	178.9
Gross operating profit	24.1	(2.6)	26.7	n.a.	16.4
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	22.5	(5.2)	27.7	n.a.	16.7
Operating result (EBIT)	18.4	(7.8)	26.2	n.a.	10.3
Net invested capital at the end of the period	36.8	30.2	6.6	21.9	43.7
Capital expenditure	3.3	3.6	(0.3)	(8.3)	5.3
Average workforce (FTE)	2,178	2,104	74	3.5	2,103

telegate

In the first half of 2007, **revenues from sales and services** of the Telegate group decreased by 1.7% to € 86.7 million. This decrease was mainly due to the performance in the French market. It should be noted that revenues in the first half of 2006 included € 9.6 million for management in outsourcing of services for the mobile providers SFR and Bouygues Telecom, an unproductive business in terms of operating margins that has been discontinued following market deregulation. Excluding these revenues, growth compared to the first half of 2006 was 10.3%.

A breakdown of revenues by geographical area is provided below:

- in **Germany**, revenues increased by 1.8% to € 56.6 million compared to the first half of 2006. The decrease in the call number to the 11880 service was offset by the increase in the average value per call due to price adjustments and the average handling time due to the development of value-added services and the introduction of ANA (Automatic Number Announcement). Telephone traffic revenues also benefited from the growth of other business lines, i.e. management of interconnection services and directory assistance services of leading operators in outsourcing.

Telegate continued to carry out its multi-channel strategy in Germany with a product portfolio of on voice and online services, the latter available at the 11880.com portal. This strategy brought with it the launch of new online directory assistance services, also thanks to synergies with the parent company SEAT Pagine Gialle S.p.A.. In fact, one of the new services offered on the German market was a product similar to PAGINEGIALLE VISUAL® (video, maps and aerial views through queries). At the end of June 2007, the overall number of online and on voice visits totaled 5.7 million and the number of searches totaled 10.8 million. The sales force, mainly consisting of telesellers, was further reinforced to pursue the success of the new multi-channel offer. The company also began working with a number of new partners, including hotel.de, to provide online hotel booking service, and Europages S.A., the SEAT group's subsidiary in France. At the end of June 2007, a total of 6,000 advertisers purchased these new services, generating approximately € 1 million of online revenues;

- in **Spain**, revenues decreased by 4.9% in the first half of 2007 compared to the same period of 2006, mainly due to a reduction in outsourcing revenues as the management of directory assistance services for MGA operator was discontinued. This decrease has been offset by the increase in the average value of branded calls consolidating and strengthening its own position, also through the development of its multi-channel offering (on voice and online), recently enhanced by the partnership agreement signed with QDQ Media, the second player in the directory market;

- in **Italy**, Telegate Italia S.r.l. benefited from the positive performance of the 89.24.24 Pronto PAGINEGIALLE® service and the strong growth of the 12.40 Pronto PAGINEBIANCHE® service, which led to an increase in revenues from call center services of 39.2% compared to the same period of the previous year;

- in **France**, revenues from the 118000 number amounted to € 11.4 million, an increase of 62.9% not considering the revenues generated in the first half of 2006 by the management in outsourcing of services for the mobile providers SFR and Bouygues



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Telecom, as explained above. This result was achieved in a market that continues to be variable and highly competitive, but that seems to have entered a more stable phase compared to the previous year.

Operating income (**EBITDA**) of the Telegate group, positive for € 22.5 million, increased by € 27.7 million compared to the first half of 2006, mainly due to the considerable reduction in advertising investments (-55.6%) that were required in 2006 to support the start-up of the business in France.

In **Germany**, EBITDA increased by 48.1% to € 23.1 million in the first half of 2007 thanks to the decrease of € 3.1 million in the industrial costs relating to the supply and updating of the company's database, also as a consequence of the positive outcome of the lawsuits with Deutsche Telekom. Advertising costs decreased by € 4.6 million: last year they had been particularly high due to the entrance of a new competitor into the market.

In **Spain** and **Italy**, the business reported positive margins supporting the growth in EBITDA. These results were obtained thanks to savings on call center operating costs arising from the optimisation of the overall capacity and despite the sharp increase in labour costs due to changes in the contractual terms with the call center operators and the increase in workforce.

In **France**, EBITDA increased by approximately € 20 million compared to the first half of 2006, thanks to the decrease of € 13.9 million in advertising costs and cost savings arising from the rationalisation of the overall production capacity. Thanks to an increasing stability of the market and a reduced advertising pressure by all major competitors, Telegate achieved break-even in terms of EBITDA in June 2007.

**Net invested capital** of the Telegate group amounted to € 36.8 million at June 30, 2007, down € 6.9 million compared to December 31, 2006. It includes fixed assets for € 27.5 million, of which € 8.5 million related to the voice portals (11881, 11882, 11889) owned by Telegate Auskunftsdienste GmbH, acquired in 2006. Operating working capital amounted to € 6.5 million, a decrease of € 3.0 million compared to December 31, 2006 due to: i) a reduction of € 8.0 million in trade receivables, following factoring transactions with Deutsche Bank starting from May 2007 and the collection of receivables already overdue at December 31, 2006 in the first months of 2007; and ii) a decrease of € 5.6 million in trade payables, following the cost reductions described above.

**Capital expenditure** amounted to € 3.3 million (€ 3.6 million in the first half of 2006) in line with the Group's strategic plan. As in the previous year, it was aimed at enhancing and optimising the production capacity of call centers. In particular, approximately € 1.7 million was incurred for software, almost entirely in relation to the implementation of the Siemens EWSD system for call management, while € 1.4 million was spent on technology infrastructure.

The **average workforce** of the Telegate group was 2,178 units in the first half of 2007 (2,104 units in the first half of 2006), of which 1,366 units in Germany.

**118 000**  
LES RENDEMENTES TOUT EMPLOYEES

## Prontoseat S.r.l.

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

The table below sets out the highlights for the first half of 2007 compared to those for the same period of the previous year

(euro/million)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	Change		Year 2006
	2007	2006	Absolute	%	
Revenues from sales and services	6.3	4.6	1.7	37.0	9.8
Gross operating profit	0.5	(0.1)	0.6	n.a.	0.3
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	0.4	(0.2)	0.6	n.a.	1.1
Operating result (EBIT)	-	(0.5)	0.5	100.0	0.3
Net invested capital at the end of the period	1.1	0.2	0.9	n.s.	0.5
Capital expenditure	0.2	0.5	(0.3)	(60.0)	0.7
Average workforce	345	286	59	20.6	288

In the first half of 2007, **revenues from sales and services** amounted to € 6.3 million (+37.0% compared to the same period of the previous year), benefiting from the traffic volumes generated by SEAT Pagine Gialle S.p.A.'s directory assistance services. Also, video call services for H3G customers, 12.40 Pronto PAGINEBIANCHE® outbound services and the new activities of the SEAT group (i.e. Courtesy Back-Office for after-sales management and the insourcing of Customer Service) supported the increase in revenues.

Operating income (**EBITDA**) increased by € 0.6 million compared to the first half of 2006, despite the consistent growth in labour costs due to changes in the contractual terms with the call center operators and the increase in workforce.

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## Regulatory Framework

### Germany

During the first half of 2007 Telegate A.G. continued the litigation, commenced in previous years, concerned with the prices applied by Deutsche Telekom for the supply of telephone subscribers data which were considered to be excessive.

Specifically:

- on May 16, 2007, in the judgment concerning the return of excess sums paid for the supply of subscriber data for the period from 1997 to 2000, the Düsseldorf Regional Court substantially confirmed the decision handed down by the Court of Cologne on August 31, 2005, granting Telegate A.G.'s request and recognising its right to the return of a sum amounting to € 52.0 million. It has been acknowledged that a further appeal may be filed against this judgment;
- on June 20, 2007, in the judgment concerning the return of excess sums paid for the supply of subscriber data for the period January-September 1999, the Düsseldorf Regional Court substantially confirmed the decision handed down on June 22, 2005, granting Telegate A.G.'s request and recognising its right to the return of a sum amounting to € 4.3 million, plus interest;
- on June 27, 2007, in the judgment concerning the return of excess sums paid for the supply of subscriber data for the period from 2000 to 2004, the Düsseldorf Regional Court substantially confirmed the decision handed down by the Court of Cologne on August 31, 2005, granting Telegate A.G.'s request and recognising its right to the return of a sum amounting to € 30.5 million.

At the end of July 2007, Telegate A.G. received on instalment of € 10.5 million plus interest, total amount being € 12.3 million, from Deutsche Telekom regarding the data claims as a deposit on the debt which could be due at the end of the pending proceedings. Nevertheless Deutsche Telekom confirms its disagreement with the court-decisions and is appealing against them.

### Austria

No significant events are reported in Austria with respect to those reported in the 2006 financial statements.

### France

The Paris Court of Appeal rejected the decision by ARCEP (the French Regulatory Authority) not to reduce the costs of the data of mobile operator Orange and ordered Orange to submit new conditions to the Telegate group.

In March 2007 the French Ministry of Industry, with ARCEP, issued a measure that lays down new rules regarding the telephone subscriber database that the various operators must place at the disposal of companies that publish telephone directories and provide subscriber information services.

Specifically, this measure states that the set of minimum information that telephone operators must give to the providers of subscriber information services should be expanded, and fixes a cap to the sales price of these data. The measure, which could have a favourable effect on directory assistance service provider costs, is at the moment the subject of an appeal brought by some Operators, the outcome of which should be made known in September 2007.



In April 2007, ARCEP published the resolution regarding value added services ("VASs"), which lays down some obligations that are defined as "symmetrical" in that they are imposed on both telephone operators (which provide access to the network) and the suppliers of these VASs. These measures could entail an increase in the cost of providing directory assistance services and limitations on the possibility of freedom to decide the conditions of the offer to end-users.

### **Spain**

The Communications Ministry has published a proposed measure that would again oblige the incumbent company Telefonica to offer all the Universal Services (among which the supply of the print telephone directory and the offer of subscriber information services are included). For some years, Telefonica has offered a directory assistance service from a "universal services" standpoint through the 118.118 number.

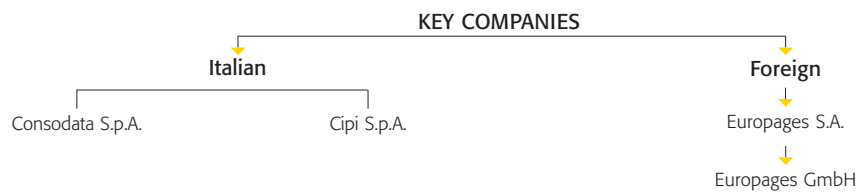
Telegate Spain is convinced that a Universal Services obligation is completely superfluous (and even contrary to the EU directives) in a context of subscriber information services that is by now fully liberalised. The Company, however, has decided to take part in the assessment procedure announced by the Ministry, offering to manage only the telephone component of the information service in place of Telefonica, but this offer has not been taken into consideration by the Ministry. At the moment the European Commission is studying this matter to verify whether the procedure followed by Spain conforms to European legislation. Even if the Communications Ministry measure is confirmed, no changes in competition aspects are expected in the Spanish directory assistance market.

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## → Other Activities

### Structure of the Business Area

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



### Key events of the period

- In March 2007, the company "Europages GmbH" was established in Germany with a share capital of € 25 thousand entirely owned by Europages S.A.. The purpose of the Company is to provide out commercial and marketing activities.
- On March 13, 2007, the Shareholders' Meeting of Consodata S.p.A. - 100% owned by SEAT Pagine Gialle S.p.A. - resolved the distribution of dividends with a pay out of € 2.0 million, on the whole.
- On March 30, 2007, the Shareholders' Meeting of Europages S.A. - 93.562% owned by SEAT Pagine Gialle S.p.A. - resolved the distribution of ordinary dividends with a pay out of € 3.0 million, on the whole.
- On April 4, 2007, the Shareholders' Meeting of Cipi S.p.A. - 51% owned by SEAT Pagine Gialle S.p.A. - resolved the distribution of dividends with a pay out of € 1.2 million, of which € 0.8 million drawn from retained earnings.
- On June 22, 2007, the Shareholders' Meeting of Consodata Group Ltd. - 100% owned by SEAT Pagine Gialle S.p.A. - resolved about the closing of the liquidation process of the Company. In the coming next months the Company will be deleted from the Register of Companies.

## Economic and financial performance

The table below sets out the highlights for the first half of 2007 compared to those for the same period of the previous year

(euro/million)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	Change		Year
	2007	2006	Absolute	%	2006
Revenues from sales and services	30.9	26.3	4.6	17.5	77.0
Gross operating profit	2.5	0.5	2.0	n.s.	12.1
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	2.3	0.5	1.8	n.s.	12.0
Operating result (EBIT)	(0.3)	(1.3)	1.0	76.9	8.4
Net invested capital at the end of the period	20.6	16.8	3.8	22.6	16.1
Capital expenditure	3.1	1.9	1.2	63.2	4.4
Average workforce (*)	409	400	9	2.3	424

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

**Revenues from sales and services** of the "Other Activities" Business Area amounted to € 30.9 million in the first half of 2007, a 17.5% increase compared to the first half of 2006. This positive performance is reflected also at EBITDA level, amounting to € 2.3 million (+€ 1.8 million compared to the first half of 2006).

For a more detailed analysis of the financial data, please refer to the paragraphs below.

## Consodata S.p.A.

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

Consodata S.p.A., the Italian leader in one-to-one marketing and geomarketing services, has been offering complete and innovative direct marketing services to thousands of enterprises operating in all industries for over 20 years. It uses both the widespread sales network of the Parent Company to reach SMEs and its own dedicated network to be present on the "Large Account" market. Consodata offers its customers access to the largest behavioural database in Italy. This database enables customers to make decisions taking into account information on millions of consumers using the most modern marketing intelligence tools.

The table below sets out the highlights for the first half of 2007 compared to those for the same period of the previous year

(euro/million)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	Change		Year
	2007	2006	Absolute	%	2006
Revenues from sales and services	9.9	11.4	(1.5)	(13.2)	25.1
Gross operating profit	1.5	1.3	0.2	15.4	4.2
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	1.5	1.4	0.1	7.1	4.3
Operating result (EBIT)	0.6	0.3	0.3	100.0	2.2
Net invested capital at the end of the period	8.6	8.2	0.4	4.9	8.5
Capital expenditure	0.9	0.9	-	-	2.0
Average workforce	120	134	(14)	(10.4)	135



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**Revenues from sales and services** amounted to € 9.9 million in the first half of 2007, down 13.2% compared to the same period of the previous year. The delay in revenues was also due to the strategic decision to change the Company business model (decreased focus on print segment and more attention on data content and geomarketing) and push the sales of more profitable products. The negative trend of print products reflects the critical situation of Direct Marketing depending on various reasons, including increased competition from both Poste Italiane and small operators.

“Data content” business performed well, with revenues increased by more than 36% compared to the first half of 2006 with regards to the direct-sales channel.

The new business model positively impacted **EBITDA**, which increased by 7.1% compared to the first half of 2006 to € 1.5 million. This result was achieved thanks in particular to the high margins on “data content” business and a reduction in labour costs due to decreasing number of workforce in the sales department and further savings on operating costs.

The **average workforce** decreased by 14 units, from 134 units in the first half of 2006 to 120 units in the first half of 2007.

## Europages group

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

Europages S.A. publishes Europages, the pan-european Business-to-Business directory for companies that 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 approximately 700,000 Business-to-Business companies, mainly exporters. The database is constantly growing, with the inclusion of new companies also from the countries that have recently joined the European Union.

During the first half of 2007, a new company, Europages GmbH, began to be included in the consolidation area. Europages GmbH, a German company wholly owned by Europages S.A., was established in March 2007 to market the Europages product in Germany. The organisational structure of the new company is broken down into four geographical areas covering the four main German regions (Munich, Stuttgart, Frankfurt and Düsseldorf). This structure is consistent with the sales reorganisation plan launched in Europe by Europages S.A. with the goal of strengthening its presence on the market of the main countries. The first step of the plan had involved the establishment of a direct sales force in France in 2006; this business model will be extended to other major European countries, just including Germany, by the end of 2007.

The table below sets out the highlights for the first half of 2007 compared to those for the same period of the previous year

(euro/million)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	Change		Year 2006
	2007	2006	Absolute	%	
Revenues from sales and services	12.5	6.1	6.4	104.9	29.0
Gross operating profit	1.3	(0.6)	1.9	n.a.	5.7
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	1.0	(0.7)	1.7	n.a.	5.7
Operating result (EBIT)	(0.3)	(1.0)	0.7	70.0	5.0
Net invested capital at the end of the period	4.9	0.6	4.3	n.s.	(1.4)
Capital expenditure	2.1	0.5	1.6	n.s.	1.9
Average workforce (FTE)	104	59	45	76.3	60

**Revenues from sales and services** amounted to € 12.5 million in the first half of 2007, a significant increase compared to the same period of 2006 (€ 6.1 million) due to the positive contribution of the online offering in Italy (€ 8.2 million, an increase of 46.4% compared to the first half of 2006) and Spain (€ 2.0 million, no revenues in the first half of 2006) and the first results achieved by direct sales activities in France.

The online component of the Europages offering continues to play a leading role, the number of visits amounting to 10.2 million and the number of page views to 53.0 million in the period. The number of visits confirmed the website's leading position in the BtoB market, as a consequence of the strong increase in the services provided, as well as the usefulness and quality of such services.

Consistent with worldwide BtoB trends and given that the majority of searches are online, the 2007 print edition (the 25th) will be the final one and starting from 2008 the product will be available only online.

Operating income (**EBITDA**) was positive for € 1.0 million, a € 1.7 million increase compared to the first half of 2006, thanks to higher revenues that partially offset the growth in labour costs incurred for the sales area development. The direct-sales model, already implemented in France, will be extended to other major European countries, including Germany, during 2007, taking into account the positive results achieved.

The positive performance at EBITDA level (+€ 1.7 million compared to the first half of 2006) was partially absorbed by non-recurring costs of recruitment incurred to develop the sales area (€ 0.8 million). Therefore, EBIT increased only by € 0.7 million compared to the first half of 2006.

**Capital expenditure**, which amounted to € 2.1 million in the first half of 2007 (€ 0.5 million in the first half of 2006), referred to intangible assets for € 1.7 million relating to the creation of a new database supporting the sales area and the development of the new "Europages 2.0" website and to IT equipment and systems for € 0.2 million.

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## Cipi S.p.A.

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

Cipi S.p.A. operates in the merchandising and corporate gift market, covering the entire value chain, from the import of gadgets to their personalising with the customer's logo and their sale, directly or through the Parent Company, to the end customer.

The table below sets out the highlights for the first half of 2007 compared to those for the same period of the previous year

(euro/million)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	Change		Year 2006
	2007	2006	Absolute	%	
Revenues from sales and services	8.5	8.6	(0.1)	(1.2)	22.5
Gross operating profit	(0.2)	(0.2)	-	-	2.2
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	(0.3)	(0.2)	(0.1)	(50.0)	2.1
Operating result (EBIT)	(0.6)	(0.7)	0.1	14.3	1.3
Net invested capital at the end of the period	7.1	8.4	(1.3)	(15.5)	9.2
Capital expenditure	0.2	0.4	(0.2)	(50.0)	0.5
Average workforce	184	200	(16)	(8.0)	224



In the first half of 2007, **revenues from sales and services** reached € 8.5 million, substantially in line with the same period of the previous year. The higher focus of the SEAT Pagine Gialle S.p.A.'s sales network on the multiplatform offer (print, voice and online) slowed down revenues, in particular of the Giallo Promo line. This effect was partially offset by revenues from direct sales to large Italian customers.

EBITDA was negative for € 0.3 million, substantially in line with the first half of 2006.

## ➤ Other information

### ➔ Human Resources

#### SEAT Pagine Gialle group

	At 06.30.2007	At 12.31.2006	Change
Employees	6,594	6,084	510
Directors, project workers and trainees	375	577	(202)
<b>Total workforce at the end of the period</b>	<b>6,969</b>	<b>6,661</b>	<b>308</b>
<b>Average workforce for the first half-year (*)</b>	<b>5,326</b>	<b>5,156</b>	<b>170</b>

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

The Group's workforce numbered 6,969 units at June 30, 2007, an increase of 308 units compared to December 31, 2006, mainly due to the strengthening of the call centers in Italy and the sales departments in Italy, France and Germany.

The average workforce during the period (FTE for non-Italian companies) was 5,326 units (5,156 units in the first half of 2006), significantly lower than the workforce at the end of the period (number of "heads") because of the high recourse to part-time contracts, particularly in the call centers.

For a more detailed analysis about the trends in labour cost and workforce, please refer to the section "Economic and financial performance of the Business Areas".

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

	At 06.30.2007	At 12.31.2006	Change
Employees	1,360	1,274	86
Directors, project workers and trainees	95	119	(24)
<b>Total workforce at the end of the period</b>	<b>1,455</b>	<b>1,393</b>	<b>62</b>
<b>Average workforce for the first half-year</b>	<b>1,382</b>	<b>1,325</b>	<b>57</b>

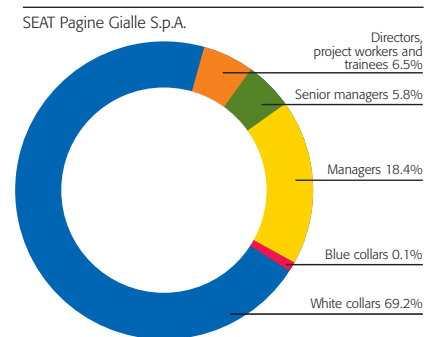
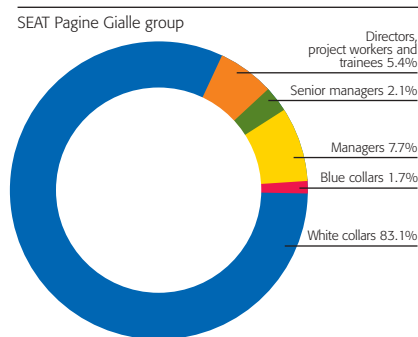
In SEAT Pagine Gialle S.p.A. employees increased by 86 units compared to December 31, 2006, due to the recruitment of qualified and skilled resources in strategic areas for the business development (in particular, Internet and Sales Departments). These newly engaged employees contributed to further reduce the average age and increase the percentage of qualified employees.



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At June 30, 2007, a lower number of temporary personnel has been employed than at December 31, 2006.

The first half of 2007 has not been impacted yet by the effects of the corporate reorganisation plan already approved by the Board and agreed with the Unions. This plan involves 130 redundancies in the 2007-2009 period, through measures of extraordinary unemployment compensation (*Cassa Integrazione Guadagni Straordinaria*) and early retirement, as well as selected dismissals and professional retraining. It will be carried out in the publishing and commercial back-office departments, highly influenced by the introduction of new and innovative IT systems.



## Sales force

SEAT Pagine Gialle S.p.A. sales force consists of 1,617 agents and 110 employees (1,614 agents and 112 employees at December 31, 2006), organised in 3 sales channels, based on customer segments and market potential: Large Customers, Business Sales and Local Sales.

For a more detailed description of the organisational structure of the sales force, please refer to the "Report on operations" in the 2006 Annual Report.

## Organisational development and services to employees

During the first half of 2007, SEAT Pagine Gialle S.p.A. continued to carry out activities and projects aiming at the personal and professional growth of its employees and sales force.

The Employee Performance Review process for 2006 was closed in May 2007, involving 90% of the employees (compared to 60% in the previous year). During the first months of the year, this process was supported by information meetings for Assessed and Assessors to spread awareness of the culture of performance assessment among staff.

The Performance Review process also continued with regard to the sales force through the release of the online version.

Furthermore, to provide the management with tools to manage and develop its collaborators:

- at the end of the period, the first version of "ManagerDirectory.it" was issued, a kind of online manual for the manager, with tools and information useful for managing and coordinating. The system will be further developed and enriched in contents and graphics during the second half of 2007;
- it was promoted the acquisition and the management of the employees' personal and professional data through Yellow Profile, the online CV. It can be constantly updated by all the employees, who are now directly involved in the process of the collection and reviewing of the information regarding their know-how.

Actions have been carried out to support the sales force development plan, aimed at better positioning the Company with regard to its searched target by employer branding activities at universities, in the national press and on the main web recruiting portals for young people. Recruiting campaigns have also been planned and carried out specifically for the sales force of the Kompass Business Unit and the Local Sales Department, through the creation in the latter of the *Community Local Tribe*, to promote agents' loyalty and give them incentives.

The *Visioning Tour* was arranged to spread knowledge of SEAT's strategic position for the period from 2007 to 2015 and increase the degree to which employees and agents identify themselves with the Company. This was a travelling workshop on the future of SEAT, which was to 16 offices in Italy, involving a total of about 500 people among employees and agents.

During the first half of 2007, SEAT completed a People Caring Plan, whose purpose was to promote the "attention" to the people working for the Company. The plan includes various projects, among which SEAT4PEOPLE, a combination of opportunities and agreements intended for employees, sales agents and their families, such as: FAMILY (scouting, support to educational activities, tax and social insurance advice), CAR (selection of national networks supplying car services, the "Second-Hand Window", the online board for second-hand business cars), FITNESS (special agreements with wellness and fitness centres) and TRAVEL (special agreements with travel agencies).

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

The "*look and feel*" layout project was launched for the new SEAT Pagine Gialle headquarters in the "ex Officine Savigliano" real estate complex in Turin, currently under construction.

A survey among all the employees in the various Turin offices was performed in the first months of the year to identify their expectations and wishes regarding ergonomics, comfort, services and opportunities connected with the new headquarters.

An *Advisory Board* was appointed, whose members are academic, consultancy experts and a Company team in charge of defining the final design for the construction of the new headquarters. During the first half of 2007, this Board managed the *space planning* activities (no criticalities regarding space use possibilities were pointed out), defined aesthetic appearance and chose materials for finishing the interior of the buildings.

The new design, as defined after these activities, was negotiated with SNOS S.p.A. and the outcome was an upgrade of specifications and variations to works with respect to the contents of the preliminary sale agreement.

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## Training - Seat Corporate University



Having reached its third year of activity, Seat Corporate University is constantly focused to achieve its objective, i.e. developing the knowledge and skills of employees and sales force. In addition to the now consolidated training programmes, in the last months it enlarged its offering by preparing new training modules to provide the support and detailed knowledge required in connection with the specific aspects of the Company's business and its continuously evolving markets.

31,351 hours of training were supplied in the first half of 2007, involving a total of 2,106 participants.

The main subjects dealt with were:

- for 58% intended for the sales force, with particular attention to themes arising from attributing value to Business Customers, the management of complex sales and the preparation of the direct sale for the Local Sales Channel;
- for 21% dedicated to the role specialisation, cross knowledge, as well as linguistic and technical skills;
- for 21% dedicated to the development of managerial skills and organisational behaviours.

## Security

The implementation and roll-out of the information system ISMS (Information Security Management System) was completed pursuant to the legal requirements. With regards to information contained in each of the key processes, it points out the level of risk referred to confidentiality, integrity and availability.

Security policies were updated, particularly those regarding the use of electronic mail and the access to internet by employees, according to the requirements issued by the Italian Privacy Authority (*Garante per la protezione dei dati personali*).

## Industrial relations

In January 2007 the Agreement on the Corporate Reorganisation Plan was signed with the Trade Unions, first at the Company's head office and then at the Ministry of Employment and Welfare.

Also in January, an application was submitted to the Ministry of Employment and Welfare for the recognition of the Corporate Reorganisation Plan in order to obtain CIGS treatment (*Cassa Integrazione Guadagni Straordinaria*, Extraordinary Unemployment Compensation) for the period from January 29, 2007 to January 28, 2009.

As regards SEAT, industrial relations were mainly concentrated on the activity of the Joint Committees set up in conjunction with the trade unions at the time of the Agreement on the Corporate Reorganisation Plan, with the task of assessing the impact of the previous Reorganisation/Restructuring Plans in 2004-2006 and the present Plan on organisation, occupation, production and professional skills.

In June, a briefing meeting on corporate performance was held with the Managing Director and the National Trade Unions.

With regard to the performed actions related to the subsidiaries, it should be noted, in particular, that in January an agreement was signed between Telegate Italia S.r.l. and the relevant Territorial Trade Unions to transform the temporary project agreements into subordinate employment contracts for the operators providing the inbound 12.40 Pronto PAGINEBIANCHE® service at the Livorno call center.

## → 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 arising 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 of 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.

For both these proceedings, the Court of Cassation fixed a hearing for the discussion of the respective appeals on September 20, 2007, before the First Civil Division (*1 Sezione Civile*).

As regards the third proceeding, the Rome Court of Appeal rejected the appeal against the judgment handed down against Cecchi Gori Group Fin.Ma.Vi S.p.A., in liquidation, and Cecchi Gori Group Media Holding by the Court of Rome, before which these companies had brought an action challenging the Shareholders' Meeting resolutions of August 11, 2000.

Finally, the fourth action, brought to ascertain the extra-contractual liability of Telecom Italia Media S.p.A. arising from the acquisition of the Cecchi Gori Group television companies, is 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 transaction, 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.

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## → Corporate Governance

### Introduction

It is specified that, in compliance with the current legislative and regulatory provisions and the recommendations under the “new” Code of Conduct for listed companies (March 2006 version, whose provisions the Company has resolved to comply with), SEAT Pagine Gialle S.p.A. provided 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 on April 19, 2007 and available online on the website [www.seat.it](http://www.seat.it).

An update exclusively regarding the events that took place in the first half of 2007 is provided below.

### Board of Directors

The Ordinary Shareholders’ Meeting held on April 19, 2007 appointed as Directors Antonio Belloni (who was confirmed as a member of the Compensation Committee by the Board Meeting held after the Shareholders’ Meeting) and Carmine Di Palo, both of whom already co-opted during 2006 to replace Stefano Mazzotti and Stefano Quadrio Curzio, who had resigned.

Their CVs may be consulted on the Company’s website.

During its meeting on February 27, 2007, the Board of Directors adopted a procedure to assess the independence of its members. On the basis of the information received in compliance with this procedure, during its meeting on March 13, 2007, the Board noted that the Directors Lino Benassi, Gian Maria Gros Pietro and Marco Reboa satisfied the independence requisites.

The Board of Directors met seven times during the first half of 2007. The Chairman of the Board operates as directors are provided with the necessary documentation and information regarding the issue in agenda in accordance with the requested procedures and timing. At invitation, the Company’s top management attended the Board Meetings supporting the Managing Director with regards to the issue in agenda.

The Board Meeting held on June 19, 2007 appointed Ms. Maurizia Squinzi, who has the position of Director of the Administration, Finance and Control Department (CFO), as the **Manager responsible for preparing the Company’s financial reports** (pursuant to Article 154-bis of Legislative Decree No. 58/1998).

### Internal Audit Committee

During the meeting held on February 27, 2007, the Board of Directors resolved to charge the Internal Audit Committee with the duties provided for by Article 8.C.3 of the Code of Conduct.

The Internal Audit Committee met four times during the first half of 2007 and once between the end of that period and the date of this report and carried out these activities among others:

- it oversaw the development of the organisational and operational structure of the Internal Audit Department;
- it examined and assessed the activities carried out by the Internal Audit Department in compliance with the action plan for the year 2007 and analysed its results;
- it met with the Administration, Finance and Control top management, the Chairman of the Board of Statutory Auditors and the Partner of the Independent Auditors in order to examine the key points of the First Half Report at June 30, 2007;
- it met with the Partner of the Independent Auditors in order to examine the issues arisen during their audit;
- it 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;
- it oversaw activities referred to Law No. 262/2005 (the so-called "Legge sul risparmio"), with particular attention to the analysis of the key processes underlying the preparation of accounting and financial reports.

#### **Law No. 262 of December 28, 2005 (the so-called "Legge sul risparmio")**

SEAT Pagine Gialle S.p.A. has an adequate system for the internal control of the procedures underlying the preparation of its financial reports.

In the first half of 2007, supported by the advisor PricewaterhouseCoopers Advisory S.r.l., the Company completed the review and assessment of the existing controls with reference to the key processes. Finally, as reported above, on June 19, 2007, the Board of Directors appointed the Manager responsible for preparing the Company's financial reports.

### Compensation Committee

The Committee only met once during the first half of 2007. In this meeting, among other things, it verified that the Managing Director achieved his objectives for the year 2006, which the variable component of his compensation is linked to.

### Board of Statutory Auditors

During the first half of 2007, there were four meetings of the Board of Statutory Auditors. During these meetings, among other matters, the Board of Statutory Auditors reviewed *i)* the independence of its members also in accordance to the requirements of the Code of Conduct with reference to Directors; and *ii)* the criteria and procedures adopted by the Board to review the independence of its members were correctly applied.

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## Shareholders' Meetings

- The Special Meeting of Savings Shareholders, held on April 19, 2007 on third call, appointed Edoardo Guffanti as the Common Representative of this class of Shareholders for the 2007-2009 period.
- Besides appointing Antonio Belloni and Carmine Di Palo as Directors, the Ordinary Shareholders' Meeting held on April 19, 2007 approved the Financial Statements at December 31, 2006. In an Extraordinary Session, the Shareholders approved amendments to the Company's By-Laws substantially conforming it to the "Legge sul risparmio" (Law No. 262 dated December 28, 2005, as amended by the Legislative Decree No. 303 dated December 29, 2006). In particular, with reference to the appointment of Directors and Statutory Auditors through list voting, the By-Laws was amended stating that the minimum percentage of shares necessary to present lists of candidates should be that defined for the Company by the regulations in force, and in any case not higher than 2% of the share capital with voting right at Ordinary Shareholders' Meetings.

The procedures for the appointment and the professional requirements of the Manager responsible for preparing the Company's financial reports were also defined.

## Supervisory Committee

The Supervisory Committee met once during the first half of 2007 and once between the end of that period and the date of this report.

In addition to its day-by-day supervision activity, the Supervisory Committee, among other things:

- updated the Organisational Model (after the conclusion of the actions referred to the introduction of the offences of Market Abuse and Market Manipulation into our legal system);
- monitored subsidiaries activities with reference to Legislative Decree No. 231 according to the principles and guidelines issued by the Parent Company;
- assessed the results of the activities performed by the Internal Audit Department with reference to Legislative Decree No. 231/2001.





## First half-year 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 at June 30, 2007

### Assets

	At 06.30.2007	At 12.31.2006	Change	Note	At 06.30.2006
<b>(euro/thousand)</b>					
<b>Non-current assets</b>					
Intangible assets with indefinite useful life	3,578,179	3,579,001	(822)	(4)	3,572,151
Intangible assets with finite useful life	412,021	485,871	(73,850)	(6)	553,499
Property, plant and equipment	48,540	50,013	(1,473)	(7)	50,182
Investments accounted for at equity	288	288	-	(8)	254
Other non-current financial assets	2,142	1,592	550	(9)	1,623
Deferred tax assets	50,529	48,346	2,183	(29)	93,488 (*)
Other non-current assets	1,303	805	498	(12)	906
<b>Total non-current assets</b>	<b>(A) 4,093,002</b>	<b>4,165,916</b>	<b>(72,914)</b>		<b>4,272,103 (*)</b>
<b>Current assets</b>					
Inventories	17,062	11,891	5,171	(10)	15,868
Trade account receivables	626,468	668,681	(42,213)	(11)	623,754
Current tax assets	8,114	5,239	2,875	(29)	14,079
Other current assets	72,425	66,243	6,182	(12)	79,027
Current financial assets	50,909	1,323	49,586	(16)	6,654
Cash and cash equivalents	210,605	308,195	(97,590)	(16)	190,431
<b>Total current assets</b>	<b>(B) 985,583</b>	<b>1,061,572</b>	<b>(75,989)</b>		<b>929,813</b>
<b>Total assets</b>	<b>(A+B) 5,078,585</b>	<b>5,227,488</b>	<b>(148,903)</b>		<b>5,201,916 (*)</b>

(\*) Restated at June 30, 2006 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.

## Liabilities and equity

	At 06.30.2007	At 12.31.2006	Change	Note	At 06.30.2006
<b>(euro/thousand)</b>					
<b>Equity Shareholders of the Group</b>					
Share capital	250,304	249,879	425	(13)	248,565
Additional paid-in capital	464,627	460,428	4,199	(13)	447,503
Reserve for foreign exchange adjustments	(2,543)	(5,312)	2,769	(13)	(9,525)(*)
Reserve for transition to IAS/IFRS	181,576	181,576	-	(13)	181,576
Reserve for stock options	7,548	7,905	(357)	(13)	10,081
Reserve for cash flow hedge instruments	10,116	1,533	8,583	(13)	4,668
Reserve for actuarial gains (losses)	(551)	(4,256)	3,705	(13)	24 (*)
Other reserves	109,177	85,295	23,882	(13)	80,403
Income (loss) for the period	(31,066)	80,136	(111,202)		(69,344)
<b>Total equity Shareholders of the Group</b>	<b>(A) 989,188</b>	<b>1,057,184</b>	<b>(67,996)</b>	<b>(13)</b>	<b>893,951 (*)</b>
<b>Minority interests</b>					
Share capital and reserves	14,576	16,594	(2,018)		16,521
Income (loss) for the period	2,796	1,652	1,144		(2,401)
<b>Total Minority interests</b>	<b>(B) 17,372</b>	<b>18,246</b>	<b>(874)</b>	<b>(13)</b>	<b>14,120</b>
<b>Total equity</b>	<b>(A+B) 1,006,560</b>	<b>1,075,430</b>	<b>(68,870)</b>		<b>908,071 (*)</b>
<b>Non-current liabilities</b>					
Non-current financial debts to third parties	2,001,263	2,125,640	(124,377)	(16)	2,197,567
Non-current financial debts to associates	1,261,375	1,258,549	2,826	(16)	1,255,723
Non-current reserves to employees	47,817	56,768	(8,951)	(19)	50,750 (*)
Other non-current liabilities	23,216	21,814	1,402	(21)	22,994
<b>Total non-current liabilities</b>	<b>(C) 3,333,671</b>	<b>3,462,771</b>	<b>(129,100)</b>		<b>3,527,034 (*)</b>
<b>Current liabilities</b>					
Current financial debts to third parties	192,324	211,835	(19,511)	(16)	177,591
Current financial debts to associates	17,375	17,375	-	(16)	17,375
Trade account payables	234,228	292,919	(58,691)	(23)	256,356
Reserve for current risks and charges	39,542	39,259	283	(22)	45,231
Current tax payables	34,126	23,533	10,593	(29)	44,062
Payables for services to be rendered and other current liabilities	220,759	104,366	116,393	(23)	226,196
<b>Total current liabilities</b>	<b>(D) 738,354</b>	<b>689,287</b>	<b>49,067</b>		<b>766,811</b>
<b>Total liabilities</b>	<b>(C+D) 4,072,025</b>	<b>4,152,058</b>	<b>(80,033)</b>		<b>4,293,845 (*)</b>
<b>Total liabilities and equity</b>	<b>(A+B+C+D) 5,078,585</b>	<b>5,227,488</b>	<b>(148,903)</b>		<b>5,201,916 (*)</b>

(\*) Restated at June 30, 2006 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.



## ➤ Statement of operations of the Group for the first half of 2007

(euro/thousand)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	Change		Note	Year 2006
	2007	2006	Absolute	%		
Sales of goods	14,267	15,776	(1,509)	(9.6)	(25)	38,790
Rendering of services	567,996	557,815	10,181	1.8	(25)	1,421,393
<b>Revenues from sales and services</b>	<b>582,263</b>	<b>573,591</b>	<b>8,672</b>	<b>1.5</b>	<b>(25)</b>	<b>1,460,183</b>
Other income	2,469	2,724	(255)	(9.4)	(26)	8,596
<b>Total revenues</b>	<b>584,732</b>	<b>576,315</b>	<b>8,417</b>	<b>1.5</b>		<b>1,468,779</b>
Materials	(22,869)	(24,275)	1,406	5.8	(26)	(64,862)
External services	(203,297)	(251,663)	48,366	19.2	(26)	(508,417)
Salaries, wages and employee benefits	(121,694)	(116,563)	(5,131)	(4.4)	(26)	(231,921)
Other valuation adjustments	(18,765)	(17,130)	(1,635)	(9.5)	(11)	(37,441)
Provisions to reserves for risks and charges, net	(7,489)	(9,408)	1,919	20.4	(21-22)	(9,739)
Other operating expense	(3,045)	(2,283)	(762)	(33.4)		(4,975)
<b>Operating income before amortisation, depreciation, non-recurring and restructuring costs, net</b>	<b>207,573</b>	<b>154,993</b>	<b>52,580</b>	<b>33.9</b>		<b>611,424</b>
Amortisation, depreciation and write-downs	(101,448)	(96,266)	(5,182)	(5.4)	(6-7)	(195,336)
Non-recurring costs	(3,133)	(4,328)	1,195	27.6	(26)	(12,932)
Restructuring costs, net	(7,334)	(618)	(6,716)	n.s.	(21-22)	(1,038)
<b>Operating income</b>	<b>95,658</b>	<b>53,781</b>	<b>41,877</b>	<b>77.9</b>		<b>402,118</b>
Interest expense	(129,178)	(129,561)	383	0.3	(27)	(257,583)
Interest income	9,201	5,602	3,599	64.2	(27)	11,374
Gains (losses) on investments accounted for at equity	-	-	-	-		34
Gains (losses) on disposal of investments	(3,327)	(16)	(3,311)	n.s.	(28)	(39)
<b>Income (loss) before income taxes, discontinued operations and Minority interests</b>	<b>(27,646)</b>	<b>(70,194)</b>	<b>42,548</b>	<b>60.6</b>		<b>155,904</b>
Income taxes	(624)	(1,551)	927	59.8	(29)	(74,116)
<b>Income (loss) before Minority interests</b>	<b>(28,270)</b>	<b>(71,745)</b>	<b>43,475</b>	<b>60.6</b>		<b>81,788</b>
Minority interests	(2,796)	2,401	(5,197)	n.a.		(1,652)
<b>Income (loss) for the period</b>	<b>(31,066)</b>	<b>(69,344)</b>	<b>38,278</b>	<b>55.2</b>		<b>80,136</b>
SEAT Pagine Gialle S.p.A. shares (number)	8,343,455,482	8,285,517,982	57,937,500	0.7		8,329,290,482
- ordinary (number)	8,207,380,696	8,149,443,196	57,937,500	0.7		8,193,215,696
- savings (number)	136,074,786	136,074,786	-	-		136,074,786
Earnings per share (in euro)	(0.00375)	(0.00839)	0.00464	55.3		0.00964
Diluted earnings per share (in euro)	(0.00374)	(0.00838)	0.00464	55.4		0.00962

Basic earnings per share are calculated by dividing the income (loss) for the period of the Group by the weighted average number of shares in issue during the period as adjusted by assuming the issue of all the potential shares deriving from the exercise of dilutive options pursuant to IAS 33.

## ➤ Cash flow statement of the Group for the first half of 2007 (indirect method)

(euro/thousand)	1 <sup>st</sup> half-year 2007	1 <sup>st</sup> half-year 2006	Change	Year 2006
<b>Cash inflow from operating activities</b>				
Income (loss) for the period before Minority interests	(28,270)	(71,745)	43,475	81,788
Amortisation, depreciation and write-downs	101,448	96,266	5,182	195,336
Interest expense, net (*)	120,350	123,237	(2,887)	245,272
Costs for stock options	781	2,728	(1,947)	4,768
Income taxes for the period	624	1,551	(927)	74,116
(Gains) losses on disposal of non-current assets	3,333	32	3,301	(37)
(Write-up) write-down of assets	-	3	(3)	(34)
Change in working capital	86,574	95,436	(8,862)	(58,705)
Change in non-current liabilities	192	(5,569)	5,761	(2,968)
Foreign exchange adjustments, change in the scope of consolidation and other changes	33	2,719	(2,686)	(1,268)
<b>Cash inflow from operating activities (A)</b>	<b>285,065</b>	<b>244,658</b>	<b>40,407</b>	<b>538,268</b>
<b>Cash outflow for investments</b>				
Purchase of intangible assets with indefinite useful life	-	(31)	31	(416)
Purchase of intangible assets with finite useful life	(20,573)	(9,834)	(10,739)	(34,785)
Purchase of property, plant and equipment	(5,640)	(7,281)	1,641	(13,538)
Other investments	(577)	(16)	(561)	(157)
Proceeds from disposal of non-current assets	744	446	298	968
Foreign exchange adjustments, change in the scope of consolidation and other changes	420	(6,573)	6,993	(13,314)
<b>Cash outflow for investments (B)</b>	<b>(25,626)</b>	<b>(23,289)</b>	<b>(2,337)</b>	<b>(61,242)</b>
<b>Cash outflow for financing</b>				
Proceeds of non-current loans	-	256,000	(256,000)	256,000
Repayment of non-current loans	(179,150)	(355,012)	175,862	(431,522)
Payment of interest expense, net	(111,708)	(112,895)	1,187	(223,285)
Payment of transaction costs on loans	-	(1,525)	1,525	(1,525)
Change in financial assets and financial debts	(36,359)	785	(37,144)	31,057
Increase in share capital from exercised stock options	4,432	5,856	(1,424)	20,434
Payment of dividends	(33,745)	(24,923)	(8,822)	(24,502)
Payment of costs relating to dividends distribution	-	-	-	(565)
Foreign exchange adjustments, change in the scope of consolidation and other changes	(499)	(1,382)	883	2,919
<b>Cash outflow for financing (C)</b>	<b>(357,029)</b>	<b>(233,096)</b>	<b>(123,933)</b>	<b>(370,989)</b>
<b>Increase (decrease) in cash and cash equivalents in the period (A+B+C)</b>	<b>(97,590)</b>	<b>(11,727)</b>	<b>(85,863)</b>	<b>106,037</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>308,195</b>	<b>202,158</b>	<b>106,037</b>	<b>202,158</b>
<b>Cash and cash equivalents at end of the period</b>	<b>210,605</b>	<b>190,431</b>	<b>20,174</b>	<b>308,195</b>

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

## ➤ Changes in consolidated equity for the first half of 2007

(euro/thousand)	Equity Shareholders of the Group				Minority interests			Total
	Share capital	Reserves	Income (loss) for the period	Total	Share capital and reserves	Income (loss) for the period	Total	
<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>
Allocation of previous year result		21,658	(80,136)	(58,478)	(2,091)	(1,652)	(3,743)	(62,221)
Exercise of stock options	425	4,007		4,432				4,432
<i>Income (loss) recognised directly in equity</i>								
- Change in the reserve for cash flow hedge instruments		8,583		8,583				8,583
- Actuarial gains (losses)		5,371		5,371				5,371
- Foreign exchange adjustments		(512)		(512)				(512)
Reversal of the reserve for foreign exchange adjustments due to Consodata Group Ltd. deconsolidation		3,281	(3,281)					
Fair value of stock option plans		720	(720)		61	(61)		
Other changes		(327)		(327)	12		12	(315)
Transactions of the period affecting only the statement of operations			(27,065)	(27,065)		2,857	2,857	(24,208)
<b>At 06.30.2007</b>	<b>250,304</b>	<b>769,950</b>	<b>(31,066)</b>	<b>989,188</b>	<b>14,576</b>	<b>2,796</b>	<b>17,372</b>	<b>1,006,560</b>

## ➤ Changes in consolidated equity for the first half of 2006

(euro/thousand)	Equity Shareholders of the Group				Minority interests			Total
	Share capital	Reserves	Income (loss) for the period	Total	Share capital and reserves	Income (loss) for the period	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	553	5,303		5,856				5,856
<i>Income (loss) recognised directly in equity</i>								
- Change in the reserve for cash flow hedge instruments		18,930		18,930				18,930
- Foreign exchange adjustments		(1,375)		(1,375)				(1,375)
Fair value of stock option plans		2,681	(2,681)		46	(46)		
Other changes		(812)		(812)	13		13	(799)
Transactions of the period affecting only the statement of operations			(66,662)	(66,662)		(2,355)	(2,355)	(69,017)
<b>At 06.30.2006 (*)</b>	<b>248,565</b>	<b>714,711</b>	<b>(69,343)</b>	<b>893,933</b>	<b>16,521</b>	<b>(2,401)</b>	<b>14,120</b>	<b>908,053</b>

(\*) Restated at December 31, 2005 and at June 30, 2006 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.

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## ➤ Accounting policies and disclosures

### 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 € 250,304 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. Basis of preparation

The consolidated half-year financial statements have been prepared in accordance with the Legislative Decree No. 38 of February 28, 2005 applying the IAS/IFRS issued by the International Accounting Standards Board as adopted by the European Union, including all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), and in accordance with the relevant CONSOB regulations. Specifically, the Group applied IAS 34 "Interim Financial Reporting". Therefore, these interim financial statements do not include all information usually reported in the consolidated annual report and should therefore be read in conjunction with the 2006 annual financial statements of the SEAT Pagine Gialle group.

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

The consolidated financial statements have been prepared on the basis of the historical cost principle, except for hedging financial instruments, plan assets and financial assets held for sale, which are carried 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 Basis of consolidation

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

Subsidiaries are consolidated on a line-by-line basis starting from the acquisition date, or the date on which the Group acquired control, and up to the effective date of their disposals. The SPEs (Special Purpose Entities) are fully consolidated if risks and benefits can be substantially conducted on behalf of the Group regardless of the interest held. Accordingly, Meliadi Finance S.r.l. (the SPE created ad hoc for the securitisation program of trade receivables) was fully consolidated even though the Group does not own an interest in the company.

Moreover, the following consolidation procedures are applied:

- assets, liabilities, costs and revenues are taken into account in their total amount, regardless of the interest held in the subsidiaries recognising to Minorities, under specific items, their share of equity and result for the period;



- intra-group transactions, balances, income and expenses are eliminated on consolidation;
- intra-group dividends are eliminated.

Unrealised income on intra-group transactions is not eliminated since its amount is not material.

Associates are consolidated using the equity method of accounting.

New subsidiaries are accounted for using the purchase method. The cost of the business combination is allocated at the fair value of the assets, liabilities and contingent liabilities acquired at the acquisition date. If the acquisition occurs during the half-year period, the consolidated half-year financial statements include the result of these companies for the period between the date of acquisition and the end of June.

Minority interests represent the share of the result for the period and equity of the companies not held by the Group. They are presented separately from Group interests in the statement of operations and equity.

The interim financial statements of subsidiaries denominated in foreign currencies not belonging to the Euro-zone are translated in euros at the closing exchange rates (current exchange rate method) to each balance sheet item and at the average exchange rates for the period to each profit and loss item. Differences arising from the translation of equity on initial recognition and of the result for the period at the closing exchange rates are recognised in equity up to the disposal of the investment.

The consolidated cash flow statement is prepared by translating cash flows of foreign subsidiaries using average exchange rates for the period.

The exchange rates used are as follows

Currency/euro	Average exchange rate for the 1 <sup>st</sup> half-year 2007	Exchange rate at June 30, 2007	Average exchange rate for the 1 <sup>st</sup> half-year 2006	Exchange rate at June 30, 2006	Average exchange rate for the 2006 year	Exchange rate at December 31, 2006
Pound sterling	1.4824	1.4837	1.4556	1.4449	1.4669	1.4892
US dollar	0.7524	0.7405	0.8133	0.7866	0.7964	0.7593

## 2.2 Accounting estimates and assumptions

In preparing the half-year financial statements and related notes according to IAS/IFRS, Management is required to make accounting estimates and assumptions impacting revenues, costs, assets and liabilities and disclosures on potential assets and liabilities at the balance sheet date. In the future such accounting estimates and assumptions, which are based on management's best judgement, could differ from actual results. In this case they will be consequently modified in the period in which the change occurs.

It is also important to note that certain processes of evaluation, and in particular more complex processes such as the determination of impairment losses on non-current assets, are performed annually within the balance sheet date, when all the necessary information is available, unless indicators require to test immediately for possible impairment.

Income taxes recognised in the statement of operations are the best evaluation calculated by applying the expected tax rates for the relevant fiscal year to the result before income taxes at the reporting date.

## 3. Accounting policies

The half-year financial statements at June 30, 2007, prepared in compliance with IAS 34 - *Interim Financial Reporting*, adopted the same accounting standards applied in the annual financial statements at December 31, 2006.

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#### 4. Intangible assets with indefinite useful life

Intangible assets with indefinite useful life amounted to € 3,578,179 thousand at June 30, 2007 (€ 3,579,001 thousand at December 31, 2006) and were detailed as follows

(euro/thousand)	1 <sup>st</sup> half-year 2007			1 <sup>st</sup> half-year 2006
	Goodwill	Goodwill on consolidation	Total	Total
<b>Balance at beginning of the period</b>	<b>3,182,784</b>	<b>396,217</b>	<b>3,579,001</b>	<b>3,574,260</b>
Goodwill on business combination	-	-	-	31
Foreign exchange adjustments	-	(822)	(822)	(2,140)
<b>Balance at end of the period</b>	<b>3,182,784</b>	<b>395,395</b>	<b>3,578,179</b>	<b>3,572,151</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 SEAT Pagine Gialle S.p.A.;
- *goodwill on consolidation* amounting to € 395,395 thousand at June 30, 2007 (€ 396,217 thousand at December 31, 2006). It arose from the difference between the acquisition value of fully consolidated subsidiaries and the book value of their corresponding share of equity at the acquisition date.

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

No indications of possible impairment losses were identified at the reporting date. Therefore, it was not necessary to perform the impairment tests planned for the end of the year.

#### 6. Intangible assets with finite useful life

Intangible assets with finite useful life amounted to € 412,021 thousand at June 30, 2007 (€ 485,871 thousand at December 31, 2006) and were as follows

(euro/thousand)	1 <sup>st</sup> half-year 2007					1 <sup>st</sup> half-year 2006
	Customer DataBase	Software	Industrial patents, trademarks, concessions and licences	Other intangible assets	Total	Total
<i>Cost</i>	972,400	130,334	18,074	35,581	1,156,389	1,113,445
<i>Accumulated amortisation</i>	(553,729)	(97,065)	(5,909)	(13,815)	(670,518)	(488,742)
<b>Balance at beginning of the period</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>
- Additions	-	6,237	923	13,413	20,573	9,834
- Amortisation	(81,033)	(9,967)	(1,651)	(1,599)	(94,250)	(89,864)
- Write-downs	-	(92)	-	(78)	(170)	-
- Foreign exchange adjustments and other movements	-	6,463	75	(6,541)	(3)	8,826
<i>Cost</i>	972,400	142,152	19,071	40,998	1,174,621	1,132,093
<i>Accumulated amortisation</i>	(634,762)	(106,242)	(7,559)	(14,037)	(762,600)	(578,594)
<b>Balance at end of the period</b>	<b>337,638</b>	<b>35,910</b>	<b>11,512</b>	<b>26,961</b>	<b>412,021</b>	<b>553,499</b>

Intangible assets with finite useful life included:

- *Customer DataBase*, amounting to € 337,638 thousand at June 30, 2007 (€ 418,671 thousand at December 31, 2006). The Customer DataBase is the information and relationship asset relating to the customer base, created 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. Goodwill arising from the mergers effected in December 2003 (€ 972,400 thousand) was partially allocated to this intangible asset, also on the basis of the assessment of an independent appraiser. The Customer DataBase is amortised over six years: the amortisation for the period was € 81,033 thousand;
- *software*, amounting to € 35,910 thousand at June 30, 2007 (€ 33,269 thousand at December 31, 2006), referred to costs for purchases from third parties and internal developments of proprietary and licensed software used in particular in commercial, publishing and administrative areas;
- *industrial patents, trademarks, concessions and licences*, amounting to € 11,512 thousand at June 30, 2007 (€ 12,165 thousand at December 31, 2006), mainly referred to the Telegate group's licences for its voice portals;
- *other intangible assets*, amounting to € 26,961 thousand at June 30, 2007 (€ 21,766 thousand at December 31, 2006), referred mainly to software projects still in progress at the balance sheet date.

*Capital expenditure* for the period, amounting to € 20,573 thousand, more than doubled compared to the first half of 2006 (€ 9,834 thousand). They referred mainly to:

- € 15,613 thousand within the Parent Company in the first half of 2007 compared to € 7,250 thousand in the first half of 2006 for product innovations, improvements in the effectiveness and efficiency of the IT systems supporting the sales network, as well as the development of customer care systems, credit management and process integration of commercial and administrative back-office;
- € 1,926 thousand within the Telegate group for software, in particular the EWSD Siemens system for call management;
- € 1,680 thousand within Europages for the creation of a new database supporting the commercial area and the development of "Europages 2.0" new website.

## 7. Property, plant and equipment

Property, plant and equipment amounted to € 48,540 thousand at June 30, 2007 (€ 50,013 thousand at December 31, 2006). They were accounted for net of accumulated depreciation of € 111,154 thousand at the end of the period, for a ratio to gross value of 69.60% (67.93% at December 31, 2006). This item included

(euro/thousand)	1 <sup>st</sup> half-year 2007				1 <sup>st</sup> half-year 2006
	Property	Machineries and equipment	Other fixed assets	Total	Total
<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>Balance at beginning of the period</b>	<b>17,793</b>	<b>13,652</b>	<b>18,568</b>	<b>50,013</b>	<b>49,648</b>
- Additions	-	983	4,657	5,640	7,281
- Amortisation and write-downs	(538)	(2,181)	(4,309)	(7,028)	(6,402)
- Disposals and other movements	(33)	152	(204)	(85)	(345)
<i>Cost</i>	24,880	54,948	79,866	159,694	153,213
<i>Accumulated depreciation</i>	(7,658)	(42,342)	(61,154)	(111,154)	(103,031)
<b>Balance at end of the period</b>	<b>17,222</b>	<b>12,606</b>	<b>18,712</b>	<b>48,540</b>	<b>50,182</b>

Property, plant and equipment included:

- € 17,222 thousand at June 30, 2007 (€ 17,793 thousand at December 31, 2006) for *property*, of which € 10,147 thousand for the Thomson group's headquarters and € 5,841 thousand for buildings in Milan and Catania, where Cipi S.p.A. carries out its activities;

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- € 12,606 thousand at June 30, 2007 (€ 13,652 thousand at December 31, 2006) for *machineries and equipment*. The capital expenditure amounted to € 983 thousand in the first half of 2007 (€ 2,779 thousand in the first half of 2006) mainly for strengthening the technological infrastructures of the Telegate group's call centers;
- € 18,712 thousand at June 30, 2007 (€ 18,568 thousand at December 31, 2006) for *other fixed assets*, including € 11,899 thousand of IT equipment and systems. Capital expenditure in the first half of 2007 amounted to € 4,657 thousand (€ 4,211 thousand in the first half of 2006), of which € 3,771 thousand for EDP systems.

The accumulated depreciation (€ 111,154 thousand) was deemed adequate to cover the depreciation of all types of assets, based on their estimated residual life. The following table sets out the key depreciation rates which have been applied

	Year 2007	Year 2006
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.

## 8. Investments accounted for at equity

The SEAT Pagine Gialle group holds a 25% interest in the Luxembourg company Lighthouse International Company S.A., which in 2004 made available to SEAT Pagine Gialle S.p.A. the funds generated through a debenture loan issued by this company and guaranteed by SEAT Pagine Gialle S.p.A..

## 9. Other non-current financial assets

Other non-current financial assets amounted to € 2,142 thousand at June 30, 2007 (€ 1,592 thousand at December 31, 2006) and included in particular:

- *financial receivables and loans to employees* for € 1,975 thousand, issued at market rates for transactions of this type;
- *assets held for sale*, referred for € 110 thousand to a 2.2% interest in the share capital of Emittenti Titoli S.p.A..

## 10. Inventories

This item was as follows

	At 12.31.2006	Change during the period				At 06.30.2007
		Increase (Decrease)	(Provision) Reversal of allowance	Foreign exchange adjustments	Total	
<b>(euro/thousand)</b>						
Raw materials, suppliers and consumables	6,868	3,439	-	(3)	3,436	10,304
Merchandising products	3,421	379	-	-	379	3,800
Work in progress and semi-finished goods	1,219	1,603	-	-	1,603	2,822
Finished goods	383	(392)	145	-	(247)	136
<b>Total inventories</b>	<b>11,891</b>	<b>5,029</b>	<b>145</b>	<b>(3)</b>	<b>5,171</b>	<b>17,062</b>

## 11. Trade account receivables

This item was as follows

(euro/thousand)	1 <sup>st</sup> half-year 2007			1 <sup>st</sup> half-year 2006
	Trade account receivables	Allowance for doubtful trade account receivables	Net value	Net value
<b>Balance at beginning of the period</b>	<b>785,476</b>	<b>(116,795)</b>	<b>668,681</b>	<b>669,740</b>
Provision in the statement of operations	-	(18,906)	(18,906)	(16,893)
Utilisation	-	22,585	22,585	18,761
Foreign exchange adjustments and other movements	(46,003)	111	(45,892)	(47,854)
<b>Balance at end of the period</b>	<b>739,473</b>	<b>(113,005)</b>	<b>626,468</b>	<b>623,754</b>

Trade account receivables amounted to € 626,468 thousand at June 30, 2007, net of € 113,005 thousand for the allowance for doubtful account receivables. € 2,838 thousand fell due after 12 months. They included receivables for services to be rendered for € 152,029 thousand, gross of VAT (€ 83,273 thousand at December 31, 2006).

Securitized receivables continue to be recognised in the balance sheet in accordance with IAS 39, since the relevant risks and benefits continue to be conducted on behalf of SEAT Pagine Gialle S.p.A.

The *allowance for doubtful trade account receivables* amounted to € 113,005 thousand at June 30, 2007. It is considered adequate to cover expected losses. It was used during the period for € 22,585 thousand (€ 18,761 thousand in the first half of 2006). The amount charged to the statement of operations for the period was € 18,906 thousand (€ 16,893 thousand in the first half of 2006).

All trade receivables fell due within five years.

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

Other current and non-current assets amounted to € 73,728 thousand at June 30, 2007 (€ 67,048 thousand at December 31, 2006) and were detailed as follows

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change
Advances on sales commissions and other receivables from agents	49,030	46,528	2,502
Advances to suppliers	9,765	4,483	5,282
Prepaid expenses	6,379	6,126	253
Other receivables	7,251	9,106	(1,855)
<b>Total other current assets</b>	<b>72,425</b>	<b>66,243</b>	<b>6,182</b>
<b>Other non-current assets</b>	<b>1,303</b>	<b>805</b>	<b>498</b>

In detail:

- *advances on sales commissions and other receivables from agents*, of € 49,030 thousand at June 30, 2007 (€ 46,528 thousand at December 31, 2006), are shown net of the related allowance for doubtful accounts of € 2,446 thousand at June 30, 2007 (€ 2,957 thousand at December 31, 2006). This item included € 1,775 thousand of receivables with due dates beyond 12 months, classified among other current assets since they fell due within the business operating cycle. These receivables were discounted at the average market interest rate for receivables of this due date;
- *advances to suppliers*, of € 9,765 thousand at June 30, 2007 (€ 4,483 thousand at December 31, 2006), include € 9,103 thousand for advances paid to the printer Ite S.p.A. (€ 4,113 thousand at December 31, 2006).

## 13. Equity

Equity was detailed as follows

	At 12.31.2006	Change during the period				At 06.30.2007
		Allocation of previous year result	Dividends distribution	Exercised stock options	Other changes	
<b>(euro/thousand)</b>						
Share capital	249,879			425	425	250,304
- <i>ordinary shares</i>	245,797			425	425	246,222
- <i>savings shares</i>	4,082					4,082
Additional paid-in capital	460,428			4,199	4,199	464,627
Reserve for transition to IAS/IFRS	181,576					181,576
Reserves for income (losses) directly recognised to equity						
- <i>Reserve for cash flow hedge instruments</i>	1,533				8,583	10,116
- <i>Reserve for actuarial gains (losses)</i>	(4,256)				3,705	(551)
- <i>Reserve for foreign exchange adjustments</i>	(5,312)				2,769	(2,543)
Reserve for stock options	7,905			(1,229)	872	7,548
Other reserves	50,054	373		(192)		50,235
Retained earnings	35,241	79,763	(58,478)	1,229	1,187	58,942
Income (loss) for the period	80,136	(80,136)			(31,066)	(31,066)
<b>Equity Shareholders of the Group</b>	<b>1,057,184</b>		<b>(58,478)</b>	<b>4,432</b>	<b>(13,950)</b>	<b>989,188 (*)</b>
Share capital and reserves	16,594	1,652	(3,743)		73	14,576
Income (loss) for the period	1,652	(1,652)			2,796	2,796
<b>Minority interests</b>	<b>18,246</b>		<b>(3,743)</b>		<b>2,869</b>	<b>17,372</b>
<b>Total equity</b>	<b>1,075,430</b>		<b>(62,221)</b>	<b>4,432</b>	<b>(11,081)</b>	<b>1,006,560</b>

(\*) At June 30, 2007 € 196,514 thousand are subject to tax imposition in case of distribution.

### Share capital

Share capital amounted to € 250,304 thousand at June 30, 2007 (€ 249,879 thousand at December 31, 2006) and it was composed of No. 8,207,380,696 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 first half of 2007 by € 425 thousand due to the issue of No. 14,165,000 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, September 7, 2007, share capital amounted to € 250,322 thousand due to the further issue of No. 625,000 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.

In the share capital, € 13,741 thousand was subject to taxation in case of distribution. Deferred tax liabilities were not calculated on this amount, as the Company is not planning to pay it out.

### Additional paid-in capital

The additional paid-in capital amounted to € 464,627 thousand at June 30, 2007 (€ 460,428 thousand at December 31, 2006). It increased during the period by € 4,199 thousand following the issue of ordinary shares, as described above.

€ 142,619 thousand of the additional paid-in capital was considered subject to taxation in case of distribution, due to the realignment in 2005 of the book 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 income (losses) directly recognised to equity

- The *Reserve for cash flow hedge instruments* showed a positive balance of € 10,116 thousand at June 30, 2007, an increase of € 8,583 thousand compared to December 31, 2006 (€ 1,533 thousand). The reserve represents the fair value of cash flow hedge instruments, net of relevant deferred taxes. Please refer to the note 18 for a more detailed description of the Group's outstanding hedging transactions.
- The *Reserve for actuarial gains (losses)* showed a negative balance of € 551 thousand (negative of € 4,256 thousand at December 31, 2006) and represents the net cumulative actuarial gains/losses on defined benefits plans net of deferred taxes pursuant to paragraph 93A of IAS 19. After the entry into force of the complementary pension reform (Italian Legislative Decree No. 252 of December 5, 2005), actuarial gains on the reserve for severance indemnities recognised in the reserve at January 1 were transferred to "retained earnings" (€ 1,666 thousand).  
For additional details on the impact of the aforementioned reform on the financial statements, please refer to the note 19.
- The *Reserve for foreign exchange adjustments* showed a negative balance of € 2,543 thousand at June 30, 2007 (a negative balance of € 5,312 thousand at December 31, 2006). The change during the period was due to the reversal of € 3,281 thousand to the statement of operations arising from the deconsolidation of the Consodata Group Ltd., whose liquidation process was definitely closed.

#### Reserve for stock options

The Reserve for stock options amounted to € 7,548 thousand at June 30, 2007 (€ 7,905 thousand at December 31, 2006). The change during the period was mainly due to:

- a decrease of € 1,229 thousand arising from the exercise of options during the first half of 2007;
- an increase of € 720 thousand arising from the evaluation of not yet vested stock options in accordance to IFRS 2.

#### Other reserves

Other reserves amounted to € 50,235 thousand at June 30, 2007 (€ 50,054 thousand at December 31, 2006), of which for € 49,976 thousand for the legal reserve of SEAT Pagine Gialle S.p.A.

#### Retained earnings

Retained earnings amounted to € 58,942 thousand at June 30, 2007. It increased by € 23,701 thousand in the first half of 2007, of which € 21,285 thousand due to the allocation of retained earnings for 2006, € 1,229 thousand to the reversal of the reserve for stock options (following the exercise of options by beneficiaries of existing stock option plans) and € 1,666 thousand to the reversal (following the entry into force of the complementary pension reform) of the actuarial gains on the reserve for severance indemnities recognised in the reserve for actuarial gains (losses) at January 1, 2007.

## 14. Dividends distributed to Shareholders

Dividends distributed to SEAT Pagine Gialle S.p.A. Shareholders amounted to € 58,478 thousand (€ 42,121 thousand in 2006). For more detailed information, please refer to the note 14 of the disclosures to the first half-year Financial Statements of SEAT Pagine Gialle S.p.A.

Dividends distributed by the subsidiaries to Minority shareholders amounted to € 3,743 thousand in the first half of 2007 (€ 3,155 thousand in 2006) and were mainly due to Minority shareholders of the Telegate group.

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## 15. Earnings per share

Basic earnings per share were calculated on the basis of following data

		At 06.30.2007	At 06.30.2006
Number of shares of SEAT Pagine Gialle S.p.A.		8,343,455,482	8,285,517,982
- <i>ordinary</i>		8,207,380,696	8,149,443,196
- <i>savings</i>		136,074,786	136,074,786
Nominal value per share	€	0.030	0.030
Income (loss) for the period	€/thousand	(31,066)	(69,344)
<b>Earnings per share</b>	<b>€</b>	<b>(0.00375)</b>	<b>(0.00839)</b>
Diluted earnings per share	€	(0.00374)	(0.00838)

At the reporting date the difference between earnings per share and diluted earnings per share was minimal since the effect arising from the outstanding stock options was not material.

## 16. Net financial debt

Net financial debt amounted to € 3,316,160 thousand at June 30, 2007 (€ 3,405,782 thousand at December 31, 2006) and decreased by € 89,622 thousand during the first half of 2007, despite a dividend distribution of € 62,221 thousand.

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 € 92,213 thousand at June 30, 2007, net of accumulated amortisation;
- net assets referred to the market value of cash flow hedge instruments, which amounted to € 15,099 thousand at June 30, 2007 (€ 999 thousand of net assets at December 31, 2006).

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change	Note	At 06.30.2006
<b>Net financial debt</b>	<b>3,316,160</b>	<b>3,405,782</b>	<b>(89,622)</b>		<b>3,568,281</b>
Transaction costs on loans and securitisation program not yet amortised	(92,213)	(102,326)	10,113		(112,316)
Net market value of cash flow hedge instruments	(15,099)	(999)	(14,100)		(6,254)
<b>Net financial debt - "book value"</b>	<b>3,208,848</b>	<b>3,302,457</b>	<b>(93,609)</b>		<b>3,449,711</b>
of which:					
- <i>Non-current financial debts to third parties</i>	<i>2,001,263</i>	<i>2,125,640</i>	<i>(124,377)</i>	<i>(a)</i>	<i>2,197,567</i>
- <i>Non-current financial debts to associates</i>	<i>1,261,375</i>	<i>1,258,549</i>	<i>2,826</i>	<i>(b)</i>	<i>1,255,723</i>
- <i>Current financial debts to third parties</i>	<i>192,324</i>	<i>211,835</i>	<i>(19,511)</i>	<i>(c)</i>	<i>177,591</i>
- <i>Current financial debts to associates</i>	<i>17,375</i>	<i>17,375</i>	<i>-</i>	<i>(d)</i>	<i>17,375</i>
- <i>Non-current financial assets (*)</i>	<i>(1,975)</i>	<i>(1,424)</i>	<i>(551)</i>	<i>(e)</i>	<i>(1,460)</i>
- <i>Current financial assets</i>	<i>(50,909)</i>	<i>(1,323)</i>	<i>(49,586)</i>	<i>(f)</i>	<i>(6,654)</i>
- <i>Cash and cash equivalents</i>	<i>(210,605)</i>	<i>(308,195)</i>	<i>97,590</i>	<i>(g)</i>	<i>(190,431)</i>

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



### a) Non-current financial debts to third parties

They were as follows

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change
<i>Debts due to The Royal Bank of Scotland Plc Milan Branch (gross value)</i>	1,798,644	1,930,389	(131,745)
<i>less transaction costs</i>	(52,393)	(59,528)	7,135
Debts due to The Royal Bank of Scotland Plc Milan Branch (net value)	1,746,251	1,870,861	(124,610)
<i>Asset backed securities (gross value)</i>	256,000	256,000	-
<i>less transaction costs</i>	(1,195)	(1,347)	152
Asset backed securities (net value)	254,805	254,653	152
Debts due to other lenders	207	126	81
<b>Total non-current financial debts to third parties</b>	<b>2,001,263</b>	<b>2,125,640</b>	<b>(124,377)</b>

- *Non-current debts due to The Royal Bank of Scotland Plc Milan Branch* amounted to € 1,746,251 thousand at June 30, 2007, net of € 52,393 thousand of transaction costs not yet amortised at June 30, 2007. They related to the "Term and Revolving Facilities Agreement" loan, organised as follows:

- tranche A, for € 1,445 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% subsequent to that date;
- tranche B, for € 464.5 million, repayable with a lump-sum repayment 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% subsequent to that date;
- tranche C, for € 90 million, which is currently unused and designed to cover any working capital needs of SEAT Pagine Gialle S.p.A. or its subsidiaries, in the form of a revolving credit line facility, available up to May 2012, bearing interest at a floating rate equal to that applied to the tranche A, if drawn. It is requested to pay a commitment fee of 0.56% p.a. for the unused commitments.

It should be noted that starting from August 10, 2007 interest expense on the "Senior" loan benefits from a further reduction of the spread on Euribor other than the one already obtained in February 2007 (from 1.685% to 1.435% with regard to the tranches A and C and from 2.26% to 2.06% with regard to the tranche B). This reduction is due to the application of contractual terms that provide for gradual reductions in the cost of the loan following 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 a quarterly basis. These *covenants* require to the Group to maintain specific ratio between *i)* net debt and EBITDA, *ii)* EBITDA and interest on debt, *iii)* cash flow and debt service (inclusive of interest and quotas of principal payable in each period referred to). The Group is in compliance with each of the previously mentioned *covenants* at June 30, 2007.

The loan agreement provides for certain options, including voluntary prepayments, which allow the Company to use the liquidity in excess over operating needs.

In the first half of 2007, the Company repaid a total of € 179,150 thousand, including voluntary prepayments of € 50,000 thousand on the tranche A instalment contractually due in December 2007 and € 50,000 thousand on the tranche B.

- *Asset backed securities* amounted to € 256,000 thousand at June 30, 2007 (gross of transaction costs). They were issued by the SPE, Meliadi Finance S.r.l., to finance on a revolving basis 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 and still ongoing.

These securities, guaranteed by the trade receivables portfolio, had been subscribed through a private placement by an institutional investor. They expire in 2014 and bear interest at a floating rate equal to the rate for commercial papers. They are accounted for net of transaction costs not yet amortised at June 30, 2007 (€ 1,195 thousand).

The overall average cost of the financial debt of SEAT Pagine Gialle S.p.A. was 6.4% p.a. in the first half of 2007 (5.9% in the first half of 2006).

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

Non-current financial debts to associates refer to the loan issued by Lighthouse International Company S.A. which amounted to € 1,261,375 thousand at June 30, 2007 (€ 1,258,549 thousand at December 31, 2006), net of € 38,625 thousand for transaction costs not yet amortised at the end of the period (€ 41,451 thousand at December 31, 2006). The ten-year loan bears interest at a fixed rate of 8% p.a. and falls due in 2014.

#### c) Current financial debts to third parties

Current financial debts to third parties amounted to € 192,324 thousand at June 30, 2007 (€ 211,835 thousand at December 31, 2006) and were as follows

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change
Current portion of the loan due to The Royal Bank of Scotland Plc Milan Branch	110,896	158,301	(47,405)
Debts due to Shareholders for dividends	49,250	20,774	28,476
Debts for interest expense not yet paid	29,158	30,346	(1,188)
Other financial debts	3,020	2,263	757
Liabilities relating to hedging instruments on exchange rate risks	-	151	(151)
<b>Total current financial debts to third parties</b>	<b>192,324</b>	<b>211,835</b>	<b>(19,511)</b>

This item referred to:

- € 110,896 thousand for the current portion of the loan due to The Royal Bank of Scotland Plc Milan Branch, falling due in December 2007 and June 2008;
- € 49,250 thousand for 2005-2006 dividends due to Shareholders but not yet withdrawn at June 30, 2007;
- € 29,158 thousand for accrued but not yet paid interest expense on the loan due to The Royal Bank of Scotland Plc Milan Branch.

#### d) Current financial debts to associates

Current financial debts to associates amounted to € 17,375 thousand at June 30, 2007 and referred to accrued but not yet paid interest expense on the loan due to Lighthouse International Company S.A. (€ 17,375 thousand at December 31, 2006).

#### e) Non-current financial assets

Non-current financial assets were included in the net financial position only for the component relating to *loans and financial receivables* (€ 1,975 thousand at June 30, 2007), as described in the note 9.

#### f) Current financial assets

Current financial assets amounted to € 50,909 thousand at June 30, 2007 (€ 1,323 thousand at December 31, 2006) and included € 35,000 thousand for payments to SNOS S.p.A. as part of the preliminary agreement entered into on December 31, 2006 for the purchase of the "ex Officine Savigliano" real estate complex in Turin (where the new headquarter of SEAT Pagine Gialle S.p.A. will be housed).

This item also included € 15,099 thousand for the net market value of cash flow hedge instruments (€ 999 thousand at December 31, 2006). For further details about hedging transactions on interest rate risks, please refer to the note 18.

### g) Cash and cash equivalents

This item decreased by € 97,590 thousand compared to December 31, 2006 and was as follows

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change
Bank deposits	210,359	305,475	(95,116)
Postal deposits	211	2,642	(2,431)
Cash on hand	35	78	(43)
<b>Total cash and cash equivalents</b>	<b>210,605</b>	<b>308,195</b>	<b>(97,590)</b>

Cash and cash equivalents amounted to € 210,605 thousand at June 30, 2007, of which € 100,415 thousand for the bank current accounts of the SPE Meliadi Finance S.r.l.. These current accounts receive the proceeds from the collection of trade account receivables transferred to the SPE by SEAT Pagine Gialle S.p.A. within the securitisation program. In case of use, their liquidity is subordinated to the payment of SPE's debts.

## 17. Guarantees provided, main commitments and contingent liabilities

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 its 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. at the inception of the loan issued guarantees for € 350,000 thousand for any possible additional charges relating to the bond issued by Lighthouse International Company S.A..

The repayment plan for the loans outstanding at the end of the period is as follows

(euro/thousand)	Due date - within						Total
	06.30.2008	06.30.2009	06.30.2010	06.30.2011	06.30.2012	beyond five years	
The Royal Bank of Scotland Plc Milan Branch	110,896	191,366	225,504	238,480	678,750	464,544	1,909,540
Lighthouse International Company S.A.	-	-	-	-	-	1,300,000	1,300,000
Asset backed securities	-	-	-	-	-	256,000	256,000
Debts due to other lenders	-	28	179	-	-	-	207
<b>Total financial debts (gross value)</b>	<b>110,896</b>	<b>191,394</b>	<b>225,683</b>	<b>238,480</b>	<b>678,750</b>	<b>2,020,544</b>	<b>3,465,747</b>

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

Based on the preliminary agreement, € 35 million in advance payments were made in the first months of 2007. The deed of sale will be executed by the end of the year.

Once the purchase has been completed, it will be funded through a financial lease transaction.

## 18. 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; and
- credit risk, 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 asset backed securities issued by the

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SPE Meliadi Finance S.r.l. in the framework of the securitisation program, as well as foreign currency receivables and payables (in particular GBP).

The SEAT Pagine Gialle group monitors continually the financial risks to which it is exposed, so as to evaluate any potential negative effects and take 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 limit the risk exposure to foreign exchange and interest rates referred to cash flows, assets and liabilities. No speculative activity is allowed.

Furthermore, the company is exposed to credit risk related to its customers. In recent years, the company has implemented sophisticated customer creditworthiness assessment systems, among which the Credit Scoring system by Experian S.r.l., already used by major companies operating in consumer credit and bank markets. This system provides a grading for each type of sales order and determines a 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 provides that:

- the level of exposure to interest and foreign exchange rate fluctuations is monitored on a regular basis determining the maximum level of risk exposure;
- derivative financial instruments are used to hedge the aforesaid risks and not for speculative purposes;
- the credit quality of counterparties is monitored on a regular basis 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" loan 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 bear interest at floating rates indexed to Euribor. To reduce the exposure to risks of fluctuations in interest rate, SEAT Pagine Gialle S.p.A. entered into hedging transactions with major international financial counterparties. These hedging agreements are all referred to the "Senior" loan.

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

The market value of Interest Rate Swaps (IRS) and Forward Rate Agreements (FRA) represents the present value of the difference between interests at fixed rates to be paid and/or received and interests measured on the basis of market rate curves referred to the same due date of the hedging instruments.

IRSs and FRAs involve or may involve the exchange of interest 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 purchase market price of the floor options previously sold and the sales market price of the cap options previously purchased. The price of these options is calculated on the basis of the interest rates expected at their relevant maturity dates, the strike price at each maturity date and the volatility of interest rates.

At June 30, 2007, the following hedging instruments were effective:

- a) *Interest Rate Collars*, through which a variable band of the floating Euribor rate was fixed with a maximum (between 4 and 5%) and a minimum threshold (between 3.6 and 4.3%) with reference to an average notional amount of € 1,140 million in the period between March 2007 and December 2011;
- b) *Forward Rate Agreements*, which fixed an average Euribor rate of 3.98% with reference to € 850 million of notional amount in the period from March to September 2007 and an average Euribor rate of 3.78% with reference to € 150 million of notional amount in the first half of 2008;
- c) *Interest Rate Swaps*, entered into in February and March 2006 with reference to the loans expected to be outstanding in the period December 2009 - June 2012, through which the floating six-month Euribor rate was replaced by a fixed rate of approximately 3.75% on an overall notional amount of € 325 million.

In August 2007, with reference to the “Senior” loan expected to be outstanding in the period December 2008 - December 2011, the exposure to risks on floating interest rates was further limited through another IRS which fixed the interest rate at approximately 4.55% on a notional amount of € 50 million.

At the date of approval of this report, through the aforementioned hedging agreements, the Company has fixed interest rates on about 86% of its total indebtedness at the end of 2007, about 88% over the period 2008-2009 and 81% over the period 2010-2011.

## 19. Non-current reserves to employees

This item was detailed as follows

	1 <sup>st</sup> half-year 2007				1 <sup>st</sup> half-year 2006 (*)	
	Net liabilities for defined benefit pension plans	Reserve for severance indemnities	Reserve for defined contribution pension plans	Net liabilities for termination indemnities	Total	Total
(euro/thousand)						
<b>Balance at beginning of the period</b>	<b>26,467</b>	<b>29,754</b>	<b>39</b>	<b>508</b>	<b>56,768</b>	<b>52,781</b>
Provisions	2,395	1,251	1,050	312	5,008	4,577
Employer contributions/benefits paid to employees	(2,919)	(2,405)	(1,052)	(353)	(6,729)	(7,061)
Discounting losses	2,949	518	-	-	3,467	310
Expected return on plan assets	(3,154)	-	-	-	(3,154)	-
Actuarial losses (gains) recognised to equity	(6,182)	(1,559)	-	-	(7,741)	-
Foreign exchange adjustments and other adjustments	(104)	339	(37)	-	198	143
<b>Balance at end of the period</b>	<b>19,452</b>	<b>27,898</b>	<b>-</b>	<b>467</b>	<b>47,817</b>	<b>50,750</b>

(\*) Restated at December 31, 2005 and at June 30, 2006 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.

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

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

*Net liabilities for defined benefit pension plans* amounted to € 19,452 thousand at June 30, 2007 (€ 26,467 thousand at December 31, 2006) and were recognised net of plan assets (€ 92,959 thousand) designated to finance these liabilities (€ 112,411 thousand).

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

### b) Reserve for severance indemnities

The *reserve for severance indemnities* amounted to € 27,898 thousand at June 30, 2007 (€ 29,754 thousand at December 31, 2006). It is accounted for in accordance with IAS 19 (since it is considered as a defined benefit pension plan).

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As of January 1, 2007, this liability refers solely to the portion of the reserve for severance indemnities that following the complementary pension reform (Italian Legislative Decree No. 252 of December 5, 2005) continues to be considered as a Company's obligation. The liability refers to a service period that has already been completed. Therefore following the entry into force of this reform it was restated without considering the current service cost as well as future salary increases. The difference between the restated amount and the amount reported in the financial statements at December 31, 2006 was accounted for as a curtailment in accordance with IAS 19, paragraph 109, and recognised as non-recurring costs in the statement of operations.

Actuarial gains, which on January 1, 2007 were shown in the relevant equity reserve (paragraph 93A of IAS 19), were transferred to the retained earnings reserve.

The amount of the reserve for severance indemnities that has been paid to complementary pension funds was considered, as in the past, a *defined contribution plan*, as the Company's obligation to its employees ends once it pays the relevant contribution to the pension funds. It should also be noted that the employee severance indemnities paid to the "Fondo di Tesoreria" held by INPS (Italian National Social Security Institute) were also accounted for as a defined contribution plan. The Company, in fact, has no obligation to make further payments other than those required by the Italian Ministerial Decree of January 30, 2007 in case the fund does not have sufficient assets to pay the benefits to the employees.

## 20. Share-based payments

The stock option plans in force at June 30, 2007 are accounted for in accordance with IFRS 2.

Beneficiaries	Grant date	Number of granted options	Number of expired options	End of the vesting period	Strike price (euro)	Number of exercised options	Number of not exercised options	Number of outstanding options at 06.30.2007	Fair value (euro/thousand)	of which accrued in the 1 <sup>st</sup> half-year 2007
<b>2004 stock option plan</b>										
Employees of SEAT PG group	06.07.2004	59,265,000	(450,000)	09.30.2005	0.3341	(42,825,000)	(400,000)	15,590,000	5,590	-
Employees of SEAT PG 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	(6,795,000)	(225,000)	2,355,000	922	-
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 PG group	04.08.2005	67,400,000	(1,950,000)	09.30.2006	0.3221	(34,205,000)	(50,000)	31,195,000	5,633	-
Employees of SEAT PG group	11.04.2005	1,600,000		09.30.2006	0.3915			1,600,000	200	-
TDL Infomedia group	11.04.2005	9,335,000	(675,000)	09.30.2006	0.3221	(6,890,000)		1,770,000	745	-
Managing Director	04.08.2005	5,000,000		09.30.2006	0.3221			5,000,000	498	-
<b>Key People</b>	09.12.2006	20,000,000		04.15.2008	0.3724				1,595	502
<b>Total</b>		<b>182,500,000</b>	<b>(4,500,000)</b>			<b>(92,615,000)</b>	<b>(675,000)</b>	<b>64,710,000</b>	<b>15,983</b>	<b>502</b>
<b>2005 Telegate's stock option plans</b>										
Directors and employees	05.12.2005	293,000	(34,500)	05.12.2007	14.28			258,500	483	77
Directors and employees	07.29.2005	7,000		07.29.2007	17.22				16	3
Directors and employees	06.01.2006	400,000	(9,125)	06.01.2008	16.09				891	199
<b>Total</b>		<b>700,000</b>	<b>(43,625)</b>					<b>258,500</b>	<b>1,390</b>	<b>279</b>
<b>Total for the SEAT PG group</b>		<b>183,200,000</b>	<b>(4,543,625)</b>			<b>(92,615,000)</b>	<b>(675,000)</b>	<b>64,968,500</b>	<b>17,373</b>	<b>781</b>

The costs for stock options amounted to € 781 thousand in the first half of 2007 (€ 2,728 thousand in the first half of 2006) and are included in the statement of operations as non-recurring cost.

## 21. Other non-current liabilities

Other non-current liabilities amounted to € 23,216 thousand at June 30, 2007 (€ 21,814 thousand at December 31, 2006) and were detailed as follows

(euro/thousand)	1 <sup>st</sup> half-year 2007				Total	1 <sup>st</sup> half-year 2006
	Reserve for sale agents' termination indemnities	Reserve for restructuring expense	Reserve for operating risks and charges	Other non-operating liabilities		Total
<b>Balance at beginning of the period</b>	<b>21,238</b>	<b>420</b>	<b>142</b>	<b>14</b>	<b>21,814</b>	<b>22,788</b>
Provision	1,983	2,088	-	-	4,071	1,894
Utilisation/repayment	(1,826)	(111)	(57)	-	(1,994)	(1,320)
Reversal to the statement of operations	-	-	-	-	-	(855)
Losses (gains) from discounting	(675)	-	-	-	(675)	487
<b>Balance at end of the period</b>	<b>20,720</b>	<b>2,397</b>	<b>85</b>	<b>14</b>	<b>23,216</b>	<b>22,994</b>

On the basis of the expected future cash flows, the non-current reserves at June 30, 2007 have been discounted to present value at the pre-tax discount rate, which reflects the current market valuation of the time value of money. The decrease arising from the passage of time and changes in the discount rate was included in financial income (€ 675 thousand).

The *reserve for sales agents' termination indemnities* amounted to € 20,720 thousand at June 30, 2007 and it represents the accrued liabilities at the end of the period to active sales agents for the indemnity due to them under current regulations, should the agency relationship be interrupted.

The *reserve for restructuring expense* increased compared to December 31, 2006 due to the provision of € 2,080 thousand accrued by the Parent Company for the implementation of a reorganisation plan, as explained in the next item.

## 22. Reserves for current risks and charges

This item was as follows

(euro/thousand)	1 <sup>st</sup> half-year 2007			Total	1 <sup>st</sup> half-year 2006
	Reserve for commercial risks	Reserves for contractual and other operating risks	Reserve for restructuring expense		Total
<b>Balance at beginning of the period</b>	<b>15,697</b>	<b>20,805</b>	<b>2,757</b>	<b>39,259</b>	<b>50,366</b>
Provisions	7,871	1,510	5,080	14,461	9,988
Utilisations	(8,375)	(1,543)	(1,881)	(11,799)	(14,493)
Reversal to the statement of operations	-	(2,732)	-	(2,732)	(673)
Other movements	-	353	-	353	43
<b>Balance at end of the period</b>	<b>15,193</b>	<b>18,393</b>	<b>5,956</b>	<b>39,542</b>	<b>45,231</b>

In detail:

- the *reserve for commercial risks* amounted to € 15,193 thousand at June 30, 2007 (€ 15,697 thousand at December 31, 2006). It is accrued to cover claims for publishing errors on PAGINEGIALLE®, PAGINEBIANCHE® and Annuari;

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- the *reserve for contractual and other operating risks* amounted to € 18,393 thousand at June 30, 2007 (€ 20,805 thousand at December 31, 2006). It included: *i*) € 14,424 thousand provided for possible obligations arising from pending litigation and lawsuits with sales agents and employees (€ 14,974 thousand at December 31, 2006). A provision of € 1,386 thousand was included in external services to cover possible increases in interconnection costs from mobile telephone networks to non-geographical numbers referred to the period from September 2006 to June 2007 following the annulment by the Lazio Regional Administrative Courts (TAR) of the "AGCom 504/06/CONS" resolution; *ii*) € 3,000 thousand recorded by Telegate in 2005 to cover costs requested from Deutsche Telekom in relation to the supply of subscriber data, which was contested by Telegate A.G.. An amount of € 2,226 thousand of the reserve was released as a consequence of the positive judgements;

- the *reserve for restructuring expense* - current portion amounted to € 5,956 thousand at June 30, 2007. It should be considered together with the non-current portion (€ 2,397 thousand at June 30, 2007).

The reserve was accrued to cover the expected restructuring costs arising in SEAT Pagine Gialle S.p.A. from the implementation of the corporate reorganisation plan already approved by the Board and agreed with the Unions. This plan involves 130 redundancies in the 2007-2009 period, through measures of extraordinary unemployment compensation (*Cassa Integrazione Guadagni Straordinaria*) and early retirement, as well as selected dismissals and professional retraining. It will be carried out in the publishing and commercial back-office departments, highly influenced by the introduction of new and innovative IT systems. The non-current portion (€ 2,080 thousand) has been discounted at the balance sheet date in consideration of the expected future cash flows for the coming months (estimated based on the plan for managing redundant personnel) at the pre-tax rate that reflects current market valuation of the time value of money.

### 23. Trade account payables and other current liabilities

Trade account payables and other current liabilities were detailed as follows

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change
Payables due to suppliers	153,808	197,375	(43,567)
Payables due to sales agents	44,487	55,043	(10,556)
Payables due to employees	21,586	26,175	(4,589)
Payables due to social security institutions	12,803	12,807	(4)
Payables due to directors and statutory auditors	1,544	1,519	25
<b>Total trade account payables</b>	<b>234,228</b>	<b>292,919</b>	<b>(58,691)</b>
Payables for services to be rendered	207,689	91,093	116,596
Advances from customers	3,607	4,115	(508)
Deferred income and other liabilities	9,463	9,158	305
<b>Total payables for services to be rendered and other current liabilities</b>	<b>220,759</b>	<b>104,366</b>	<b>116,393</b>

All trade account payables fell due within 12 months.

Payables for services to be rendered and other current liabilities included € 259 thousand falling due beyond 12 months (€ 86 thousand at December 31, 2006).



In detail:

- *payables due to suppliers* amounted to € 153,808 thousand at June 30, 2007 (€ 197,375 thousand at December 31, 2006), a decrease of € 43,567 thousand compared to December 31, 2006 which reflects the trend in purchases;
- *payables due to sales agents* amounted to € 44,487 thousand at June 30, 2007 (€ 55,043 thousand at December 31, 2006). They should be considered in conjunction with the item "advances on sales commissions and other receivables from agents" in "other current assets", which amounted to € 49,030 thousand at June 30, 2007 (€ 46,528 thousand at December 31, 2006);
- *payables for services to be rendered* amounted to € 207,689 thousand at June 30, 2007 (€ 91,093 thousand at December 31, 2006), of which € 73,874 thousand already paid by customers (€ 12,349 thousand at December 31, 2006). They refer to advance billing of advertising services.

## 24. 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. The secondary presentation is by geographical area.

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 fixed at the same conditions applied to third-party transactions.

Revenues, costs and results by Business Area include transactions between areas which are eliminated at the consolidated level.

The geographical areas of the Group are identified taking into account the location of the Group's activities and are substantially equivalent to the legal entities operating in each Business Area.

Figures and disclosures by Business Area are 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.

## 25. Revenues from sales and services

Revenues from sales and services in the first half of 2007 amounted to € 582,263 thousand, with an increasing trend compared to the same period of the previous year (€ 573,591 thousand). Revenues by Business Area were as follows

(euro/thousand)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	Change	
	2007	2006	Absolute	%
Italian Directories	428,362	417,252	11,110	2.7
UK Directories	58,484	61,233	(2,749)	(4.5)
Directory Assistance	92,880	92,736	144	0.2
Other activities	30,896	26,255	4,641	17.7
IC eliminations	(28,359)	(23,885)	(4,474)	(18.7)
<b>Total revenues from sales and services</b>	<b>582,263</b>	<b>573,591</b>	<b>8,672</b>	<b>1.5</b>

Reference should be made to the section "Economic and financial performance of the Business Areas" in the Report on operations, which provides a more detailed analysis of revenues.

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## 26. Other income and operating costs

### 26.1 Other income

Other income amounted to € 2,469 thousand in the first half of 2007 (€ 2,724 thousand in the first half of 2006). It included *i*) € 1,550 thousand for the repayments by third parties of postal, legal and administrative costs mainly incurred by the Parent Company (€ 2,274 thousand in the first half of 2006) and *ii*) € 250 thousand for royalties paid to the Telegate group following the disposal of the subsidiary 1818 Auskunft A.G. carried out in 2006.

### 26.2 Materials

Materials amounted to € 22,869 thousand in the first half of 2007 (€ 24,275 thousand in the first half of 2006), of which € 18,581 thousand (€ 20,670 thousand in the first half of 2006) for paper costs.

### 26.3 External services

External services amounted to € 203,297 thousand in the first half of 2007, a decrease of € 48,366 thousand compared to the same period of 2006 mainly due to:

- *advertising and promotion costs* which decreased by € 32,726 thousand compared to the first half of 2006. These costs had been significantly impacted in 2006 by the launch of directory assistance services in Italy and France;
- *costs for call center services* which decreased by € 8,139 thousand compared to the first half of 2006. It should be noted that 2006 had been impacted by costs incurred by the Telegate group in France to manage in outsourcing services for mobile phone operators until April 2006, before market liberalisation (more details are included in the Report on operations, section "Reclassified statement of operations of the Group");
- *data costs* which decreased by € 4,697 thousand compared to the first half of 2006 mainly in Germany as a consequence of the positive outcome of the lawsuits with Deutsche Telekom.

### 26.4 Salaries, wages and employee benefits

Salaries, wages and employee benefits amounted to € 121,694 thousand in the first half of 2007 (€ 116,563 thousand in the first half of 2006), up € 5,131 thousand compared to the first half of 2006. The change includes a € 4,469 thousand increase in the "Directory Assistance" Business Area, as a consequence of a different labour agreement and the increase in the average number of telephone operators both in Italy and Spain and the strengthening of the organisational structure in Germany.

In Europages, labour costs increased by € 1,242 thousand in the first half of 2007 due to the development of the commercial area in France and the establishment of a new subsidiary in Germany.

The Group workforce - including directors, project workers and trainees - amounted to 6,969 units at June 30, 2007 (6,661 units at December 31, 2006).

The average workforce (FTE for non-Italian companies) was 5,326 units in the first half of 2007 (5,156 units in the first half of 2006).

## 26.5 Non-recurring costs

Non-recurring costs amounted to € 3,133 thousand in the first half of 2007 (€ 4,328 thousand in the first half of 2006) and were as follows

(euro/thousand)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	Change	
	2007	2006	Absolute	%
Costs for stock options	781	2,728	(1,947)	(71.4)
Other non-recurring costs	2,352	1,600	752	47.0
<b>Total non-recurring costs</b>	<b>3,133</b>	<b>4,328</b>	<b>(1,195)</b>	<b>(27.6)</b>

Comments on costs for stock options are included in the note 20.

*Other non-recurring costs* included: *i*) € 827 thousand of costs incurred by Europages group in relation to its sales reorganisation plan, which implies a new organisational structure in Germany and the reinforcement of the sales force in France; *ii*) € 332 thousand of costs arising from the restatement of the reserve for severance indemnities at January 1, 2007 (compared to December 31, 2006) following the entry into force of the complementary pension reform. These costs were accounted for as a curtailment in accordance with IAS 19, paragraph 109. For further information, please refer to the note 19.

## 27. Interest income and expense

### 27.1 Interest expense

Interest expense amounted to € 129,178 thousand in the first half of 2007 (€ 129,561 thousand in the first half of 2006). It was as follows

(euro/thousand)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	Change	
	2007	2006	Absolute	%
Interest expense on the loan to The Royal Bank of Scotland Plc Milan Branch	63,000	68,030	(5,030)	(7.4)
Interest expense on the loan to Lighthouse International Company S.A.	54,951	54,951	-	-
Other financial expense	10,855	5,394	5,461	n.s.
Foreign exchange losses	372	1,186	(814)	(68.6)
<b>Total interest expense</b>	<b>129,178</b>	<b>129,561</b>	<b>(383)</b>	<b>(0.3)</b>

Interest expense was substantially flat compared to the first half of 2006 due to the combined effect of lower average debt in the first half of 2007 and higher overall average cost of debt (at 6.4% in the first half of 2007, compared to 5.9% in the first half of 2006), following the increase in the Euribor reference rate.

It included:

- € 63,000 thousand (€ 68,030 thousand in the first half of 2006) for *interest on the "Senior Credit Agreement"* between SEAT Pagine Gialle S.p.A. and The Royal Bank of Scotland Plc Milan Branch. This amount included € 7,135 thousand for the amortisation of the transaction costs incurred at the acquisition and refinancing dates and € 1,399 thousand for interest income on hedging transactions (€ 2,288 thousand for expenses on hedging transactions in the first half of 2006).

Interest expense on the "Senior" loan decreased compared to the first half of 2006, notwithstanding increases in the Euribor rate. This result was mainly due to the lower level of average indebtedness (as a consequence of the € 254.4 million repayment following the securitisation program launched in June 2006) and the decrease in the spreads applied to the various tranches of the loan starting from February 2007;

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- € 54,951 thousand for *interest on the "Subordinated" loan* with Lighthouse International Company S.A. in line with the amount recorded in the first half of 2006. This item included € 2,826 thousand for the amortisation of transaction costs;
- € 5,317 thousand (€ 340 thousand in the first half of 2006) for *interest on the asset backed securities* issued in June 2006 by the SPE Meliadi Finance S.r.l. with reference to the securitisation program;
- € 3,466 thousand (€ 3,312 thousand in the first half of 2006) for *losses from discounting non-current liabilities*;
- € 372 thousand (€ 1,186 thousand in the first half of 2006) for *foreign exchange losses* arising from hedging transactions on the Euro/Sterling currency exposure that were offset by foreign exchange gains, as described in the following item.

## 27.2 Interest income

Interest income amounted to € 9,201 thousand in the first half of 2007 (€ 5,602 thousand in the first half of 2006). It was as follows:

- € 4,057 thousand (€ 1,953 thousand in the first half of 2006) for *interest income* arising from short-term cash deposits with banks at rates substantially in line with Euribor. The increase is due to both the sharp rise in market rates and the higher level of average deposits;
- € 3,157 thousand (€ 2,529 thousand in the first half of 2006) for *interest income from non-current assets*, referred to assets designated to finance the pension plan of the TDL group;
- € 1,084 thousand (€ 891 thousand in the first half of 2006) for *foreign exchange gains*, mainly arising from hedging transactions on the Euro/Sterling currency exposure.

## 28. Losses on disposal of investments

Losses on disposal of investments amounted to € 3,327 thousand and referred to foreign exchange losses recognised in the statement of operations following the deconsolidation of Consodata Group Ltd. as of January 1, 2007, since its liquidation process was closed. These losses at December 31, 2006 had been deferred in the equity reserve for foreign exchange adjustments, according to IAS 21.

## 29. Income taxes

Income taxes for the first half of 2007 amounted to € 624 thousand (€ 1,551 thousand for the first half of 2006) and were as follows

(euro/thousand)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	Change	
	2007	2006	Absolute	%
Current income taxes	9,214	4,972	4,242	85.3
Deferred tax assets	(17,493)	(4,449)	(13,044)	n.s.
Deferred tax liabilities	8,903	1,678	7,225	n.s.
Income taxes referred to previous years	-	(650)	650	100.0
<b>Total income taxes</b>	<b>624</b>	<b>1,551</b>	<b>(927)</b>	<b>(59.8)</b>

In accordance with IAS 34, income taxes were calculated by applying the expected average tax rates for the 2007 fiscal year to the result before income taxes at June 30, 2007.

### Deferred tax assets

Deferred tax assets amounted to € 50,529 thousand at June 30, 2007 (€ 48,346 thousand at December 31, 2006) and were presented net of deferred tax liabilities of € 130,024 thousand (€ 121,121 thousand at December 31, 2006).

The increase in the period was due to the recognition of net deferred tax assets on the pre-tax income for the period (€ 8,590 thousand) and net deferred tax liabilities on items recognised directly in equity (€ 6,407 thousand).

### Current tax assets

Current tax assets amounted to € 8,114 thousand at June 30, 2007 (€ 5,239 thousand at December 31, 2006) and were as follows

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change
Income tax receivables	3,025	3,105	(80)
Other tax receivables	5,089	2,134	2,955
<b>Total current tax assets</b>	<b>8,114</b>	<b>5,239</b>	<b>2,875</b>

### Current tax payables

Current tax payables amounted to € 34,126 thousand at June 30, 2007 (€ 23,533 thousand at December 31, 2006) and were as follows

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change
Income tax payables	12,979	5,823	7,156
Other tax payables	21,147	17,710	3,437
<b>Total current tax payables</b>	<b>34,126</b>	<b>23,533</b>	<b>10,593</b>

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### 30. 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 sets out the main economic and financial effects of transactions with related parties on the financial statements of the SEAT Pagine Gialle group for the first half of 2007.

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

All the transactions entered into by companies of the Group with related parties, including intra-group transactions, are ordinary transactions 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
Salaries, wages and employee benefits	1,446	they refer to fees to the directors.
Non-recurring costs	135	they refer to legal advices provided by Studio Giliberti Pappalettera Triscornia e Associati.
Interest expense	54,951	it refers to the "Subordinated" loan to Lighthouse International Company S.A.
Other non-current assets	173	they refer to legal advices from Studio Giliberti Pappalettera Triscornia e Associati which were capitalised.
Non-current reserves to employees	467	they refer to the termination indemnity due to the Managing Director, net of the premium periodically paid for the insurance policy whose beneficiary - at the end of his office - will be the Managing Director himself.
Non-current financial debts	1,261,375	they refer to € 1,300,000 thousand for the "Subordinated" loan to Lighthouse International Company S.A., net of € 38,625 thousand for transaction costs incurred at the inception of the loan and not yet amortised.
Current financial debts	17,375	they refer to the debt for accrued interest expense not yet paid at the end of the period on the "Subordinated" loan to Lighthouse International Company S.A.
Trade account payables	1,448	they refer to payables due to the directors for fees.

## 31. Other information

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

Company (business)	Registered Office	Share capital		Ordinary shares		% held by SEAT Pagine Gialle S.p.A.
				%	held by	
CIPI S.p.A. (merchandising of promotional objects)	Milan (Italy)	Euro	1,200,000	51.00	SEAT Pagine Gialle S.p.A.	51.00
CONSODATA S.p.A. (direct marketing services; data base creation, management and distribution)	Rome (Italy)	Euro	2,446,330	100.00	SEAT Pagine Gialle S.p.A.	100.00
EUROPAGES S.A. (production, promotion and marketing of the "Europages" directory)	Paris (France)	Euro	2,800,000	93.562	SEAT Pagine Gialle S.p.A.	93.562
EUROPAGES GmbH (promotion and marketing of the "Europages" directory)	Munich (Germany)	Euro	25,000	100.00	EUROPAGES S.A.	93.562
PRONTOSEAT S.r.l. (call center services)	Turin (Italy)	Euro	10,500	100.00	SEAT Pagine Gialle S.p.A.	100.00
SEAT CORPORATE UNIVERSITY S.c.a.r.l. (training activity for manager especially in advertising communications to SMEs)	Turin (Italy)	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)	Munich (Germany)	Euro	26,100	100.00	SEAT Pagine Gialle S.p.A.	100.00
TELEGATE A.G. (call center services)	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)	Munich (Germany)	Euro	60,000	100.00	TELEGATE A.G.	78.28
11880.COM GmbH (call center services)	Munich (Germany)	Euro	25,000	100.00	DATAGATE GmbH	78.28
MOBILSAFE A.G. (internet services)	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)	Munich (Germany)	Euro	25,000	100.00	TELEGATE A.G.	78.28
11811 NUEVA INFORMACION TELEFONICA S.A.U. (call center services)	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 (Italy)	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 entity)	Milan (Italy)	Euro	10,000	-	-	-

(\*) The securitisation program of trade receivables required the creation of a SPE in accordance with the Italian Law No. 130/99. The SPE is not owned by the SEAT Pagine Gialle group, but is consolidated on a line-by-line basis pursuant to SIC 12.

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## List of investments accounted for using the equity method

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



# QUARTIERE! LABARO





## First half-year 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. at June 30, 2007

### Assets

	At 06.30.2007	At 12.31.2006	Change	Note	At 06.30.2006
<b>(euro/thousand)</b>					
<b>Non-current assets</b>					
Intangible assets with indefinite useful life	3,187,161	3,187,161	-	(4)	3,187,161
Intangible assets with finite useful life	393,155	468,696	(75,541)	(6)	535,652
Property, plant and equipment	11,767	11,291	476	(7)	11,279
Investments	397,433	396,691	742	(8)	386,811
Other non-current financial assets	2,099	1,548	551	(9)	1,598
Deferred tax assets	33,799	27,924	5,875	(27)	70,325 (*)
Other non-current assets	1,041	482	559	(12)	693
<b>Total non-current assets</b>	<b>(A) 4,026,455</b>	<b>4,093,793</b>	<b>(67,338)</b>		<b>4,193,519 (*)</b>
<b>Current assets</b>					
Inventories	11,880	7,376	4,504	(10)	9,653
Trade account receivables	568,210	587,131	(18,921)	(11)	562,687
Current tax assets	1,327	1,812	(485)	(27)	2,223
Other current assets	68,655	55,475	13,180	(12)	70,519
Current financial assets from third parties	50,691	1,310	49,381	(16)	6,635
Current financial assets from related parties	103,496	104,302	(806)	(16)	111,900
Cash and cash equivalents	59,399	171,519	(112,120)	(16)	58,965
<b>Total current assets</b>	<b>(B) 863,658</b>	<b>928,925</b>	<b>(65,267)</b>		<b>822,582</b>
<b>Total assets</b>	<b>(A+B) 4,890,113</b>	<b>5,022,718</b>	<b>(132,605)</b>		<b>5,016,101 (*)</b>

(\*) Restated at June 30, 2006 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.

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## Liabilities and equity

	At 06.30.2007	At 12.31.2006	Change	Note	At 06.30.2006
<b>(euro/thousand)</b>					
<b>Equity Shareholders</b>					
Share capital	250,304	249,879	425	(13)	248,565
Additional paid-in capital	464,627	460,428	4,199	(13)	447,503
Reserve for transition to IAS/IFRS	161,750	161,750	-		161,750
Retained earnings	73,604	47,114	26,490	(13)	43,404
Reserve for stock options	5,702	5,829	(127)	(13)	7,850
Reserve for cash flow hedge instruments	10,116	1,533	8,583	(13)	4,668
Reserve for actuarial gains (losses)	1,044	1,686	(642)	(13)	(375)(*)
Other reserves	50,235	50,054	181		49,715
Income (loss) for the period	(29,737)	83,395	(113,132)		(40,669)
<b>Total equity Shareholders</b>	<b>(A) 987,645</b>	<b>1,061,668</b>	<b>(74,023)</b>	<b>(13)</b>	<b>922,411 (*)</b>
<b>Non-current liabilities</b>					
Non-current financial debts to third parties	1,746,251	1,870,861	(124,610)	(16)	1,943,000
Non-current financial debts to related parties	1,417,238	1,419,154	(1,916)	(16)	1,417,097
Non-current reserves to employees	24,067	26,077	(2,010)	(19)	28,753 (*)
Other non-current liabilities	22,800	21,238	1,562	(21)	20,944
<b>Total non-current liabilities</b>	<b>(B) 3,210,356</b>	<b>3,337,330</b>	<b>(126,974)</b>		<b>3,409,794 (*)</b>
<b>Current liabilities</b>					
Current financial debts to third parties	190,327	209,611	(19,284)	(16)	177,088
Current financial debts to related parties	48,327	44,910	3,417	(16)	37,798
Trade account payables	202,202	231,319	(29,117)	(23)	206,253
Payables for services to be rendered and other current liabilities	191,837	90,106	101,731	(23)	193,303
Reserve for current risks and charges	31,944	29,402	2,542	(22)	30,580
Current tax payables	27,475	18,372	9,103	(27)	38,874
<b>Total current liabilities</b>	<b>(C) 692,112</b>	<b>623,720</b>	<b>68,392</b>		<b>683,896</b>
<b>Total liabilities</b>	<b>(B+C) 3,902,468</b>	<b>3,961,050</b>	<b>(58,582)</b>		<b>4,093,690 (*)</b>
<b>Total liabilities and equity</b>	<b>(A+B+C) 4,890,113</b>	<b>5,022,718</b>	<b>(132,605)</b>		<b>5,016,101 (*)</b>

(\*) Restated at June 30, 2006 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.

## ➤ Statement of operations of SEAT Pagine Gialle S.p.A. for the first half of 2007

(euro/thousand)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	Change		Note	Year 2006
	2007	2006	Absolute	%		
Sales of goods	6,828	7,518	(690)	(9.2)	(24)	21,070
Rendering of services	421,553	409,734	11,819	2.9	(24)	1,056,425
<b>Revenues from sales and services</b>	<b>428,381</b>	<b>417,252</b>	<b>11,129</b>	<b>2.7</b>	<b>(24)</b>	<b>1,077,495</b>
Other income	2,857	2,753	104	3.8	(25)	5,865
<b>Total revenues</b>	<b>431,238</b>	<b>420,005</b>	<b>11,233</b>	<b>2.7</b>		<b>1,083,360</b>
Materials	(18,840)	(20,257)	1,417	7.0	(25)	(54,780)
External services	(162,819)	(171,544)	8,725	5.1	(25)	(360,688)
Salaries, wages and employee benefits	(43,363)	(42,679)	(684)	(1.6)	(25)	(81,510)
Other valuation adjustments	(15,780)	(13,558)	(2,222)	(16.4)	(11)	(28,824)
Provisions to reserves for risks and charges, net	(8,901)	(8,647)	(254)	(2.9)	(22)	(11,999)
Other operating expense	(1,677)	(1,423)	(254)	(17.8)	(25)	(3,135)
<b>Operating income before amortisation, depreciation, non-recurring and restructuring costs, net</b>	<b>179,858</b>	<b>161,897</b>	<b>17,961</b>	<b>11.1</b>		<b>542,424</b>
Amortisation, depreciation and write-downs	(93,926)	(89,723)	(4,203)	(4.7)	(4-7)	(181,722)
Non-recurring costs	(1,966)	(2,910)	944	32.4	(25)	(10,753)
Restructuring costs, net	(7,326)	(1,542)	(5,784)	n.s.	(25)	(1,958)
<b>Operating income</b>	<b>76,640</b>	<b>67,722</b>	<b>8,918</b>	<b>13.2</b>		<b>347,991</b>
Interest expense	(125,665)	(127,760)	2,095	1.6	(26)	(252,924)
Interest income	15,174	23,546	(8,372)	(35.6)	(26)	46,899
Gains (losses) on disposal/valuation of investments	192	(16)	208	n.a.		(39)
<b>Income (loss) before income taxes</b>	<b>(33,659)</b>	<b>(36,508)</b>	<b>2,849</b>	<b>7.8</b>		<b>141,927</b>
Income taxes	3,922	(4,161)	8,083	n.a.	(27)	(58,532)
<b>Income (loss) for the period</b>	<b>(29,737)</b>	<b>(40,669)</b>	<b>10,932</b>	<b>26.9</b>		<b>83,395</b>
SEAT Pagine Gialle S.p.A. shares (number)	8,343,455,482	8,285,517,982	57,937,500	0.7		8,329,290,482
- ordinary (number)	8,207,380,696	8,149,443,196	57,937,500	0.7		8,193,215,696
- savings (number)	136,074,786	136,074,786	-	-		136,074,786
Earnings per share (in euro)	(0.00359)	(0.00492)	0.00133	27.0		0.01004
Diluted earnings per share (in euro)	(0.00358)	(0.00492)	0.00134	27.2		0.01001

Basic earnings per share are calculated by dividing the income (loss) for the period attributable to equity Shareholders by the weighted average number of shares in issue during the period as adjusted by assuming the issue of all the potential shares deriving from the exercise of dilutive options pursuant to IAS 33.

## ➤ Cash flow statement of SEAT Pagine Gialle S.p.A. for the first half of 2007 (indirect method)

(euro/thousand)	1 <sup>st</sup> half-year 2007	1 <sup>st</sup> half-year 2006	Change	Year 2006
<b>Cash inflow from operating activities</b>				
Income (loss) for the period	(29,737)	(40,669)	10,932	83,395
Amortisation, depreciation and write-downs	93,926	89,723	4,203	181,722
Interest expense, net (*)	110,658	103,238	7,420	204,585
Costs for stock options	502	1,971	(1,469)	3,271
Income taxes for the period	(3,922)	4,161	(8,083)	58,532
(Gains) losses on disposal of non-current assets	(3)	16	(19)	(58)
Gains (losses) on disposal/valuation of investments	(192)	-	(192)	-
Change in working capital	78,917	80,658	(1,741)	(36,352)
Other changes	897	336	561	1,028
<b>Cash inflow from operating activities</b>	<b>(A) 251,046</b>	<b>239,434</b>	<b>11,612</b>	<b>496,123</b>
<b>Cash outflow for investments</b>				
Purchase of intangible assets with finite useful life	(15,613)	(7,250)	(8,363)	(29,368)
Purchase of property, plant and equipment	(3,330)	(2,768)	(562)	(5,731)
Other investments	(1,563)	(250)	(1,313)	(450)
Proceeds from disposal of non-current assets	756	281	475	595
<b>Cash outflow for investments</b>	<b>(B) (19,750)</b>	<b>(9,987)</b>	<b>(9,763)</b>	<b>(34,954)</b>
<b>Cash outflow for financing</b>				
Repayment of non-current loans	(179,150)	(354,900)	175,750	(431,411)
Net flow from securitisation program	1,506	173,476	(171,970)	176,993
Payment of interest expense, net	(108,497)	(102,100)	(6,397)	(197,706)
Payment of securitisation costs	-	(1,525)	1,525	(1,525)
Change in financial assets and financial debts	(31,720)	(27,924)	(3,796)	7,495
Increase in share capital from exercised stock options	4,432	5,856	(1,424)	20,434
Payment of costs relating to dividends distribution	-	-	-	(565)
Payment of dividends	(29,987)	(21,768)	(8,219)	(21,768)
<b>Cash outflow for financing</b>	<b>(C) (343,416)</b>	<b>(328,885)</b>	<b>(14,531)</b>	<b>(448,053)</b>
<b>Increase (decrease) in cash and cash equivalents in the period</b>	<b>(A+B+C) (112,120)</b>	<b>(99,438)</b>	<b>(12,682)</b>	<b>13,116</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>171,519</b>	<b>158,403</b>	<b>13,116</b>	<b>158,403</b>
<b>Cash and cash equivalents at end of the period</b>	<b>59,399</b>	<b>58,965</b>	<b>434</b>	<b>171,519</b>

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

## ➤ Changes in equity of SEAT Pagine Gialle S.p.A. for the first half of 2007

(euro/thousand)	Share capital	Additional paid-in capital	Other reserves	Income (loss) for the period	Total
<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>
Allocation of 2006 result			24,917	(83,395)	(58,478)
Exercise of stock options	425	4,199	(192)		4,432
<i>Income (loss) recognised directly in equity</i>					
- Change in the reserve for cash flow hedge instruments			8,583		8,583
- Actuarial gains (losses)			1,044		1,044
Fair value of stock option plans and other movements			133		133
Income (loss) for the period				(29,737)	(29,737)
<b>At 06.30.2007</b>	<b>250,304</b>	<b>464,627</b>	<b>302,451</b>	<b>(29,737)</b>	<b>987,645</b>

## ➤ Changes in equity of SEAT Pagine Gialle S.p.A. for the first half of 2006

(euro/thousand)	Share capital	Additional paid-in capital	Other reserves	Income (loss) for the period	Total
<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 result			42,594	(84,715)	(42,121)
Exercise of stock options	553	5,610	(307)		5,856
<i>Income (loss) recognised directly in equity</i>					
- Change in the reserve for cash flow hedge instruments			18,930		18,930
Fair value of stock option plans and other movements			1,203		1,203
Income (loss) for the period				(40,669)	(40,669)
<b>At 06.30.2006 (*)</b>	<b>248,565</b>	<b>447,503</b>	<b>267,012</b>	<b>(40,669)</b>	<b>922,411</b>

(\*) Restated at December 31, 2005 and at June 30, 2006 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.

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## ➤ Accounting policies and disclosures

### 1. Corporate information

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

The Company has its registered offices in Milan, Via Grosio 10/4. The share capital is € 250,304 thousand.

The main business of SEAT Pagine Gialle S.p.A. is described in the Report on operations, in the section "Economic and financial performance of the Business Areas - Italian Directories".

### 2. Basis of preparation

The first half-year Financial Statements of SEAT Pagine Gialle S.p.A. have been prepared in accordance with the Legislative Decree No. 38 of February 28, 2005 applying the IAS/IFRS issued by the International Accounting Standards Board as adopted by the European Union, including all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC) and in accordance with the relevant CONSOB regulations. Specifically, SEAT Pagine Gialle S.p.A. applied IAS 34 "Interim Financial Reporting". Therefore, these interim financial statements do not include all information usually reported in the annual report and should therefore be read in conjunction with the 2006 annual financial statements of SEAT Pagine Gialle S.p.A.

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

The half-year financial statements have been prepared on the basis of the historical cost principle, except for hedging financial instruments and financial assets held for sale, which are carried 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 Accounting estimates and assumptions

In preparing the half-year financial statements and related notes according to IAS/IFRS, Management is required to make accounting estimates and assumptions impacting revenues, costs, assets and liabilities and disclosures on potential assets and liabilities at the balance sheet date. In the future such accounting estimates and assumptions, which are based on management's best judgement, could differ from actual results. In this case they will be consequently modified in the period in which the change occurs.

It is also important to note that certain processes of evaluation, and in particular more complex processes such as the determination of impairment losses on non-current assets, are performed annually within the balance sheet date, when all the necessary information is available, unless indicators require to test immediately for possible impairment.

Income taxes recognised in the statement of operations are the best evaluation calculated by applying the expected tax rates for the relevant fiscal year to the result before income taxes at the reporting date.



### 3. Accounting policies

The half-year financial statements at June 30, 2007, prepared in compliance with IAS 34 - *Interim Financial Reporting*, adopted the same accounting standards applied in the annual financial statements at December 31, 2006.

### 4. Intangible assets with indefinite useful life

They amounted to € 3,187,161 thousand at June 30, 2007 and referred to goodwill arising from mergers carried out in prior years.

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

No indications of possible impairment losses were identified at the reporting date. Therefore, it was not necessary to perform the impairment tests planned for the end of the year.

### 6. Intangible assets with finite useful life

	1 <sup>st</sup> half-year 2007				1 <sup>st</sup> half-year 2006	
	Customer DataBase	Software	Work in progress	Other intangible assets	Total	Total
(euro/thousand)						
Cost	972,400	111,817	15,881	13,574	1,113,672	1,084,396
Accumulated amortisation	(553,729)	(82,086)	-	(9,161)	(644,976)	(468,614)
<b>Balance at beginning of the period</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>
- Additions	-	4,345	10,846	422	15,613	7,250
- Amortisation and write-downs	(81,033)	(8,765)	-	(1,356)	(91,154)	(87,380)
- Other movements	-	6,214	(6,214)	-	-	-
Cost	972,400	121,496	20,513	12,566	1,126,975	1,091,646
Accumulated amortisation	(634,762)	(89,971)	-	(9,087)	(733,820)	(555,994)
<b>Balance at end of the period</b>	<b>337,638</b>	<b>31,525</b>	<b>20,513</b>	<b>3,479</b>	<b>393,155</b>	<b>535,652</b>

*Work in progress* amounted to € 20,513 thousand at June 30, 2007 (€ 15,881 thousand at December 31, 2006) and referred mainly to internal developments of software still in progress at the balance sheet date.

*Other intangible assets* amounted to € 3,479 thousand at June 30, 2007 (€ 4,413 thousand at December 31, 2006) and included € 2,615 thousand of concessions, licences, trademarks and similar rights and € 864 thousand of costs for the analysis and development of PAGINEGIALLE and PAGINEBIANCHE online.

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*Capital expenditure* in the first half of 2007 amounted to € 15,613 thousand (€ 7,250 thousand in the first half of 2006). For a more detailed information about capital expenditure incurred in the period and its goals, please refer to the section “Economic and financial performance of the Business Areas – Italian Directories” in the Report on operations.

## 7. Property, plant and equipment

(euro/thousand)	1 <sup>st</sup> half-year 2007			1 <sup>st</sup> half-year 2006	
	Property	Machineries and equipment	Other fixed assets	Total	Total
<i>Cost</i>	2,366	5,772	47,439	55,577	52,746
<i>Accumulated depreciation</i>	(1,294)	(4,609)	(38,383)	(44,286)	(41,882)
<b>Balance at beginning of the period</b>	<b>1,072</b>	<b>1,163</b>	<b>9,056</b>	<b>11,291</b>	<b>10,864</b>
- Additions	-	7	3,323	3,330	2,768
- Amortisation and write-downs	(251)	(240)	(2,281)	(2,772)	(2,343)
- Disposals and other movements	6	-	(88)	(82)	(10)
<i>Cost</i>	2,372	5,779	49,333	57,484	54,602
<i>Accumulated depreciation</i>	(1,545)	(4,849)	(39,323)	(45,717)	(43,323)
<b>Balance at end of the period</b>	<b>827</b>	<b>930</b>	<b>10,010</b>	<b>11,767</b>	<b>11,279</b>

Property, plant and equipment amounted to € 11,767 thousand at June 30, 2007 (€ 11,291 thousand at December 31, 2006), net of accumulated depreciation amounting to € 45,717 thousand (€ 44,286 thousand at December 31, 2006).

*Other fixed assets* amounted to € 10,010 thousand at June 30, 2007 (€ 9,056 thousand at December 31, 2006), including € 9,362 thousand for EDP systems.

*Capital expenditure* amounted to € 3,330 thousand in the first half of 2007 (€ 2,768 thousand in the first half of 2006) and mainly referred to EDP systems and equipment (€ 3,299 thousand), including servers and other IT equipment.

Accumulated depreciation amounted to 80% of the gross value of property, plant and equipment (unchanged compared to December 31, 2006).

The following table sets out the key depreciation rates which have been applied

	Year 2007	Year 2006
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 effective technical use of these assets.

## 8. Investments

Investments in subsidiaries and associates amounted to € 397,433 thousand at June 30, 2007 (€ 396,691 thousand at December 31, 2006).

The following table provides the breakdown and changes of this item for the period

	At 12.31.2006	Change during the period			At 06.30.2007	
		Capital contribution	Repayments	Gains on valuation of investments		Total
<b>(euro/thousand)</b>						
<b>Subsidiaries</b>	<b>396,482</b>	<b>1,000</b>	<b>(450)</b>	<b>192</b>	<b>742</b>	<b>397,224</b>
CIPI S.p.A.	8,328					8,328
CONSODATA GROUP Ltd.	258		(450)	192	(258)	-
CONSODATA S.p.A.	22,955					22,955
EUROPAGES S.A.	38,039					38,039
PRONTOSEAT S.r.l.	612	1,000			1,000	1,612
SEAT CORPORATE UNIVERITY S.c.a.r.l.	10					10
TDL INFOMEDIA Ltd.	200,307					200,307
TELEGATE A.G.	21,563					21,563
TELEGATE HOLDING GmbH	104,410					104,410
<b>Associates</b>	<b>209</b>					<b>209</b>
LIGHTHOUSE INTERNATIONAL CO. S.A.	209					209
<b>Total investments</b>	<b>396,691</b>	<b>1,000</b>	<b>(450)</b>	<b>192</b>	<b>742</b>	<b>397,433</b>

The increase of € 742 thousand in the first half of 2007 was due to the followings:

- a € 1,000 thousand increase in the value of Prontoseat S.r.l. due to a capital contribution by SEAT Pagine Gialle S.p.A. paid in June 2007;
- closing of the liquidation process of the subsidiary Consodata Group Ltd.

## 9. Other non-current financial assets

Other non-current financial assets amounted to € 2,099 thousand at June 30, 2007 (€ 1,548 thousand at December 31, 2006) and included:

- *loans to employees* for € 1,975 thousand, issued at market rates for transactions of this type;
- *assets held for sale* for € 124 thousand, of which € 110 thousand for the 2.2% interest in the share capital of Emittenti Titoli S.p.A..

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## 10. Inventories

This item was as follows

	At 12.31.2006	Change during the period			At 06.30.2007
		Increases (Decreases)	(Provision) Reversal of the allowance	Total	
<b>(euro/thousand)</b>					
Raw materials, suppliers and consumables	5,777	3,151	-	3,151	8,928
Work in progress and semi-finished goods	1,218	1,599	-	1,599	2,817
Finished goods	381	(391)	145	(246)	135
- <i>Finished goods (gross value)</i>	548	(391)	-	(391)	157
- <i>Allowance for finished goods</i>	(167)	-	145	145	(22)
<b>Total inventories</b>	<b>7,376</b>	<b>4,359</b>	<b>145</b>	<b>4,504</b>	<b>11,880</b>

Raw materials have been evaluated at the average weighted cost which is substantially in line with their fair value.

## 11. Trade account receivables

This item was as follows

	1 <sup>st</sup> half-year 2007					1 <sup>st</sup> half-year 2006
	Trade account receivables from third parties	Allowance for doubtful trade account receivables from third parties	Trade account receivables from subsidiaries	Allowance for doubtful trade account receivables from subsidiaries	Net value	Net value
<b>(euro/thousand)</b>						
Balance at beginning of the period	674,477	(107,589)	20,243	-	587,131	588,480
Provision in the statement of operations	-	(15,027)	-	(812)	(15,839)	(13,200)
Utilisation	-	18,448	-	-	18,448	14,883
Other movements	(23,842)	-	2,312	-	(21,530)	(27,476)
<b>Balance at end of the period</b>	<b>650,635</b>	<b>(104,168)</b>	<b>22,555</b>	<b>(812)</b>	<b>568,210</b>	<b>562,687</b>
<i>of which securitised</i>	<i>284,890</i>	<i>(10,932)</i>	<i>4,439</i>	<i>-</i>	<i>278,397</i>	<i>255,124</i>

Trade account receivables amounted to € 568,210 thousand at June 30, 2007, net of € 104,980 thousand for the allowance for doubtful account receivables. They included receivables for services to be rendered for € 152,029 thousand, gross of VAT.

All trade receivables fell due within five years.

The *allowance for doubtful trade account receivables from third parties* amounted to € 104,168 thousand at June 30, 2007. It is considered adequate to cover expected losses. It was used during the period for € 18,448 thousand (€ 14,883 thousand in the first half of 2006).

The amount charged to the statement of operations for the period was € 15,027 thousand (€ 13,200 thousand in the first half of 2006): the increase compared to the first half of 2006 offset the greater use of the allowance during the period, as well as the level of risk coverage which was restored up to the level at the end of 2006.

*Trade account receivables from subsidiaries* amounted to € 22,555 thousand at June 30, 2007 and included € 19,563 thousand of receivables from Telegate Italia S.r.l. in relation to the net proceeds payable to SEAT Pagine Gialle S.p.A. for telephone traffic generated by 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE®.

It should be noted that until the end of 2006 Telegate Italia S.r.l. had paid to SEAT Pagine Gialle S.p.A. revenues from telephone traffic net of an overall percentage to cover possible losses arising from customer's insolvency, whilst Telecom Italia S.p.A. was directly charged with the recovery of these uncollected receivables. Following Telecom Italia S.p.A.'s threat to discontinue such recovery service, and in absence of an agreement signed between the parties, revenues paid to SEAT Pagine Gialle S.p.A. in the first half of 2007 were gross of the previously agreed percentage to cover default risk.

Therefore, at the end of June 2007 a provision of € 812 thousand has been accrued to cover the default risk on the amounts due from Telegate Italia S.r.l. in relation to telephone traffic.

Pursuant to law No. 130/1999, securitised receivables continue to be recognised in the balance sheet in accordance with IAS 39, since the relevant risks and benefits continue to be conducted on behalf of SEAT Pagine Gialle S.p.A.

The nominal value of such receivables was € 289,329 thousand at June 30, 2007, of which € 4,439 thousand from the subsidiary Telegate Italia S.r.l.

#### **Information concerning the securitisation transactions pursuant to law No. 130/99 (CONSOB regulation No. 97003369)**

It should be noted that the trade account receivables transferred to the SPE Meliadi Finance S.r.l. during the half-year period amounted to € 535,668 thousand (turnover). Total collections during the period amounted to € 526,134 thousand and the receivables outstanding at June 30, 2007 totalled € 289,329 thousand (€ 298,385 thousand at December 31, 2006).

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

This item was as follows

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change
Advances on sales commissions and other receivables from agents	49,010	46,523	2,487
Advances to suppliers	9,151	4,162	4,989
Other receivables from subsidiaries	7,675	2,057	5,618
Prepaid expenses	481	889	(408)
Other receivables	2,338	1,844	494
<b>Total other current assets</b>	<b>68,655</b>	<b>55,475</b>	<b>13,180</b>
<b>Other non-current assets</b>	<b>1,041</b>	<b>482</b>	<b>559</b>

In detail:

- *advances on sales commissions and other receivables from agents* amounted to € 49,010 thousand at June 30, 2007 (€ 46,523 thousand at December 31, 2006), net of € 2,446 thousand (€ 2,957 thousand at December 31, 2006) for the allowance for doubtful account receivables. € 1,775 thousand, even if falling due after 12 months, is presented as other current assets since due within the business operating cycle: it was discounted at the average market interest rate for receivables with the same due date;
- *advances to suppliers*, of € 9,151 thousand at June 30, 2007 (€ 4,162 thousand at December 31, 2006), included € 9,103 thousand for advances paid to the printer Ilte S.p.A. (€ 4,113 thousand at December 31, 2006);
- *other receivables from subsidiaries*, amounting to € 7,675 thousand at June 30, 2007, included € 2,783 thousand of receivables for dividends from Europages S.A. and € 3,093 thousand of trade advances to Europages S.A. (€ 1,650 thousand) and Cipi S.p.A. (€ 1,443 thousand). This item also included € 928 thousand for receivables arising from the repayments to SEAT Pagine Gialle S.p.A. of services provided to the subsidiaries and € 871 thousand for receivables referred to the tax consolidation agreement that the Italian subsidiaries had joined.

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## 13. Equity

Equity was as follows

	At 12.31.2006	Change during the period				At 06.30.2007
		Resolution of Shareholders' Meeting	Exercised stock options	Other changes	Total	
<b>(euro/thousand)</b>						
Share capital	249,879		425		425	250,304
- ordinary shares	245,797		425		425	246,222
- savings shares	4,082					4,082
Shareholders' contributions to future share capital increases	339		(192)		(192)	147
Additional paid-in capital	460,428		4,199		4,199	464,627
Other reserves						
- Legal reserve	49,603	373			373	49,976
- Reserve for grants related to research	80					80 (1)
- Reserve for grants related to assets	32					32 (1)
- Retained earnings	47,114	24,544	629	1,317	26,490	73,604
- Reserve for transition to IAS/IFRS	161,750					161,750
Reserves for income (loss) directly recognised to equity						
- Reserve for cash flow hedge instruments	1,533			8,583	8,583	10,116
- Reserve for actuarial gains (losses)	1,686			(642)	(642)	1,044
Reserve for stock options	5,829		(629)	502	(127)	5,702
Income (loss) for the period	83,395	(83,395)		(29,737)	(113,132)	(29,737)
<b>Total equity</b>	<b>1,061,668</b>	<b>(58,478)</b>	<b>4,432</b>	<b>(19,977)</b>	<b>(74,023)</b>	<b>987,645 (*)</b>

(1) Reserve subject to taxation in case of distribution.

(\*) Of which € 196,514 thousand subject to taxation 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 € 250,304 thousand at June 30, 2007 (€ 249,879 thousand at December 31, 2006).

The share capital was composed of No. 8,207,380,696 ordinary shares and No. 136,074,786 savings shares of € 0.03 each. Share capital increased in the period by € 425 thousand due to the issue of No. 14,165,000 ordinary shares at par value of € 0.03 to settle the same number of exercised stock options referred to the "2004 Stock Option Plan for Employees" and the "2005 Stock Option Plan for Employees".

At the date of approval of this report, share capital amounted to € 250,322 thousand due to the further issue of No. 625,000 ordinary shares to settle further exercised stock options.

€ 13,741 thousand of share capital was subject to taxation in case of distribution. Deferred tax liabilities were not calculated on this amount, as the Company is not planning to pay it out.

### Additional paid-in capital

Additional paid-in capital amounted to € 464,627 thousand at June 30, 2007 (€ 460,428 thousand at December 31, 2006). The increase of € 4,199 thousand during the period is referred to the exercise of No. 14,165,000 stock options, as described above.

€ 142,619 thousand of the additional paid-in capital was subject to taxation in case of distribution, due to the realignment made in 2005 of the tax value of the Customer DataBase to its book value, pursuant to Law No. 342/2000. Deferred tax liabilities have not been recognised on this amount, as the Company was not planning to pay it out.

### Retained earnings

The retained earnings reserve amounted to € 73,604 thousand at June 30, 2007, an increase of € 26,490 thousand compared to December 31, 2006 mainly due to:

- an increase of € 24,544 thousand following the allocation of part of the 2006 results (as resolved by the Shareholders' Meeting on April 19, 2007);
- an increase of € 1,686 thousand for actuarial gains on the reserve for severance indemnities, which have been allocated from the reserve for actuarial gains (losses) at January 1, 2007, following the entry into force of the complementary pension reform. For additional details, please refer to the note 19;
- an increase of € 629 thousand allocated from the reserve for stock options and referred to the stock options exercised during the period.

### Reserves for income (loss) directly recognised to equity

- The *Reserve for cash flow hedge instruments* amounted to € 10,116 thousand at June 30, 2007, an increase of € 8,583 thousand compared to December 31, 2006 (€ 1,533 thousand) due to changes in the net market value of the hedging instruments outstanding at the beginning and end of the period, net of the relevant deferred taxes (as detailed in the note 18 of the Disclosures to the first half-year Financial Statements of the Group).
- The *Reserve for actuarial gains (losses)*, amounting to € 1,044 thousand at June 30, 2007 (€ 1,686 thousand at December 31, 2006), represents the net cumulative actuarial gains/losses on the reserve for severance indemnities, net of deferred taxes, pursuant to IAS 19, paragraph 93A. After the entry into force of the complementary pension reform (Italian Legislative Decree No. 252 of December 5, 2005), actuarial gains on the reserve for severance indemnities recognised in the reserve at January 1 were transferred to the retained earnings reserve.

For additional details on the impact of the aforementioned reform on the financial statements, please refer to the note 19.

### Reserve for stock options

The Reserve for stock options amounted to € 5,702 thousand at June 30, 2007 (€ 5,829 thousand at December 31, 2006). The change for the period reflects the followings:

- a reduction of € 629 thousand referred to the stock options exercised in the period: this amount has been allocated to the retained earnings reserve;
- an increase of € 502 thousand referred to the cost for the period of the "Key People" stock option plan, whose vesting period is expected to end in April 2008.

## 14. Dividends distributed to Shareholders

In determining the allocation of the 2006 results, SEAT Pagine Gialle S.p.A.'s General Meeting resolved to distribute the following dividend to Shareholders:

- € 0.0070, gross of withholding tax, for each of the 8,206,320,696 ordinary shares outstanding at the stripping date (May 21, 2007);
- € 0.0076, gross of withholding tax, for each of the 136,074,786 savings shares.

Total dividends amounted to € 58,478 thousand. Dividend payments started on May 24, 2007. They were taxable pursuant to Articles 44 and 89 of Italian Presidential Decree No. 917 of December 22, 1986.

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## 15. Earnings per share

Basic earnings per share were calculated on the basis of following data

		At 06.30.2007	At 06.30.2006
Number of shares of SEAT Pagine Gialle S.p.A.		8,343,455,482	8,285,517,982
- ordinary		8,207,380,696	8,149,443,196
- savings		136,074,786	136,074,786
Nominal value per share	€	0.030	0.030
Income (loss) for the period	€/thousand	(29,737)	(40,669)
<b>Earnings per share</b>	<b>€</b>	<b>(0.00359)</b>	<b>(0.00492)</b>
Diluted earnings per share	€	(0.00358)	(0.00492)

At the reporting date the difference between earnings per share and diluted earnings per share was minimal since the effect arising from the outstanding stock options was not material.

## 16. Net financial debt

This item amounted to € 3,293,894 thousand at June 30, 2007 (€ 3,369,306 thousand at December 31, 2006).

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, the "Subordinated" loan with Lighthouse International Company S.A. and the launch of the trade receivables securitisation program. These costs amounted to € 92,213 thousand at June 30, 2007, net of accumulated amortisation;
- net assets referred to the market value of cash flow hedge instruments, which amounted to € 15,099 thousand at June 30, 2007 (€ 999 thousand of net assets at December 31, 2006).

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change	Note	At 06.30.2006
<b>Net financial debt</b>	<b>3,293,894</b>	<b>3,369,306</b>	<b>(75,412)</b>		<b>3,514,573</b>
Transaction costs on loans and securitisation program not yet amortised	(92,213)	(102,326)	10,113		(112,316)
Net market value of cash flow hedge instruments	(15,099)	(999)	(14,100)		(6,254)
<b>Net financial debt - "book value"</b>	<b>3,186,582</b>	<b>3,265,981</b>	<b>(79,399)</b>		<b>3,396,003</b>
of which:					
- Non-current financial debts to third parties	1,746,251	1,870,861	(124,610)	(a)	1,943,000
- Non-current financial debts to related parties	1,417,238	1,419,154	(1,916)	(b)	1,417,097
- Current financial debts to third parties	190,327	209,611	(19,284)	(c)	177,088
- Current financial debts to related parties	48,327	44,910	3,417	(d)	37,798
- Non-current financial assets (*)	(1,975)	(1,424)	(551)	(e)	(1,480)
- Current financial assets from third parties	(50,691)	(1,310)	(49,381)	(f)	(6,635)
- Current financial assets from related parties	(103,496)	(104,302)	806	(g)	(111,900)
- Cash and cash equivalents	(59,399)	(171,519)	112,120	(h)	(58,965)

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



### a) Non-current financial debts to third parties

They were as follows

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change
<i>Debts due to The Royal Bank of Scotland Plc Milan Branch (gross value)</i>	1,798,644	1,930,389	(131,745)
<i>less transaction costs</i>	(52,393)	(59,528)	7,135
Debts due to The Royal Bank of Scotland Plc Milan Branch (net value)	1,746,251	1,870,861	(124,610)
<b>Total non-current financial debts to third parties</b>	<b>1,746,251</b>	<b>1,870,861</b>	<b>(124,610)</b>

*Debts due to The Royal Bank Scotland Plc Milan Branch* amounted to € 1,746,251 thousand at June 30, 2007 (€ 1,870,861 thousand at December 31, 2006), net of the transaction and refinancing costs not yet amortised for € 52,393 thousand (€ 59,528 thousand at December 31, 2006).

A more detailed description is provided in the note 16 of the Disclosures to the first half-year Financial Statements of the Group.

### b) Non-current financial debts to related parties

They were as follows

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change
<i>Debts due to Lighthouse International Company S.A. (gross value)</i>	1,300,000	1,300,000	-
<i>less transaction costs</i>	(38,625)	(41,451)	2,826
Debts due to Lighthouse International Company S.A. (net value)	1,261,375	1,258,549	2,826
<i>Debts due to Meliadi Finance S.r.l. (gross value)</i>	157,058	161,952	(4,894)
<i>less transaction costs</i>	(1,195)	(1,347)	152
Debts due to Meliadi Finance S.r.l. (net value)	155,863	160,605	(4,742)
<b>Total non-current financial debts to related parties</b>	<b>1,417,238</b>	<b>1,419,154</b>	<b>(1,916)</b>

*Debts due to Lighthouse International Company S.A.* amounted to € 1,261,375 thousand at June 30, 2007 (€ 1,258,549 thousand at December 31, 2006), net of € 38,625 thousand for transaction costs not yet amortised at the end of the period (€ 41,451 thousand at December 31, 2006).

A more detailed description is provided in the note 16 of the Disclosures to the first half-year Financial Statements of the Group.

*Debts due to Meliadi Finance S.r.l.* amounted to € 155,863 thousand at June 30, 2007. Meliadi Finance S.r.l. is the special purpose entity created for the five-year trade receivable securitisation program launched in June 2006 pursuant to Italian Law No. 130/1999. The amount payable to Meliadi Finance S.r.l., which was accounted for net of the deferred purchase price (DPP), is presented in the financial statements net of the transaction costs incurred at the inception of the program, not yet amortised at the end of the period (€ 1,195 thousand).

### c) Current financial debts to third parties

Current financial debts to third parties amounted to € 190,327 thousand at June 30, 2007 (€ 209,611 thousand at December 31, 2006) and included

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change
Current portion of the loan due to The Royal Bank of Scotland Plc Milan Branch	110,896	158,301	(47,405)
Debts due to Shareholders for dividends	49,250	20,774	28,476
Debts for interest expense not yet paid	29,158	30,346	(1,188)
Other financial debts	1,023	39	984
Liabilities relating to hedging instruments on exchange rate risks	-	151	(151)
<b>Total current financial debts to third parties</b>	<b>190,327</b>	<b>209,611</b>	<b>(19,284)</b>

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- *Debts due to Shareholders for dividends* amounted to € 49,250 thousand at June 30, 2007 and referred to 2005-2006 dividends not yet withdrawn at the end of the period;
- *debts for interest expense not yet paid*, of € 29,158 thousand at June 30, 2007, referred to the loan issued by The Royal Bank of Scotland Plc Milan Branch.

#### d) Current financial debts to related parties

Current financial debts to related parties amounted to € 48,327 thousand at June 30, 2007 (€ 44,910 thousand at December 31, 2006) and included

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change
Debts due to subsidiaries	30,952	27,535	3,417
Debts due to associates	17,375	17,375	-
<b>Total current financial debts to related parties</b>	<b>48,327</b>	<b>44,910</b>	<b>3,417</b>

- *Debts due to subsidiaries* amounted to € 30,952 thousand at June 30, 2007 and mainly included debts for short-term cash deposits of Telegate A.G. (€ 21,058 thousand) and current accounts of Telegate Holding GmbH (€ 8,451 thousand) and Consodata S.p.A. (€ 1,343 thousand). These financial debts are regulated at market rates;
- *debts due to associates* amounted to € 17,375 thousand at June 30, 2007 and referred to accrued interest expense on the "Subordinated" loan from Lighthouse International Company S.A..

#### e) Non-current financial assets

Non-current financial assets are included in the net financial position only for the components relating to *loans and financial receivables* (€ 1,975 thousand at June 30, 2007), as described in the note 9.

#### f) Current financial assets from third parties

Current financial assets from third parties amounted to € 50,691 thousand at June 30, 2007 (€ 1,310 thousand at December 31, 2006) and included € 35,000 thousand for payments to SNOS S.p.A. as part of the preliminary agreement entered into on December 31, 2006 for the purchase of the "ex Officine Savigliano" real estate complex in Turin (where the new headquarter of SEAT Pagine Gialle S.p.A. will be housed).

This item also included € 15,099 thousand for the net market value of cash flow hedge instruments (€ 999 thousand at December 31, 2006). For further details about hedging transactions on interest rate risks, please refer to the note 18 of the Disclosures to the first half-year Financial Statements of the Group.

#### g) Current financial assets from related parties

Current financial assets from related parties amounted to € 103,496 thousand at June 30, 2007 (€ 104,302 thousand at December 31, 2006) and included:

- € 101,654 thousand for financial receivables from TDL Infomedia Ltd. in the form of a revolving credit line;
- € 1,842 thousand for financial receivables from treasury transactions (€ 1,379 thousand due from Cipi S.p.A.).

These receivables are regulated at market rates.

#### h) Cash and cash equivalents

This item decreased by € 112,120 thousand compared to December 31, 2006 and included

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change
Bank deposits	59,174	168,863	(109,689)
Postal deposits	203	2,637	(2,434)
Cash on hand	22	19	3
<b>Total cash and cash equivalents</b>	<b>59,399</b>	<b>171,519</b>	<b>(112,120)</b>

## 17. Guarantees provided, main commitments and contingent liabilities

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 its 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. at the inception of the loan issued guarantees for € 350,000 thousand for any possible additional charges relating to the bond issued by Lighthouse International Company S.A.

The repayment plan for the loans outstanding at the end of the period is as follows

(euro/thousand)	Due date - within					beyond five years	Total
	06.30.2008	06.30.2009	06.30.2010	06.30.2011	06.30.2012		
The Royal Bank of Scotland Plc Milan Branch	110,896	191,366	225,504	238,480	678,750	464,544	1,909,540
Lighthouse International Company S.A.	-	-	-	-	-	1,300,000	1,300,000
Meliadi Finance S.r.l.	-	-	-	157,058(*)	-	-	157,058
<b>Total financial debts (gross value)</b>	<b>110,896</b>	<b>191,366</b>	<b>225,504</b>	<b>395,538</b>	<b>678,750</b>	<b>1,764,544</b>	<b>3,366,598</b>

(\*) Debts due to Meliadi Finance S.r.l. are considered as non-current as they refer to a five-years securitisation program started in June 2006.

## 18. 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; and
- credit risk, in relation to ordinary trade transactions with customers.

For more details, please refer to the note 18 of the Disclosures to the first half-year Financial Statements of the Group.

## 19. Non-current reserves to employees

This item was as follows

(euro/thousand)	1 <sup>st</sup> half-year 2007				1 <sup>st</sup> half-year 2006 (*)	
	Reserve for severance indemnities	Reserve for defined contribution pension plans	Net liabilities for termination indemnities	Total	Total	Total
<b>Balance at beginning of the period</b>	<b>25,530</b>	<b>39</b>	<b>508</b>	<b>26,077</b>		<b>29,853</b>
Provisions	706	854	312	1,872		1,891
Employer contributions/benefits paid to employees	(2,082)	(856)	(353)	(3,291)		(3,873)
Discounting losses	518	-	-	518		558
Actuarial losses (gains) recognised to equity	(1,559)	-	-	(1,559)		-
Other adjustments	487	(37)	-	450		324
<b>Balance at end of the period</b>	<b>23,600</b>	<b>-</b>	<b>467</b>	<b>24,067</b>		<b>28,753</b>

(\*) Restated at December 31, 2005 and at June 30, 2006 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.

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The *reserve for severance indemnities* amounted to € 23,600 thousand at June 30, 2007 (€ 25,530 thousand at December 31, 2006). It was accounted for in accordance with IAS 19, since it is considered as a defined benefit pension plan.

As of January 1, 2007, this liability refers solely to the portion of the reserve for severance indemnities that following the complementary pension reform (Italian Legislative Decree No. 252 of December 5, 2005) continues to be considered as a Company's obligation. The liability refers to a service period that has already been completed. Therefore following the entry into force of this reform it was restated without considering the current service cost, as well as future salary increases. The difference between the restated amount and the amount reported in the financial statements at December 31, 2006 was accounted for as a curtailment in accordance with IAS 19, paragraph 109, and recognised as non-recurring costs in the statement of operations.

Actuarial gains, which on January 1, 2007 were shown in the relevant equity reserve (paragraph 93A of IAS 19), were transferred to the retained earnings reserve.

The amount of the reserve for severance indemnities that has been paid to complementary pension funds was considered, as in the past, a *defined contribution plan*, as the Company's obligation to its employees ends once it pays the relevant contribution to the pension funds. It should also be noted that the employee severance indemnities paid to the "Fondo di Tesoreria" held by INPS (Italian National Social Security Institute) were also accounted for as a defined contribution plan. The Company, in fact, has no obligation to make further payments other than those required by the Italian Ministerial Decree of January 30, 2007 in case the fund does not have sufficient assets to pay the benefits to the employees.

The *net liabilities for termination indemnities* represents the amount due to the Managing Director net of the contribution periodically paid for the insurance policy whose beneficiary - at the end of his office - will be the Managing Director himself. Payments to this insurance policy refers to contributions for termination indemnities as well as to part of the Managing Director's variable compensation.

## 20. Share-based payments

The stock option plans in force at June 30, 2007 are accounted for in accordance with IFRS 2.

Beneficiaries	Grant date	Number of granted options	Number of expired options	End of the vesting period	Strike price (euro)	Number of exercised options	Number of not exercised options at 06.30.2007	Number of granted/ outstanding options	Fair value (euro/thousand)	of which accrued in the 1 <sup>st</sup> half-year 2007
<b>2004 stock option plans</b>										
Employees	06.07.2004	59,265,000	(450,000)	09.30.2005	0.3341	(42,825,000)	(400,000)	15,590,000	5,590	-
Managing Director	11.25.2004	5,000,000		09.30.2005	0.3341			5,000,000	400	-
<b>2005 stock option plans</b>										
Employees	04.08.2005	62,500,000	(1,950,000)	09.30.2006	0.3221	(33,095,000)	(50,000)	27,405,000	5,211	-
Employees	11.04.2005	1,600,000		09.30.2006	0.3915			1,600,000	200	-
Managing Director	04.08.2005	5,000,000		09.30.2006	0.3221			5,000,000	498	-
<b>Key People</b>	09.12.2006	20,000,000		04.15.2008	0.3724			20,000,000	1,595	502
<b>Total</b>		<b>153,365,000</b>	<b>(2,400,000)</b>			<b>(75,920,000)</b>	<b>(450,000)</b>	<b>74,595,000</b>	<b>13,494</b>	<b>502</b>

The costs for stock options amounted to € 502 thousand in the first half of 2007 (€ 1,971 thousand in the first half of 2006) and are recognised in the statement of operations as non-recurring cost.

## 21. Other non-current liabilities

Other non-current liabilities amounted to € 22,800 thousand at June 30, 2007 and were as follows

(euro/thousand)	1 <sup>st</sup> half-year 2007			1 <sup>st</sup> half-year 2006
	Reserve for sales agents' termination indemnities	Reserve for restructuring expense	Total	Total
<b>Balance at beginning of the period</b>	<b>21,238</b>	-	<b>21,238</b>	<b>19,465</b>
Provision	1,983	2,080	4,063	1,870
Utilisation	(1,826)	-	(1,826)	(878)
Losses (gains) from discounting	(675)	-	(675)	487
<b>Balance at end of the period</b>	<b>20,720</b>	<b>2,080</b>	<b>22,800</b>	<b>20,944</b>

On the basis of the expected future cash flows, the non-current reserves at June 30, 2007 have been discounted to present value at the pre-tax discount rate, which reflects the current market valuation of the time value of money. The decrease arising from the passage of time and changes in the discount rate was included in financial income (€ 675 thousand).

The *reserve for sales agents' termination indemnities* decreased by € 518 thousand during the first half of 2007, almost entirely due to the discount rate applied.

## 22. Reserves for current risks and charges

This item was detailed as follows

(euro/thousand)	1 <sup>st</sup> half-year 2007			1 <sup>st</sup> half-year 2006
	Reserve for commercial risks	Reserves for contractual and other operating risks	Reserve for restructuring expense	Total
<b>Balance at beginning of the period</b>	<b>15,697</b>	<b>11,816</b>	<b>1,889</b>	<b>29,402</b>
Provisions	7,871	1,446	5,020	14,337
Utilisations	(8,375)	(1,136)	(1,868)	(11,379)
Reversal to the statement of operations	-	(416)	-	(416)
<b>Balance at end of the period</b>	<b>15,193</b>	<b>11,710</b>	<b>5,041</b>	<b>31,944</b>

In detail:

- the *reserve for commercial risks* amounted to € 15,193 thousand at June 30, 2007. It is accrued to cover claims for publishing errors on PAGINEGIALLE®, PAGINEBIANCHE® and Annuari;
- the *reserves for contractual and other operating risks* amounted to € 11,710 thousand at June 30, 2007 and included € 7,221 thousand provided for possible obligations arising from pending litigation and € 4,489 thousand from lawsuits with sales agents and employees;
- the *reserve for restructuring expense* - current portion amounted to € 5,041 thousand at June 30, 2007. It should be considered together with the non-current portion (€ 2,080 thousand at June 30, 2007). The reserve was accrued to cover the expected restructuring costs from the implementation of the corporate reorganisation plan already approved by the Board and agreed with the Unions. This plan involves 130 redundancies in the 2007-2009 period, through measures of extraordinary unemployment compensation (*Cassa Integrazione Guadagni Straordinaria*) and early retirement, as well as selected dismissals and professional retraining. It will be carried out the publishing and commercial back-office departments, highly influenced by the introduction of new and innovative IT systems. The non-current portion (€ 2,080 thousand) has been discounted at the balance sheet date in consideration of the expected future cash flows for the coming months (estimated based on the plan for managing redundant personnel) at the pre-tax rate that reflects current market valuation of the time value of money.

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## 23. Trade account payables and other current liabilities

Trade account payables and other current liabilities were detailed as follows

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change
Payables due to suppliers	115,766	138,360	(22,594)
Payables due to sales agents	44,439	55,040	(10,601)
Payables due to subsidiaries	21,115	13,711	7,404
Payables due to employees	9,467	13,033	(3,566)
Payables due to social security institutions	9,894	9,663	231
Payables due to directors and statutory auditors	1,521	1,512	9
<b>Total trade account payables</b>	<b>202,202</b>	<b>231,319</b>	<b>(29,117)</b>
Payables for services to be rendered	186,414	83,790	102,624
Advances from customers	3,604	4,097	(493)
Other current liabilities	1,819	2,219	(400)
<b>Total payables for services to be rendered and other current liabilities</b>	<b>191,837</b>	<b>90,106</b>	<b>101,731</b>

All trade account payables fell due within 12 months.

Payables for services to be rendered and other current liabilities included € 259 thousand following due beyond 12 months (€ 86 thousand at December 31, 2006).

*Payables due to sales agents* amounted to € 44,439 thousand at June 30, 2007. They should be considered in conjunction with advances on sales commissions and other receivables from agents included in "Other current assets" of € 49,010 thousand at June 30, 2007 (€ 46,523 thousand at December 31, 2006). This item decreased by € 10,601 thousand compared to December 31, 2006, mostly attributable to a different timing of accrual and consequently payment of certain types of awards and sales commissions to the sales force.

*Payables for services to be rendered* amounted to € 186,414 thousand at June 30, 2007. They refer to advance billing of advertising services, of which € 52,598 thousand (€ 12,349 thousand at December 31, 2006) already paid by customers.

## 24. Revenues from sales and services

SEAT Pagine Gialle S.p.A.'s revenues from sales and services reached € 428,381 thousand in the first half of 2007, up 2.7% compared to the same period of the previous year, despite the shift in the publication of the Forlì editions of printed PAGINEGIALLE® and PAGINEBIANCHE®. At the same number of published directories, revenues increased by 5.6%.

With reference to the Company's multiplatform product portfolio, it should be noted as follows:

- *"Print"*: revenues amounted to € 300,418 thousand in the first half of 2007, down 4.6% compared to the same period of the previous year;
- *"Online"*: revenues amounted to € 54,779 thousand in the first half of 2007 (+26.5% compared to the first half of 2006), arising mainly from PAGINEGIALLE.it®;
- *"Voice"*: revenues increased by 35.2% in the first half of 2007 to € 57,505 thousand (€ 42,538 thousand in the first half of 2006), thanks to the consistent 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 decreased to € 5,228 thousand in the first half of 2007 (€ 6,538 thousand in the first half of 2006) due to the sales force's focus on the core business products.

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

## 25. Other income and operating costs

### 25.1 Other income

This item amounted to € 2,857 thousand in the first half of 2007 (€ 2,753 thousand in the first half of 2006) and included € 2,435 thousand for the repayments of costs, mainly referred to postal costs and refunds of damages.

### 25.2 Materials

Materials amounted to € 18,840 thousand in the first half of 2007 and decreased by € 1,417 thousand compared to the first half of 2006. In detail:

- *paper consumption* amounted to € 15,701 thousand in the first half of 2007, a decrease of € 1,612 thousand compared to the first half of 2006 due to the reduction in the number of signature marks (-5.6%). In the first half of 2007, 23,250 tons of paper (25,798 tons in the first half of 2006) and 6.3 million sheets (6.3 million in the first half of 2006) were used;
- *purchase of merchandise and finished goods for resale* amounted to € 3,365 thousand in the first half of 2007 (€ 3,446 thousand in the first half of 2006). It refers to the purchase of customised goods used for merchandising.

### 25.3 External services

External services amounted to € 162,819 thousand in the first half of 2007, a decrease of € 8,725 thousand compared to the first half of 2006.

Most of the change was due to a decrease in *advertising costs* (- € 11,469 thousand), which in the first half of 2006 had been still impacted by the launch of the 12.40 Pronto PAGINEBIANCHE® service.

*Sales commissions and other agent costs* amounted to € 50,648 thousand in the first half of 2007, a decrease of € 2,859 thousand compared to the first half of 2006, primarily due to a reduction in bonuses paid to the sales force, as a result of changes in the timing and mix of incentives (-€ 2,557 thousand). Moreover, in 2006 this item included the costs for the sales agent convention held in Morocco (€ 2,075 thousand), which was not repeated in 2007.

*Production and print costs* amounted to € 29,283 thousand in the first half of 2007, in line with the first half of 2006 (€ 29,182 thousand). They are incurred for composing, printing and binding the PAGINEGIALLE®, PAGINEBIANCHE® and Annuari.

*Inbound call center services* amounted to € 14,445 thousand in the first half of 2007, an increase of € 3,167 thousand or +28.1% compared to the first half of 2006 arising from the growth in the call number and average handling time (+12.8%).

*Telematic costs* increased by € 1,942 thousand compared to the first half of 2006 at € 3,146 thousand, due to the higher costs incurred in production of videos used on the PAGINEGIALLE VISUAL® platform.

### 25.4 Salaries, wages and employee benefits

Salaries, wages and employee benefits amounted to € 43,363 thousand in the first half of 2007, an increase of 1.6% compared to the first half of 2006 (€ 42,679 thousand) due to a growth in the average workforce from 1,325 units in the first half of 2006 to 1,382 in the first half of 2007 (+57 units).

This item is presented net of € 2,168 thousand of costs capitalised in accordance with IAS 38. These costs referred to projects, especially in the Internet area and in administrative and sales information systems, which until early 2006 had been mainly outsourced.

The workforce - including directors, project workers and trainees - was 1,455 units at June 30, 2007 (1,393 units at December 31, 2006).

### 25.5 Other operating expense

Other operating expense amounted to € 1,677 thousand in the first half of 2007 (€ 1,423 thousand in the first half of 2006) and included € 459 thousand for entertainment expense and € 439 thousand for indirect taxes and duties.



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## 25.6 Non-recurring costs

In the first half of 2007, non-recurring costs amounted to € 1,966 thousand (€ 2,910 thousand in the first half of 2006), of which € 502 thousand for stock options (please refer to the note 20). The item also included € 336 thousand for the proposed acquisition of the company 1288 Servizio di Consultazione Telefonica S.r.l., which did not become effective as it was not approved by the Italian Antitrust Authority, and € 332 thousand for the curtailment costs of the reserve for severance indemnities recognised in the balance sheet at December 31, 2006 and now restated following the complementary pension reform.

## 26. Interest income and expense

### 26.1 Interest expense

Interest expense amounted to € 125,665 thousand in the first half of 2007 (€ 127,760 thousand in the first half of 2006). This item includes € 63,000 thousand for the "Senior Credit Agreement" loan with The Royal Bank of Scotland Plc Milan Branch, € 54,951 thousand for the "Subordinated" loan with Lighthouse International Company S.A. and € 4,606 thousand for interest and charges paid to Meliadi Finance S.r.l.

A more detailed information is provided in the note "27.1 Interest expense" of the first half-year Financial Statements of the Group.

### 26.2 Interest income

Interest income amounted to € 15,174 thousand in the first half of 2007 (€ 23,546 thousand in the first half of 2006) and included:

- € 7,641 thousand for *dividends from subsidiaries* (€ 17,398 thousand in the first half of 2006), received from Europages S.A. (€ 2,783 thousand), Telegate A.G. (€ 2,241 thousand), Consodata S.p.A. (€ 2,005 thousand) and Cipi S.p.A. (€ 612 thousand);
- € 3,789 thousand for *income on financial receivables from subsidiaries* (€ 3,745 thousand in the first half of 2006), of which € 3,758 thousand from TDL Infomedia Ltd.;
- € 2,562 thousand for *other interest income* (€ 1,531 thousand in the first half of 2006);
- € 1,076 thousand for *foreign exchange gains* (€ 853 thousand in the first half of 2006), 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).

## 27. Income taxes

Income taxes for the first half of 2007 were as follows

(euro/thousand)	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year	Change	
	2007	2006	Absolute	%
Current income taxes	7,201	2,635	4,566	n.s.
Deferred tax assets	(19,626)	(40)	(19,586)	n.s.
Deferred tax liabilities	8,503	1,564	6,939	n.s.
Reversal of income taxes referred to previous years	-	2	(2)	(100.0)
<b>Total income taxes</b>	<b>(3,922)</b>	<b>4,161</b>	<b>(8,083)</b>	<b>n.a.</b>

In accordance with IAS 34, income taxes were calculated by applying the expected average tax rates for the 2007 fiscal year to the result before income taxes at June 30, 2007.

### Deferred tax assets

Deferred tax assets amounted to € 33,799 thousand at June 30, 2007 (€ 27,924 thousand at December 31, 2006) and were presented net of deferred tax liabilities of € 130,439 thousand (€ 118,058 thousand at December 31, 2006).

The increase in the period was due to the recognition of net deferred tax assets on the pre-tax income for the period (€ 11,123 thousand) which was partially offset by net deferred tax liabilities on items recognised directly in equity (€ 4,560 thousand).

### Current tax assets

Current tax assets amounted to € 1,327 thousand at June 30, 2007 (€ 1,812 thousand at December 31, 2006) and included

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change
Income tax receivables	1,223	1,798	(575)
Other tax receivables	104	14	90
<b>Total current tax assets</b>	<b>1,327</b>	<b>1,812</b>	<b>(485)</b>

### Current tax payables

Current tax payables amounted to € 27,475 thousand at June 30, 2007 (€ 18,372 thousand at December 31, 2006) and included

(euro/thousand)	At 06.30.2007	At 12.31.2006	Change
Income tax payables	9,775	2,574	7,201
Other tax payables	17,700	15,798	1,902
<b>Total current tax payables</b>	<b>27,475</b>	<b>18,372</b>	<b>9,103</b>

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## 28. 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 sets out the main economic and financial effects of transactions with related parties on the Financial Statements of SEAT Pagine Gialle S.p.A. for the first half of 2007.

All the transactions entered into by the Company with related parties are ordinary transactions 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
Revenues from sales and services	40,340	they include € 37,359 thousand for revenues on call rebate from Telegate Italia S.r.l. and € 2,999 thousand for royalties on Europages from Europages S.A..
Other income	958	they refer to € 324 thousand for revenues arising from the use of software licences by Europages S.A.; to € 325 thousand for repayments of cost for rentals from Prontoseat S.r.l.; to € 225 thousand for repayments of cost for seconded personnel from Europages S.A. and Prontoseat S.r.l..
Materials and external services	26,230	they refer to € 14,377 thousand for call center services provided by Telegate Italia S.r.l.; to € 4,076 thousand for direct marketing services provided by Consodata S.p.A.; to € 3,352 thousand for the purchase of goods and products for resale from Cipi S.p.A.; to € 1,841 thousand for outbound tele-sales and call center services provided by Prontoseat S.r.l..
Salaries, wages and employee benefits	1,556	they refer to € 1,446 thousand for fees to directors and to € 110 thousand for seconded personnel to Consodata S.p.A. and Prontoseat S.r.l..
Other valuation adjustments	812	they refer to the provision accrued in the period of € 812 thousand to the allowance for doubtful account receivables towards Telegate Italia S.r.l. for telephone traffic.
Provisions to reserves for current risks and charges, net	1,386	they refer to the provision to the contractual risk reserve to cover possible increases in the cost of interconnection from mobile telephone networks to non-geographical numbers for the period September 2006 - June 2007.
Other operating expense	177	they refer to € 126 thousand for entertainment goods and services purchased by Cipi S.p.A.
Non-recurring costs	135	they refer to legal advices provided by Studio Giliberti Pappalettera Triscornia e Associati.
Interest income	11,430	this item includes € 7,641 thousand for dividends recognised from subsidiaries (of which € 2,783 thousand from Europages S.A., € 2,241 thousand from Telegate A.G., € 2,005 thousand from Consodata S.p.A. and € 612 thousand from Cipi S.p.A.) and € 3,758 thousand for interest income on the loan towards TDL Infomedia Ltd..
Interest expense	60,238	it refers to € 52,125 thousand for interest on the long-term "Subordinated" loan to Lighthouse International Company S.A. and to € 4,454 thousand for interest on the non-current debt to Meliadi Finance S.r.l. Moreover, it includes € 2,978 thousand for the transaction cost amortisation of these two mentioned debts and € 681 thousand for interest on short-term current accounts towards subsidiaries.
Income taxes	690	this item refers to income taxes for the period of Italian subsidiaries which entered into the tax consolidation agreement.
Other non-current assets	173	they refer to legal advices from Studio Giliberti Pappalettera Triscornia e Associati which were capitalised.
Current financial assets	103,496	they include € 101,654 thousand for the revolving credit line facility granted to TDL Infomedia Ltd.; € 1,631 thousand for current accounts towards Cipi S.p.A. and Prontoseat S.r.l. and € 211 thousand for financial receivables from Meliadi Finance S.r.l..
Trade account receivables	21,743	they include € 18,751 thousand for receivables from Telegate Italia S.r.l., net of the relevant allowance for doubtful account receivables, and € 2,901 thousand for receivables from Europages S.A..
Other current assets	7,735	they include receivables from Europages S.A. arising from dividends distributed but not yet withdrawn (€ 2,783 thousand) and advanced payments to the subsidiary for provided services (€ 1,650 thousand). Moreover, this item includes € 1,443 thousand for advanced payments to Cipi S.p.A. for merchandising and € 871 thousand for receivables towards Telegate Italia S.r.l. and Prontoseat S.r.l., related to the Italian tax consolidation agreement.

<b>(euro/thousand)</b>		<b>Descriptions</b>
Non-current reserves to employees	467	they refer to the termination indemnity due to the Managing Director, net of the premium periodically paid for the insurance policy whose beneficiary - at the end of his office - will be the Managing Director himself.
Non-current financial debts	1,417,238	they refer to € 1,261,375 thousand for the "Subordinated" loan with Lighthouse International Company S.A. and to € 155,863 thousand for the debt towards Meliadi Finance S.r.l..
Current financial debts	49,313	they refer to € 17,375 thousand for debts towards Lighthouse International Company S.A. for accrued interest expense not yet paid; to € 21,058 thousand for payables towards Telegate A.G. for cash deposits and to € 9,894 thousand for current accounts, of which € 8,451 thousand due to Telegate Holding GmbH and € 1,343 thousand due to Consodata S.p.A. Moreover, € 986 thousand refer to current financial debts due to Meliadi Finance S.r.l..
Reserves for current risks and charges	1,386	this item refers to a reserve for contractual risks to cover possible increases in the cost of interconnection from mobile telephone networks to non-geographical numbers, as described above.
Trade account payables	22,573	this item refers to payables for services provided by the subsidiaries. In particular, they include € 9,131 thousand due to Telegate Italia S.r.l., € 8,232 thousand to Europages S.A., € 2,644 thousand to Consodata S.p.A., € 890 thousand to Prontoseat S.r.l. and € 216 thousand to Cipi S.p.A. Moreover, this item includes € 1,448 thousand for payables due to directors for fees.
Payables for services to be rendered and other current liabilities	805	they include € 551 thousand for debts due to Italian subsidiaries related to the tax consolidation agreement for the first advance on 2007 IRES.
Investments	515	they mainly refer to the capitalised costs for geomarketing incurred towards Consodata S.p.A..

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## 29. Other information

### Major interests in investments

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

(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 (Italy)	Euro 1,200,000	SEAT Pagine Gialle S.p.A.	51.00
CONSODATA S.p.A.	Rome (Italy)	Euro 2,446,330	SEAT Pagine Gialle S.p.A.	100.00
EUROPAGES S.A.	Paris (France)	Euro 2,800,000	SEAT Pagine Gialle S.p.A.	93.562
EUROPAGES GmbH	Munich (Germany)	Euro 25,000	Europages S.A.	100.00
LIGHTHOUSE INTERNATIONAL COMPANY S.A.	Luxembourg	Euro 31,000	SEAT Pagine Gialle S.p.A.	25.00
PRONTOSEAT S.r.l.	Turin (Italy)	Euro 10,500	SEAT Pagine Gialle S.p.A.	100.00
SEAT CORPORATE UNIVERSITY S.c.a.r.l.	Turin (Italy)	Euro 10,000	SEAT Pagine Gialle S.p.A.	95.00
TELEGATE HOLDING GmbH	Munich (Germany)	Euro 26,100	SEAT Pagine Gialle S.p.A.	100.00
TELEGATE A.G.	Munich (Germany)	Euro 20,987,045	SEAT Pagine Gialle S.p.A. Telegate Holding GmbH	16.43 61.85
11811 NUEVA INFORMACION TELEFONICA S.A.U.	Madrid (Spain)	Euro 222,000	Telegate A.G.	100.00
11880 TELEGATE GmbH	Wien (Austria)	Euro 35,000	Telegate A.G.	100.00
DATAGATE GmbH	Munich (Germany)	Euro 60,000	Telegate A.G.	100.00
11880.COM GmbH	Munich (Germany)	Euro 25,000	Datagate GmbH	100.00
MOBILSAFE A.G.	Munich (Germany)	Euro 150,000	Datagate GmbH	100.00
TELEGATE AKADEMIE GmbH	Rostock (Germany)	Euro 25,000	Telegate A.G.	100.00
TELEGATE FRANCE Sarl	Paris (France)	Euro 1	Telegate A.G.	100.00
Le 118 000 SAS	Paris (France)	Euro 87,000	Telegate France Sarl	100.00
TELEGATE ITALIA S.r.l.	Turin (Italy)	Euro 129,000	Telegate A.G.	100.00
UNO UNO OCHO CINCO CERO GUIAS S.L.	Madrid (Spain)	Euro 3,100	Telegate A.G.	100.00
TELEGATE AUSKUNFTDIENSTE GmbH	Munich (Germany)	Euro 25,000	Telegate A.G.	100.00
TDL INFOMEDIA Ltd.	Hampshire (United Kingdom)	GBP 139,524.78	SEAT Pagine Gialle S.p.A.	100.00
INDIRECT S.P.R.L. (in liquidation)	Brussels (Belgium)	BEF 6,000,000	TDL Infomedia Ltd.	27.00
TDL BELGIUM S.A. (in liquidation)	Brussels (Belgium)	BEF 750,087,200	TDL Infomedia Ltd.	49.60
THOMSON DIRECTORIES Ltd.	Hampshire (United Kingdom)	GBP 1,340,000	TDL Infomedia Ltd.	100.00
THOMSON DIRECTORIES PENSION COMPANY Ltd.	Hampshire (United Kingdom)	GBP 2	Thomson Directories Ltd.	100.00
CALLS YOU CONTROL Ltd.	Hampshire (United Kingdom)	GBP 1	Thomson Directories Ltd.	100.00
MOBILE COMMERCE Ltd.	Cirencester (United Kingdom)	GBP 497	TDL Infomedia Ltd.	10.00





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## ➤ Other information

### Declaration pursuant to paragraph 2 of Article 154-bis of Legislative Decree No. 58 of February 24, 1998

Pursuant to paragraph 2 of Article 154-bis of Legislative Decree No. 58 of February 24, 1998, the undersigned, Maurizia Squinzi, Senior Manager of the Administration, Finance and Control department of SEAT Pagine Gialle S.p.A. and Manager responsible for preparing the Company's financial reports,

hereby declares,

based on the information available to her through her role within the Company, as resolved by the Company's Board of Directors on June 19, 2007, in her capacity of Manager responsible for preparing the Company's financial reports, that the separate and consolidated first-half financial statements and disclosures at June 30, 2007 correspond to the Company's documented results, books and accounting records.

The separate and consolidated half-year financial statements have been prepared in accordance with IAS 34 and Art. 81 of Consob Regulations as adopted by Resolution No. 11971 of May 14, 1999 as amended.

Milan - September 7, 2007

signed by  
Maurizia Squinzi  
*Manager responsible for preparing  
the Company's financial reports*

**Auditors' review report on the Half Year Report as of and for the six months ended June 30, 2007, prepared pursuant to Article 81 of Consob Regulation, adopted by the Resolution no. 11971 of May 14, 1999 and subsequent modifications and integrations**

(Translation from the original Italian text)

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

1. We have reviewed the interim separate financial statements and the interim consolidated financial statements, consisting of the balance sheets, income statements, statements of cash flows and changes in shareholders' equity (the "Statements") and the related explanatory notes of SEAT Pagine Gialle S.p.A. (Parent Company) and of SEAT Group, included in the Half Year Report of SEAT Pagine Gialle S.p.A. as of and for the six months ended June 30, 2007 (the "Half Year Report"). The Half Year Report is the responsibility of SEAT Pagine Gialle S.p.A.'s management. Our responsibility is to issue this review report based on our review. We have also examined that part of the information included in the management's discussion and analysis of operations, solely for the purpose of evaluating its consistency with the remaining part of the Half Year Report.
2. Our review was conducted in accordance with auditing standards governing the review of interim financial statements recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution No. 10867 of July 31, 1997. The review consisted mainly of obtaining information with respect to the accounts included in the Statements and the consistency of the accounting principles applied, through discussions with appropriate members of management, and analytical procedures applied to the financial data presented in such Statements. The review did not include performing auditing procedures such as tests of compliance of internal controls and substantive procedures on assets and liabilities, and the scope of the work performed provides significant less assurance than a full scope audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the Half Year Report as we do in connection with reporting on our full scope audits of the annual separate and consolidated financial statements of SEAT Pagine Gialle S.p.A..  
With respect to the comparative data related to the separate and consolidated financial statements of the preceding year and to the Half Year Report for the same period of the preceding year presented in the Statements, reference should be made to our audit and review reports issued on April 2, 2007 and on September 11, 2006, respectively.

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

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

3. Based on our review, we are not aware of any significant modifications that should be made to the Statements and the related explanatory notes, identified in paragraph 1. of this report, in order for them to be in conformity with International Accounting Standard no. 34 and with the criteria for the preparation of the Half Year Report required by Article 81 of Consob Regulation as adopted in its Resolution no. 11971 of May 14, 1999 and subsequent modifications and integrations.

Turin, September 10, 2007

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

■ Reconta Ernst & Young S.p.A.  
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To contact SEAT Pagine Gialle S.p.A.

Investor Relations  
Via Saffi, 18  
10138 Turin (Italy)  
Fax: +39.011.435.2722  
E-mail: [investor.relations@seat.it](mailto:investor.relations@seat.it)  
[www.seat.it](http://www.seat.it)

A copy of official documents  
may be requested to

SEAT Pagine Gialle S.p.A.  
Corporate Affairs Office  
Via Saffi, 18  
10138 Turin (Italy)  
Fax: +39.011.435.4252  
E-mail: [ufficio.societario@seat.it](mailto:ufficio.societario@seat.it)  
[www.seat.it](http://www.seat.it)

SEAT Pagine Gialle S.p.A.

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