

SEAT Pagine Gialle S.p.A.



2007 Annual Report



➤ 2007 Annual Report

Registered office: Via Grosio, 10/4 - 20151 Milan (Italy)
Secondary office: Via Saffi, 18 - 10138 Turin (Italy)
Fully paid-up share capital: € 250,351,664.46
Tax Code and VAT Code: 03970540963
Milan Register of Companies No. 03970540963

The SEAT Pagine Gialle group is the European leader and one of the main operators at world level in the sector of multimedia profiled advertising, offering “print-voice-online” directories, high-tech products for the Internet and for satellite and orthophotometric navigation, as well as complementary communication services such as one-to-one marketing.

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E PROVINCIA
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1967

**ELENCO CATEGORICO
DEGLI ABBONATI AL TELEFONO
DI TORINO E PROVINCIA.**

SIP - SOCIETÀ ITALIANA PER L'ESERCIZIO TELEFONICO

Stampa ILTE Torino

Edizioni SEAT - via Giannone

1967-1971

Highlights and general information



PAGINEGIALLE® has been together with the Italians for the past forty years

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➤ Company Boards

(information updated to March 18, 2008)

Board of Directors	↑	Chairman Chief Executive Officer Directors	Enrico Giliberti Luca Majocchi Antonio Belloni ^(I) Lino Benassi ^(I) Dario Cossutta Carmine Di Palo ^(II) Gian Maria Gros Pietro ^(I) Luigi Lanari Marco Lucchini Michele Marini Pietro Masera Marco Reboa ^(I) Nicola Volpi
		Secretary to the Board	Marco Beatrice
Compensation Committee	↑	Chairman	Gian Maria Gros Pietro Antonio Belloni Dario Cossutta
Internal Audit Committee	↑	Chairman	Lino Benassi Marco Lucchini Marco Reboa
Manager responsible for preparing the Company's financial reports			Maurizia Squinzi ^(*)
Board of Statutory Auditors	↑	Chairman Acting Auditors	Enrico Cervellera Vincenzo Ciruzzi Andrea Vasapolli
		Alternate Auditors	Guido Costa Guido Vasapolli
Common representative of Savings Shareholders	↑		Edoardo Guffanti ^(III)
Independent Auditors	↑		Reconta Ernst & Young S.p.A.

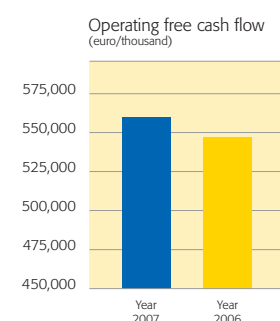
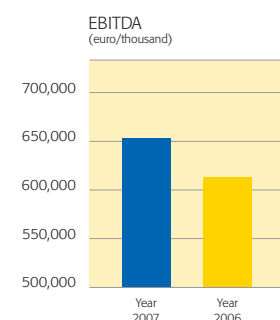
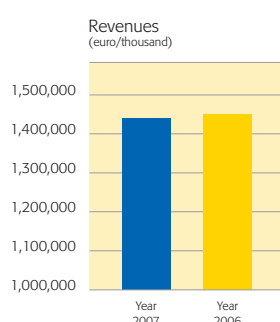
(I) Independent Director pursuant to Art. 3 of the Corporate Governance Code of Listed Companies.

(II) Appointed by the Ordinary Shareholders' Meeting on April 19, 2007.

(III) Appointed by the Extra-ordinary Savings Shareholders' Meeting on April 19, 2007.

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

➤ Economic and financial highlights of the Group



(euro/thousand)	Year 2007	Year 2006
Economic and financial highlights		
Revenues from sales and services	1,453,592	1,460,183
Gross operating profit	703,044	659,501
Operating income before amortisation, depreciation, non-recurring and restructuring cost, net (EBITDA)	650,172	611,424
Operating result (EBIT)	429,074	402,118
Income (loss) before income taxes and Minority interests	186,447	155,904
Income (loss) for the year	98,399	80,136
Operating free cash flow (FCF)	559,544	548,335
Capital expenditure	66,113	48,323
Net invested capital	4,310,082	4,377,887
<i>of which goodwill and Customer DataBase</i>	3,943,671	3,997,672
<i>of which net operating working capital</i>	300,306	298,690
Equity Shareholders of the Group	1,100,006	1,057,184
Net financial debt ⁽¹⁾	3,274,306	3,405,782
Income ratios		
EBITDA/Revenues	44.7%	41.9%
Operating result/Revenues	29.5%	27.5%
Operating result/Net invested capital	10.0%	9.2%
Income (loss) for the year/Equity Shareholders of the Group	8.9%	7.6%
Operating free cash flow/Revenues	38.5%	37.6%
Operating working capital/Revenues	20.7%	20.5%
Workforce		
Workforce at the end of the year (units)	6,652	6,661
Average workforce for the year (units) (FTE)	5,365	5,164
Revenues/Average workforce	271	283

(1) Net financial debt does not include transaction costs on loans and the net market value of cash flow hedge instruments recognised as financial assets amounting to € 88,054 thousand at December 31, 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-down 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.

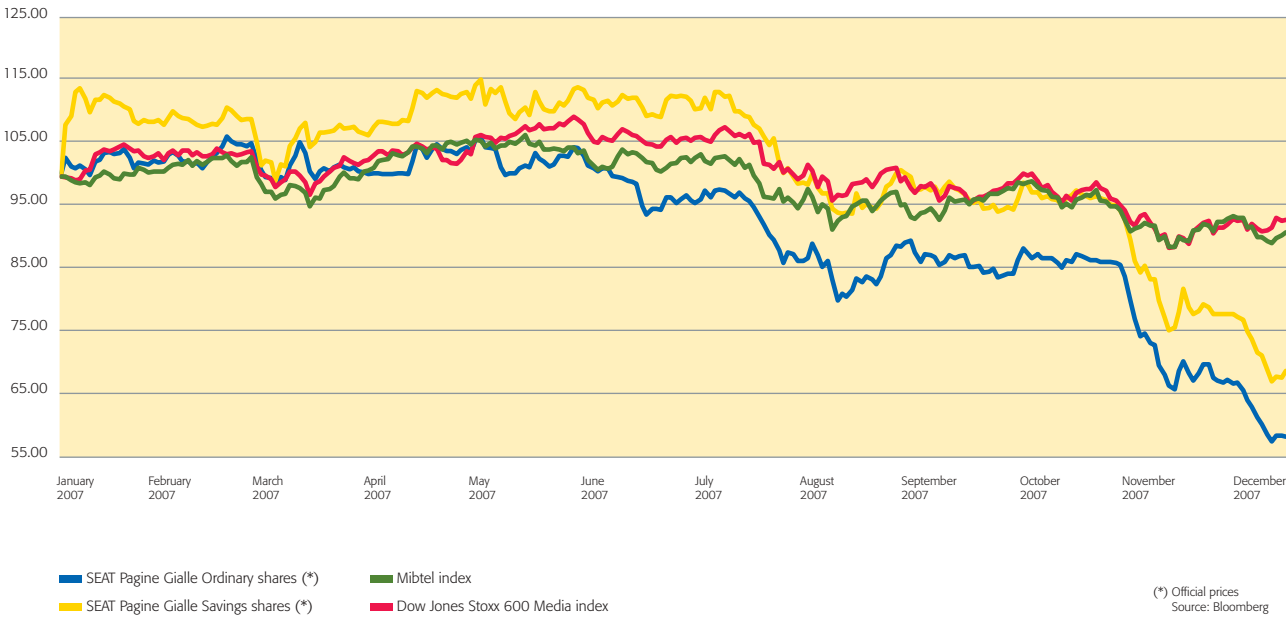
➤ Information for Shareholders

Shares

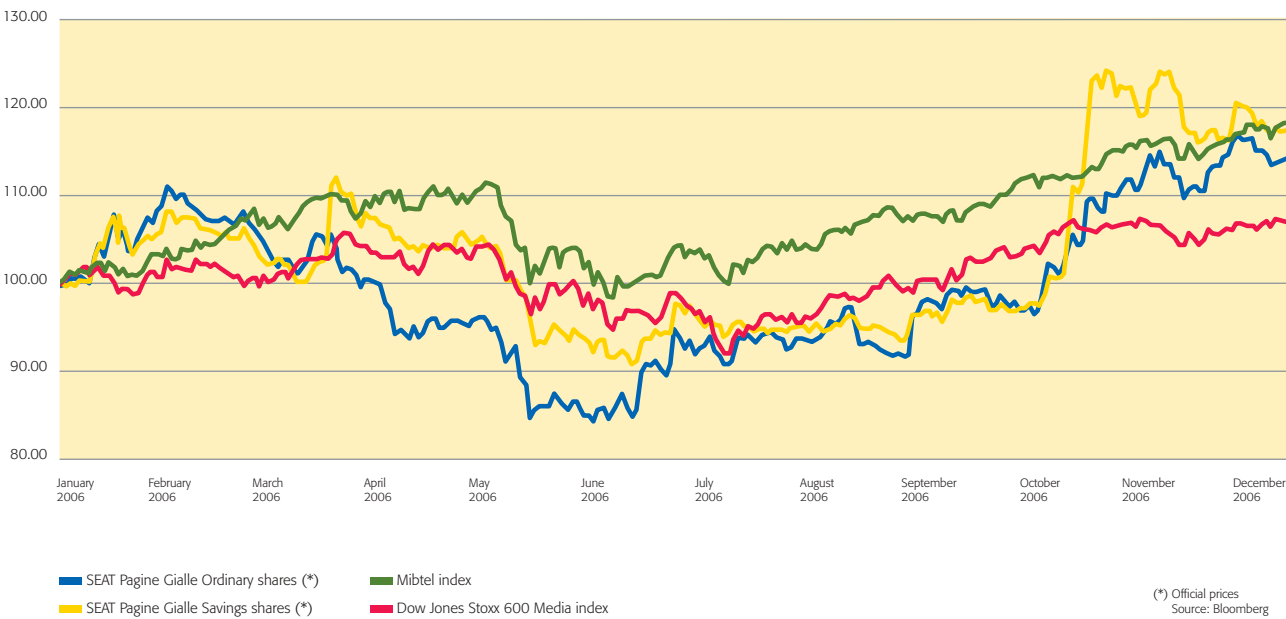
		At 12.31.2007	At 12.31.2006
Share capital	euro	250,351,664.46	249,878,714.46
Number of ordinary shares (<i>par value 0.03 euro</i>)	No.	8,208,980,696	8,193,215,696
Number of savings shares (<i>par value 0.03 euro</i>)	No.	136,074,786	136,074,786
Market capitalisation (<i>on average official market price for December 2007</i>)	euro/mln	2,451	3,759
Market ratio of SEAT Pagine Gialle (SPG ordinary shares) at December 31, 2007			
- on Mibtel index		0.295%	0.461%
- on Dow Jones Stoxx 600 Media index		0.750%	1.144%
Diluted earning per share (<i>euro</i>)		0.01054	0.01001
Equity per share (<i>euro</i>)		0.13203	0.12746
December average price (<i>euro</i>) (*)			
- ordinary share		0.2938	0.4526
- savings share		0.2880	0.3743
Share price max (<i>euro</i>) (*)			
- ordinary share		0.4900	0.4633
- savings share		0.4480	0.3948
Share price min (<i>euro</i>) (*)			
- ordinary share		0.2669	0.3339
- savings share		0.2621	0.2889

(*) Official prices. Source: Bloomberg.

Performance of SEAT Pagine Gialle S.p.A. shares vs Mibtel and Dow Jones Stoxx 600 Media indexes - year 2007



Performance of SEAT Pagine Gialle S.p.A. shares vs Mibtel and Dow Jones Stoxx 600 Media indexes - year 2006



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Stock performance of SEAT Pagine Gialle and traded volumes in 2007

SEAT Pagine Gialle's stock closed 2007 at € 0.27, down approximately 40% compared to December 31, 2006 (€ 0.45). In 2007 the stock performance was substantially in line with that of European and US directories stocks (Eniro -34% and Yell -30% in Europe; R.H. Donnelley -42% and Idearc -39% in the US) and must be considered within the context of the general slowdown of the equity market following the credit crisis (due to the sub-prime mortgages) and the concerns of a recession in the US.

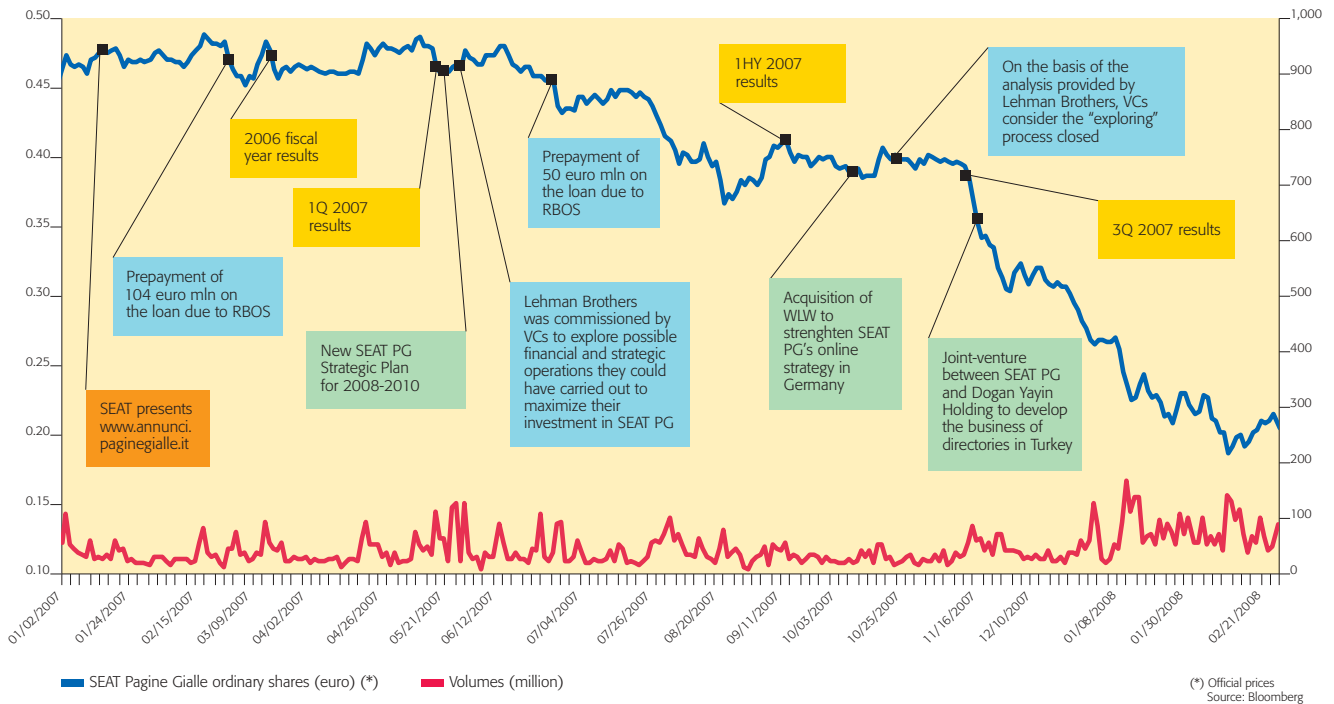
The media industry (which includes the directories) was one of the hardest-hit, both globally and in Italy, in part due to concerns over structural risks stemming from the gradual shift of revenues from traditional businesses (print, TV, radio) to new online media, also taking into account the strong online positioning of search engines. Directories stocks were also adversely affected by high levels of indebtedness, which is typically higher in this sector due to strong cash generation.

World markets continued to struggle also through the first two months of 2008, continuing the trend seen in 2007, mainly concerning media and directories stocks. SEAT Pagine Gialle's stock ended the first two months of 2008 at € 0.19, down 28% from the end of 2007. This trend, observed throughout the entire sector both in Europe (Eniro -19%, Yell -50%) and the US (R.H. Donnelley -81%, Idearc -72%), was further exacerbated when a number of companies lowered their growth expectations due to the persistence of unfavourable economic conditions.

In the directories market it is typical for companies to have high levels of indebtedness, justified by their strong cash generation. Consequently, the "indebtedness" component makes up the main portion of their Enterprise Value, which – moreover – came down recently following the de-rating of the directories sector. Therefore, the significant component of indebtedness enlarged the negative performance of the directories stocks compared to the overall performance of the media stocks. In fact, also low reductions in the Enterprise Value of directories companies affect more and more significantly their market capitalisation, represented by their market value on the stock exchange.

From December 2006 to February 2008 the Enterprise Value of SEAT Pagine Gialle S.p.A. decreased by 31% compared to a 57% decrease in its market value. The performance in their Enterprise Value of other directories companies, such as Yell (-32%), Eniro (-30%), Idearc (-27%), R.H. Donnelley (-28%), Mediaset (-26%), Mondadori Editore (-23%), and in their market value was likewise negative.

The average daily trading volume over the last twelve months was about 42.4 million shares (86.9 million during the last two months).



In May 2007, Sterling Sub Holdings S.A., Al Sub Silver S.A., P.G. Subsilver S.A., Subcart S.A. and Subtarc S.A. shareholders, which at that time owned approximately 49.6% of the ordinary share capital of the Company, formally requested the Company to authorise them to gather (both directly and through consultants) information about the Company itself and the Group in order to examine different hypothesis, at the time under analysis, aimed at increasing the value of their interests in the Company.

To allow activities, which could anticipate possible transactions aimed at supporting the creation of value for the Shareholders, was considered in line with its interests by the Company. Therefore the latter decided to authorize these activities, subsequent to the signature of appropriate confidentiality agreements by the above mentioned Shareholders and their consultants.

On May 21, 2007, the aforementioned Shareholders distributed a press release where they announced the appointment of the Lehman Brothers bank to assist them in evaluating different hypothesis aimed at increasing the value of their interests in the Company.

Consequently due diligence activities were performed on the Company and its subsidiaries, with particular focus on the accounting, financial, legal and tax areas and the internal control system: no issue arose.

On October 10, 2007, Sterling Sub Holdings S.A., Al Sub Silver S.A., P.G. Subsilver S.A., Subcart S.A. and Subtarc S.A. shareholders distributed a press release where they stated - also on the basis of the analysis performed by Lehman Brothers - the process of evaluating hypothesis for increasing the value of their interests in the Company closed. The reason arises from the conditions of the financial markets which were evaluated not consistent with the objectives of the Shareholders. At the same time, they confirmed their intention to fully support the Company's operating growth.

Also in October 2007, the aforementioned Shareholders increased their interest in the ordinary share capital of the Company from 49.6% to 50.4%.

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 December 31, 2007

Shareholders at December 31, 2007	No. of ordinary shares	% on ordinary share capital
P.G. Subsilver S.A.	1,555,920,894 ⁽¹⁾	
	27,458,567 ⁽²⁾	
	1,583,379,461	19.29
Sterling Sub Holdings S.A.	1,196,849,420 ⁽¹⁾	
	21,121,748 ⁽³⁾	
	1,217,971,168	14.84
Subcart S.A.	703,586,244 ⁽¹⁾	
	12,416,744 ⁽³⁾	
	716,002,988	8.72
Subtarc S.A.	373,595,387 ⁽¹⁾	
	6,593,134 ⁽³⁾	
	380,188,521	4.63
AI Subsilver S.A.	239,369,605 ⁽¹⁾	
	4,224,345 ⁽³⁾	
	243,593,950	2.97
UBI Pramerica SGR S.p.A.	197,468,906	2.41
Boussard & Gavaudan Asset Management LP	416,289,943 ⁽⁴⁾	5.07

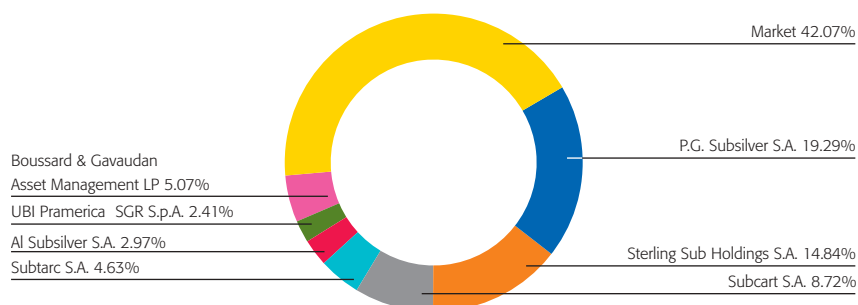
(1) Shares pledged on a first priority basis in favour of The Royal Bank of Scotland Plc Milan Branch, The Royal Bank of Scotland Plc, Lehman Brothers Special Financing Inc., Citibank N.A. London Branch, BNP Paribas S.A. and on a second priority basis in favour of The Royal Bank of Scotland Plc Milan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

(2) Shares acquired on the market in October 2007, and so not pledged.

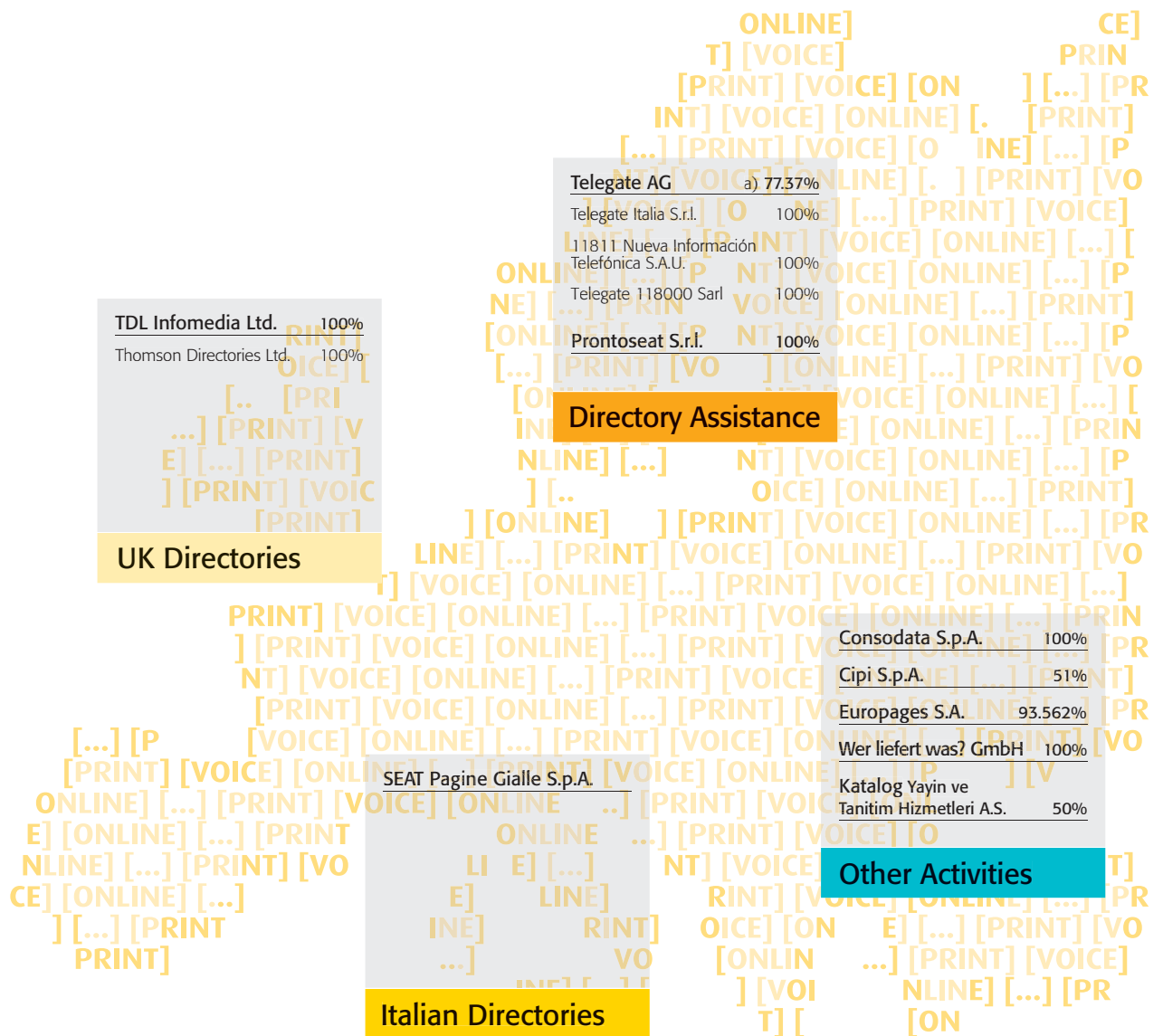
(3) Shares acquired on the market in October 2007, and pledged in favour of Société Européenne de Banque S.A. on January 31, 2008. Voting right belongs to the respective shareholders.

(4) On January 31, 2008 Boussard & Gavaudan Asset Management LP decreased its interest in the ordinary share capital of SEAT PG S.p.A. from 5.07% to 4.63%, equal to No. 380,320,940 ordinary shares.

SEAT Pagine Gialle S.p.A. Shareholders at December 31, 2007



➤ Organisational structure of the Group



Legenda

a) 16.24% directly owned and 61.13% owned through Telegate Holding GmbH.

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➤ Market scenario and strategic positioning

The SEAT Pagine Gialle group is the European leader and one of the main operators at world level in the sector of multimedia profiled advertising, offering “print-voice-online” directories, high-tech products for the Internet and for satellite and orthophotometric navigation, as well as complementary communications services such as one-to-one marketing.

In order to strengthen its international presence, in the second half of 2007, the SEAT group acquired the control of the German company Wer liefert was? GmbH, thus becoming the European leader in the online Business to Business directories market, thanks in part to the role already played in the sector by the French subsidiary Europages S.A.. The SEAT group also started a project in Turkey – a high growth potential area – to expand its multi-platform offering in the local directories market.

Italian Directories

In Italy, reference country for the business of the Group, the gross domestic product in 2007 recorded a 1.5% growth (according to the most recent ISTAT data), substantially in line with the 1.9% increase recorded in 2006. However, the recovery of the Italian economy was not sustained by a resumption of consumption. Furthermore, abroad the economy began showing new signs of weakness in the second half of the year, first with the sub-prime mortgage crisis and high raw material prices (mainly oil and grain) and then with the signs of recession in the US. This situation caused the EU Commission to cut the 2008 GDP growth forecasts from 1.4% to 0.7%.

SEAT Pagine Gialle S.p.A. reacted to this critical and complex market scenario by continuing to develop and innovate its product offering – both core products, such as print directories, as well as more technologically advanced solutions, such as online products – and investing in the quality and skills of its sales force.

1. Market definition and segmentation

In the last years, the SEAT group enlarged its reference market, including, beyond the directories market, also all the promotional and advertising communication media (press and local TV, billboards, leafleting, fairs, catalogues, etc.), which SMEs can choose when allocating their promo-advertising budget.

The SEAT group is competing in this market with generalist and specialised products and services offered on three platforms (print, online, voice), which are suitable to meet the various communication needs of SMEs. In fact, they have a lower cost per contact than the competing media, thanks to their widespread and high usage. Moreover, the ever-increasing utilisation of Internet will allow the SEAT group to further develop its products meeting more efficiently the communication needs of SMEs.

2. Continuous re-styling of existing products and launch of new services

With the purpose of meeting more and more efficiently the communication needs of its customers, increasing the value generated for the advertiser, SEAT Pagine Gialle S.p.A. continued the program, started in 2005, to restyle its products and launch new ones targeted to different market segments. In particular, in 2007 all the editions of the full-color PAGINEBIANCHE® were distributed and the publishing of the restyled PAGINEGIALLE® print directories started.

The sale of advertisements on the PAGINEGIALLE VISUAL online platform successfully continued. This innovative platform, which was launched at the end of 2006, is characterised by search techniques no longer depending on just text but also visual and emotional features. The offering consists of sales of advertising videos supporting a traditional advertisement. This allows SMEs to create TV spots reaching thus the targeted audience represented by the users of PAGINEGIALLE VISUAL.

Great attention has been given to the improvement and enhancement of the subscriber information services, 12.40 Pronto PAGINEBIANCHE and 89.24.24 Pronto PAGINEGIALLE®, mainly by offering multimedia services.

With reference to Business-to-Business products, SEAT plans to renew its offering, focusing on the online component, which, consistently with overall market growth trends, continues to gain importance mainly for large customers. SEAT intends to further expand the online component of its current complex multi-brand offering (Annuario SEAT, PAGINEGIALLE Professional, Annuario Kompass) and reach a higher level of coordination among the various brands.

3. Training and segmentation of the sales force

The strategy of business development, described above, was sustained by strong investments in sales force training, focused on transforming the commercial approach of SEAT sales agent from "sales-person" to "communication consultant" for the SMEs. For this reason, in 2007, new IT tools were provided to the sales agents to produce the most appropriate commercial offer for each customer and improve the management of sales campaigns. Customers continue to be managed by segments ("Large Customers", "Business Sales" and "Local Sales"), thus satisfying more efficiently their relevant communication needs.

In particular:

- the *Large Customers* Department addresses complex businesses at national level having sophisticated communication needs. It serves them using highly qualified teams of specialists. In 2007, two new units were created inside the department; they are dedicated respectively to manage and expand the range of products targeting central and local Public Administration and to design and develop innovative multiplatform projects, in collaboration with the Marketing department, aimed at meeting national customers needs with a high level of customisation;
- the *SMEs and Local Sales* Department, established in November 2007, addresses SMEs and retailers (Local network) offering a more standardised service throughout Italy by increasing coordination among sales networks and product offerings differentiated by customer segment. The new sales organisation is divided into 4 *macro-areas* (based on the classification proposed by the Nielsen research institute) and 37 *markets* (identified based on geographic similarities, sales potential and management optimisation). The new organisation employs *Area Managers*, responsible for managing and developing the sales

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network in the assigned area and for achieving the expected economic results of that area, and *Market Managers*, who carry out similar tasks at the market level, with different approach by customer segment to ensure the effective satisfaction of the communication needs of each segment. In detail:

- the medium-high end SMEs market is managed by 35 field “communication consultants”, using different approach for large existing and potential customers than for other customers, and by a special team dedicated to “Top” customers;
- the mass-market of retailers with basic local communication needs is covered both through tele-sales operators and agents operating locally.

The segmentation of the offering and sales organisation, combined with the agent’s increasingly consultant role, is an important step for increasing the returns to customers from SEAT media and their value perception.

4. Continuous attention to customer care activities and processes

The focus on customer as the key goal of the sales action continued in 2007 also through the reinforcement of the customer care processes, in all the after-sales publishing and administrative phases. The aim was to improve the operating processes and reduce publishing errors. In this regard, it should be noted the good performance of the customer portal www.seatconvoi.it, launched in 2005 as the fourth customer service channel after the toll-free number, mailbox and e-mail. It has already more than 30,000 registered customers who, for some types of request, only use this communication channel. The customer portal should become the preferred relationship channel with the customers, through which SEAT can provide value added information services (statistics, number of searches on SEAT media, early information on new offers, community initiatives), conduct polls (useful for developing its offering) and develop customer-retention programs.

One of the main initiatives started in 2007 to improve after-sales support was the decision to shift the management of the customer service call center to the subsidiary Prontoseat, which already managed part of the directory assistance service 89.24.24 Pronto PAGINEGIALLE®. This will allow up-selling and cross-selling directly by front-office.

Furthermore, in addition to the dedicated customer service call center, a new service, named Courtesy Back Office, was developed to provide step-by-step information to the Top customers during the creation of print proofs. This service will allow SEAT to adequately prevent publishing mistakes with reference to the most important customers segment.

In this context, 60,000 copies of the two-monthly business communication magazine *Con Voi* are also distributed to “Top” customers. This is a free publication which seeks to provide support for the Italian SMEs wishing to make their communication strategies more effective and its online version is available to all customers at the website www.seatconvoi.it.

The actions of prevention carried out allowed SEAT to reduce the number of claims arising from publishing mistakes by almost 13% compared to 2006 with reference to the traditional channel of sale through the agents. With regard to the telesales channel, during the start-up phase in 2007, the total cost for claims arising from publishing mistakes remained substantially stable (-1%) compared to 2006, thanks also to the high level of professional competence of the operators in managing the claims.

The Group in Europe

In the United Kingdom, the results of the subsidiary **TDL Infomedia** were affected by the high competitiveness of the market and the re-organisation of the sales area, aimed at efficiently selling the multi-product offer in the UK market. After the renewing of the offer in 2006 and the launch of important product innovations in 2007 (as the restyling of Thomson Local directories, the introduction of the *Nectar Point* customer retention program - one of the UK's largest -, the new product functionality and the *pay-per-click* advertising on the UK's main search engines and portals), the company had to reorganise its sales area to better sell its increasingly complex and innovative offer. The strengthening of the sales area and the new market positioning of TDL Infomedia as an online media agency for SMEs were achieved in a highly competitive scenario due to the re-entering of British Telecom in the directories market, with the launch of alphabetical and classified directories combined in a single volume, benefiting from its brand reputation and its aggressive pricing policy.

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

In *Germany*, where the market is recording a decrease in the call number year-on-year, Telegate's strategy consisted on enhancing its offering of value-added services, which enabled it to increase its market share. To react to the structural decline of the voice services market, the company adopted a strategy focused on the extension of its platforms, launching an online search portal, exploiting both the strong brand name and the quality of its database and creating a sales structure dedicated to the advertising business to produce revenues from the usage of both the online and voice product. To support its strategy and increase its online presence in Germany, where the market is highly fragmented, in the first months of 2008 Telegate will acquire at least the 78% interest in klickTel AG, which operates in the online directories market. This acquisition will allow Telegate to strengthen its market position in terms of usage, customer base and sales force.

In *Spain*, Telegate was able to consolidate its position gradually achieving an adequate level of profitability for the business.

In *France*, after an extremely competitive start-up in 2006, requiring extensive advertising investment, Telegate was able to break even in the second half of 2007, thanks to the increasing stability of the market, though not yet at a level that can provide for a satisfactory overall profitability.

In *Italy*, Telegate performs call center activities managing in outsourcing 12.40 Pronto PAGINEBIANCHE and 89.24.24 Pronto PAGINEGIALLE® of SEAT Pagine Gialle S.p.A..

The position of the SEAT group in the European online Business to Business market (where it was already present through the French subsidiary Europages) was strengthened by acquiring the German company Wer liefert was?. The acquisition will give the SEAT group access to numerous SMEs operating in Germany and will allow to leverage on the company's sales force to support the expansion of Europages businesses.

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With the aim of strengthening its international position, SEAT Pagine Gialle S.p.A. entered into the Turkish directories market through a joint venture with the partner Doğan Yayın Holding A.S., generating synergies between its know-how in term of product development, sales force organisation and IT applications and the in depth knowledge and understanding of the local market of directories of Doğan Yayın Holding, thus minimizing the entry risks in a market with a fast-growing potential for the business of directories.

The purpose of the joint venture is the launch of new directory services in the second half of 2008.

Lavoro



1967 **2007** Quarant'anni con

PAGINE GIALLE

Pagine Gialle per il Design Italiano



Pagine Gialle per il Design Italiano
è un'iniziativa di Seat Pagine Gialle spa

In collaborazione con:

ADI ASSOCIAZIONE
PER IL DESIGN
INDUSTRIALE



Torino 2008
WORLD DESIGN CAPITAL

FONDAZIONE ADI PER IL DESIGN ITALIANO 



Compasso d'Oro

Oggetti dalla Collezione Storica del Design Italiano

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Report on operations



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➤ Economic and financial performance of the Group

➤ Reclassified income statement of the Group for 2007

In 2007, the SEAT Pagine Gialle group benefited from both the initiatives carried out over the last two years by the Parent Company aimed at reorganising its internal structure and strengthening its product offering and sales capacity as well as the Telegate group's return to profitability as a result of the investments made in 2006 to support its entry into the French market.

Although positive, the achieved results showed some difficulties – arising mainly from differences between expected and actual economic scenario and market – which required the implementation of a number of initiatives aimed at ensuring the sustainable growth of the business.

Revenues from sales and services amounted to € 1,453,592 thousand in 2007, down 0.5% compared to 2006 (€ 1,460,183 thousand).

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

- revenues from the *"Italian Directories"* (SEAT Pagine Gialle S.p.A.) Business Area, which in 2007 reached € 1,090,217 thousand, up 1.2% compared to the previous year (€ 1,077,495 thousand). The increase was attributable to the turnaround of print products and the good results achieved in voice and online services benefiting from the success of multimedia offers (voice: MMSs; online: promotional videos). These results reflect the positive effects of reorganisation and requalification actions in the sales area and the strengthening of the range of products and services, carried out over the past few years. At beginning of November 2007, the SME and Local Sales Department was created (to manage SMEs and local businesses). This organisational change caused a slowdown during the fourth quarter of the year. The performance of online revenues (PAGINEGIALLE.it € 137,088 thousand, +11.0%, orders backlog +13.2%) and voice revenues (89.24.24 Pronto PAGINEGIALLE® € 80,308 thousand, +7.0% and 12.40 Pronto PAGINEBIANCHE € 43,448 thousand, +54.7%) offset the 1.3% decrease in print products, mainly attributable to the 3.7% decline in PAGINEGIALLE® revenues (which was nonetheless an improvement compared to the 7.4% decrease recorded in 2006). Revenues generated by the PAGINEBIANCHE® directory increased by 1.2% (+0.4% in 2006);
- revenues from the *"UK Directories"* (Thomson Directories group) Business Area, which amounted to € 158,941 thousand, down 8.4% compared to 2006 (down 8.0% in pound sterling). The decrease was due to increasing competition on the market as well as the reorganisation of the company's sales area to effectively sell the multi-product offering on the UK market. This critical scenario impacted all business lines (print, online and business information) and led to a reduction in the number of customers compared to 2006, despite an increase in average revenue per customer. The most significant decrease in revenues was for print directories, despite the positive impact of the restyling of the Thomson directories and strong sales of new advertising spaces following the company's agreement with Nectar. The increased focus on promoting the new Nectar offering in the first half of 2007 led to a decrease in online revenues, an indication of the

sales force's difficulty in managing a multi-product offering with a higher level of complexity than in the past. In the last months of the year, however, online revenues restarted to improve also thanks to a new agreement with Google;

- revenues from the "Directory Assistance" (Telegate group and Prontoseat S.r.l.) Business Area, which amounted to € 185,793 thousand in 2007, down 1.5% compared to 2006. The decrease in Telegate group revenues (-3.1% compared to 2006) was mainly attributable to its French operations. It should also be noted that 2006 revenues included revenues for services rendered to mobile providers Bouygues Telecom and SFR under outsourcing agreements. Such services (€ 9,562 thousand), which did not contribute to operating margins, had not been provided since April 2006 following the liberalisation of the market. Net of such services, revenues increased by 2.4% compared to 2006, also thanks to the positive trend in calls to the 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE services in Italy (+16.9% compared to 2006). In Germany, on the other hand, the call number decreased, mainly in the last quarter of the year. The positive trend in calls to the 89.24.24 Pronto PAGINEGIALLE® service impacted Prontoseat's revenues as well, which grew 28.6% compared to 2006;
- revenues from the "Other activities" (online Business to Business directories and other activities in Italy) Business Area, which increased to € 80,208 thousand by 4.2% compared to 2006 (€ 76,950 thousand), also as a consequence of the consolidation of Wer liefert was? GmbH as of October 1, 2007.

Materials and external services, net of the repayment of costs, amounted to € 504,158 thousand in 2007, down € 64,680 thousand compared to 2006 (€ 568,838 thousand), of which € 42,728 thousand related to advertising and promotion costs. In 2006, advertising expense was strongly impacted by the launch of new directory assistance services in Italy and France.

In detail, materials and external services include:

- *industrial costs*, amounting to € 198,337 thousand, decreased by € 16,297 thousand compared to 2006, of which € 9,562 thousand due to the costs incurred in the past by Telegate France for services rendered in outsourcing to mobile providers Bouygues Telecom and SFR until April 2006, before the market liberalisation (for more detailed information please refer to the section "Economic and financial performance by Business Area – Directory Assistance"). Net of this effect, industrial costs decreased by 3.3%, mainly due to a decline in the cost of purchase and updating the telephone subscriber database, down € 7,535 thousand in the Telegate group also thanks to the favorable outcome of the legal disputes with Deutsche Telekom. Paper consumption amounted to € 49,478 thousand, down 7.2% compared to the previous year as a direct result of the lower number of printed signatures;
- *commissions and other sales costs*, which amounted to € 128,406 thousand in 2007, decreased by € 3,872 thousand compared to 2006 (€ 132,278 thousand) as a consequence of a different mix of revenues by sales channel, with in 2007 a sharp rise in revenues from telesales not subject to sales commissions. In fact, *costs for outbound call center services* increased by € 4,317 thousand as telesales channel of SEAT became fully operational.

Salaries, wages and employee benefits, net of the relevant repayment of costs, amounted to € 246,390 thousand in 2007, up € 14,546 thousand compared to 2006 (+6.3%), of which € 3,775 thousand due to the consolidation of Wer liefert was? GmbH as of October 2007. The increase, which would have been 4.6% on a like for like basis, was due to: i) the larger number of operators in the call centers and the different labor agreements with them

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in Italy; *ii*) the increase in the corporate workforce in Germany; *iii*) the creation of an owned sales network in the French market of Europages; and *iv*) the strengthening of Internet and Sales Departments in SEAT. The increase was partially offset by a decrease in the variable component of labor costs in the Thomson group.

The Group workforce – including directors, project workers and trainees – numbered 6,652 personnel at December 31, 2007 (6,661 personnel at December 31, 2006). The average workforce (FTE for the foreign companies) amounted to 5,365 units in 2007 (5,164 units in 2006).

Other valuation adjustments and provisions to reserves for risks and charges, net, which amounted to € 50,077 thousand in 2007, increased by € 2,897 thousand compared to 2006, mainly due to the allowance for bad debts referred to revenues from telephone traffic.

Net operating expense amounted to € 2,795 thousand in 2007 (€ 897 thousand in 2006). The change compared to the previous year is due to the fact that in 2006 Telegate recorded an income for the disposal of its Swiss subsidiary 1818 Auskunft AG.

Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA), amounting to € 650,172 thousand in 2007, increased by 6.3% compared to the previous year (€ 611,424 thousand). This positive result was achieved (despite substantially flat revenues and a 6.3% increase in labor costs) thanks to lower advertising and promotional costs, which decreased by € 42,728 thousand, and reduced consumption, as explained in the paragraphs above.

The ratio of EBITDA to revenues from sales and services increased to 44.7% in 2007 (41.9% in 2006).

Operating amortisation, depreciation and write-down, which amounted to € 42,151 thousand in 2007 (€ 33,269 thousand in 2006), refer to intangible assets with finite useful life for € 27,368 thousand and to property, plant and equipment for € 14,783 thousand. The significant increase compared to 2006 was due to the entry into operation of information systems and projects aimed at innovating the products and supporting the sales force in which the Company invested in recent years.

Non-operating amortisation and write-down, referred to the Customer DataBase, amounted to € 162,067 thousand in 2007, unchanged compared to the previous year.

Non-recurring and restructuring costs, net amounted to € 16,880 thousand in 2007 (€ 13,970 thousand in 2006). This item includes € 7,469 thousand of corporate restructuring expenses incurred by SEAT Pagine Gialle S.p.A. as of the first half of 2007 and that it expects to incur in the coming months due to the implementation of the corporate reorganisation plan 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 highly innovative IT systems. The item includes, moreover, € 4,000 thousand of non-recurring costs related to possible claims on indemnities to SEAT employees.

Operating income (EBIT) amounted to € 429,074 thousand in 2007 (€ 402,118 thousand in 2006), with a 29.5% ratio to revenues (27.5% in 2006). The change in EBIT compared to 2006 substantially reflects the trend shown by EBITDA, despite the negative impact of the aforementioned increase in operating amortisation, depreciation and write-down.

Net interest expense, of € 239,313 thousand in 2007, represents the balance between interest expense of € 258,190 thousand (€ 257,583 thousand in 2006) and interest income of € 18,877 thousand (€ 11,374 thousand in 2006).

Interest expense remained substantially in line with the previous year, despite the increase in the Euribor rate, as the Company benefited from a lower average indebtedness and a progressive reduction, as from February and then August 2007, of the spread component of the cost for the "Senior" debt following the achievement (at the end of December 2006 and June 2007) of specific ratios between EBITDA and net debt of the Group. This spread stood at the end of 2007 at around 160 basis points, a particularly low value given the Company's leverage. Also hedging transactions positively impacted in 2007 in reducing the cost of debt.

In detail, interest expense for 2007 includes:

- € 124,056 thousand (€ 131,273 thousand in 2006) for interest expense on the "Senior Credit Agreement" between SEAT Pagine Gialle S.p.A. and The Royal Bank of Scotland Plc Milan Branch;
- € 109,902 thousand (unchanged compared to 2006) for interest expense on the "Subordinated" loan with the associate Lighthouse International Company S.A.;
- € 11,797 thousand (€ 5,156 thousand in 2006) for interest expense on *asset backed securities* issued by the special purpose vehicle Meliadi Finance S.r.l. as part of the securitisation program of trade receivables launched by SEAT Pagine Gialle S.p.A. in June 2006 and still underway;
- € 10,575 thousand (€ 9,871 thousand in 2006) for interest and other financial expense, of which € 6,846 thousand arising from discounting to present value non-current assets and liabilities (€ 6,115 thousand in 2006);
- € 1,860 thousand (€ 1,381 thousand in 2006) for foreign exchange losses, recognized mainly as a consequence of the change in euro/sterling exchange rate and more than offset by foreign exchange gains, as described in the following item.

Interest income include:

- € 8,064 thousand for interest income (€ 4,734 thousand in 2006) arising from the use of short-term liquidity on the banking markets at market rates. The increase compared to 2006 reflects the strong rise in market rates during 2007, mainly in the second half of the year;
- € 8,181 thousand for other financial income (€ 5,395 thousand in 2006), of which € 6,191 thousand related to assets designated to finance the pension fund of the Thomson group;
- € 2,632 thousand for foreign exchange gains (€ 1,245 thousand in 2006), mainly recognised following the change in the euro/sterling exchange rate.

In 2007, the overall average cost of SEAT Pagine Gialle S.p.A.'s financial debt was 6.4% (approximately 6% in 2006). This increase derived from *i*) the growing weight of the "Subordinated" debt due to Lighthouse International Company S.A. (at a fixed rate of 8%), following the progressive repayments of the "Senior" debt in 2007 (€ 208.3 million), and *ii*) the increase of the Euribor component of the cost for the "Senior" debt, partially offset by the reductions in spreads and the positive contribution from hedging transactions, as described above.

Hedging instruments on interest rate risks enable the Company to keep under control the cost of its debt. In fact, a 100 basis point increase in the Euribor rate is expected to increase the annual cost of the debt of about € 11 million, gross of tax effects.

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Gains (losses) on disposal/valuation of investments were negative for € 3,314 thousand in 2007. They referred mainly to foreign exchange losses recognised in the income statement following the deconsolidation of Consodata Group Ltd from January 1, 2007, following the closure of its liquidation process and the removal of the Company from the business register. Up to December 2006 these losses were recognised as equity in the reserve for foreign exchange adjustments, according to IAS 21.

Income taxes for the year were negative for € 80,209 thousand (negative for € 74,116 thousand in 2006) and are detailed as follows

(euro/thousand)	Year 2007	Year 2006	Change	
			Absolute	%
Current income taxes	40,403	29,221	11,182	38.3
Reversal of deferred tax assets	101,787	2,606	99,181	n.s.
Provision (reversal) of deferred tax liabilities	(62,799)	43,116	(105,915)	n.s.
Income taxes referred to the previous years	818	(827)	1,645	n.s.
Total income taxes for the year	80,209	74,116	6,093	8.2

The reversal of deferred tax assets (€ 101,787 thousand) is due essentially to the use of tax losses of previous years.

The reversal of deferred tax liabilities (€ 62,799 thousand) is mainly due to the Customer DataBase which is amortised, for tax purposes, over a different period of time compared to the one used in the financial statements.

The 2008 Finance Law introduced important changes for the SEAT group in terms of taxable income as from the 2008 tax period, which affect also the 2007 result. The most important changes concern the reduction of the corporation income tax (IRES) and regional manufacturing tax (IRAP) rates (from 33% to 27.50% and from 4.25% to 3.9% respectively) and the limitation of the deductibility, for IRES purposes, of net interest expense to a maximum of 30% of the difference between revenues and operating costs, gross of amortisation and depreciation. Based on the initial estimates, the non-deductibility of interest expense should increase the taxable income substantially offsetting the benefit arising from the reduction of the IRES and IRAP rates.

As regard the net deferred tax liabilities, the adjustment to the new rates generated an income of € 2.8 million in 2007.

Minority interests amounted to an income of € 7,839 thousand (€ 1,652 thousand in 2006) and mainly related to Minorities of the Telegate group.

Income for the year was € 98,399 thousand, up € 18,263 thousand compared to the previous year (€ 80,136 thousand). The positive EBITDA performance, arising mainly from a € 42,728 thousand reduction in advertising and promotion expense, partially offset by a € 8,882 thousand increase in operating amortisation, depreciation and write-down (as a consequence of the high capital expenditure in recent years), is reflected in pre-tax income. The income for 2007 also benefited from a € 6,896 thousand decrease in net interest expense (as described above), particularly significant considering the rise in the Euribor rate during the year.

→ Reclassified balance sheet of the Group at December 31, 2007

Foreword

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

- 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 equal or higher than € 25,000.

Net invested capital

Net invested capital, which amounted to € 4,310,082 thousand at December 31, 2007, decreased by € 67,805 thousand compared to December 31, 2006 due to the amortisation of the Customer DataBase, while operating working capital remained substantially stable. The item included:

- **goodwill and Customer DataBase** amounting to € 3,943,671 thousand at December 31, 2007, of which € 3,687,067 thousand of goodwill. This item decreased by € 54,001 thousand compared to December 31, 2006, mainly due to the amortisation of the Customer DataBase (€ 162,067 thousand) partly offset by the goodwill arising on the purchase of the German group Wer liefert was? (€ 127,620 thousand). This amount could change in the coming months, as at the reporting date, the fair value of identifiable assets and liabilities acquired was determined provisionally, as allowed by IFRS 3;
- **other non-current assets** amounting to € 167,973 thousand at December 31, 2007, up € 1,153 thousand compared to December 31, 2006 (€ 166,820 thousand), which include:
 - *operating intangible and tangible assets*, amounting to € 147,467 thousand at December 31, 2007 (€ 117,213 thousand at December 31, 2006), up € 30,254 thousand compared to the previous year. The change reflects, in particular, capital expenditure for € 66,113 thousand (€ 48,323 thousand in 2006), partly offset by operating amortisation, depreciation and write-down for € 42,151 thousand.

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Capital expenditure refers to:

- in the Parent Company (€ 51,391 thousand):
 - the completion of SEM (Multimedia Publishing System). The Platform allows the integrated processing of multimedia advertising information (print, voice and online);
 - the completion of the Integrated Customer DataBase, an integrated database supporting all the operating processes, regarding all Italian business operators, both existing and potential customers;
 - the further development of Evolution, a software supporting sales agents in preparing for customer visits, through the addition of new functionalities;
 - the development of the legacy systems (sales and administrative) to ensure the increasing flexibility required mainly in managing the online offers;
 - the implementation of further steps of the SAP - CRM project (aimed at using the new SAP application platform and ensuring a higher level of integration between back-office commercial, administrative and sales force processes) and the SFE – CRM project (front-end system), to support sales agents with a user-friendly interface with back-end systems (SAP, SEM, etc.);
 - the development of online products, in particular PAGINEGIALLE VISUAL, including "Visual Site", a highly interactive software for website creations that allows the customisation of websites using templates based on specific product categories;
- in the Telegate group (€ 5,462 thousand):
 - the development of an internet platform in Germany;
 - investments to enhance the production capacity of call centers in Germany, Spain, France and Italy;
- in Europages (€ 4,199 thousand):
 - the creation of a new database to support the sales department;
 - the development of a new website "Europages 2.0";
- *investments accounted for at equity*, amounting to € 5,707 thousand at December 31, 2007 (€ 288 thousand at December 31, 2006), included € 5,398 thousand in relation to the acquisition in November 2007 of the 50% interest in Katalog Yayin ve Tanitim Hizmetleri A.S. by SEAT Pagine Gialle S.p.A., throughout the subscription of a reserved share capital increase. The Company operates in the Turkish market of directories and is jointly controlled by the SEAT group and the Turkish Doğan Yayin group. This investment is accounted for using the equity method;
- *net deferred tax assets*, amounting to € 14,343 thousand at December 31, 2007 (€ 48,346 thousand at December 31, 2006), were mainly referred to the TDL Infomedia group and the Telegate group;

- **operating non-current liabilities** amounting to € 68,555 thousand at December 31, 2007 (€ 78,148 thousand at December 31, 2006). In detail:
 - *defined benefit pension plans*, amounting to € 20,894 thousand at December 31, 2007 (€ 26,467 thousand at December 31, 2006), are accounted for net of relevant assets designated to finance these funds for a total amount of € 88,435 thousand at December 31, 2007. Both the liabilities and the relevant assets were valued by an independent actuary, using the projected unit credit method. In 2007, contributions for € 6,784 thousand were made to increase plan assets. It should also be noted that, pursuant to paragraph 93A of IAS 19, net cumulative actuarial losses amounting to € 7,703 thousand at December 31, 2007 (€ 8,461 thousand at December 31, 2006) were recognised directly to the equity of the Group, net of tax effect;
 - *reserve for severance indemnities*, amounting to € 24,503 thousand at December 31, 2007 (€ 29,754 thousand at December 31, 2006). The reserve was restated (so-called curtailment) following the entry into force of the complementary pension reform (Italian Legislative Decree No. 252 of December 5, 2005), which, by changing the destination of employees' severance indemnities, transformed the pension scheme from a defined benefit plan to a defined contribution plan. The amount of the curtailment was calculated by an independent actuary and recorded as non-recurring income;
 - *reserve for sales agents' termination indemnities*, amounting to € 21,344 thousand at December 31, 2007, decreased by € 106 thousand compared to December 31, 2006. This reserve represents the accrued liability at the end of the year toward sales agents for the indemnity due to them in case of disruption, according to current regulations. This reserve has been discounted at the present value, taking into account the expected future cash flows and using an average market rate for debts of similar duration, by estimating its expected future use over time also on the basis of the average life of agency contracts;

- **non-operating non-current liabilities** amounted to € 6,404 thousand at December 31, 2007 (€ 434 thousand at December 31, 2006), of which € 5,089 thousand referred to deferred tax liabilities mainly of SEAT Pagine Gialle S.p.A.;

- **operating working capital**, which showed a positive balance of € 300,306 thousand at December 31, 2007 (positive for € 298,690 thousand at December 31, 2006), increased by € 1,616 thousand during the year. On a like for like basis, i.e. excluding the WLW group which was consolidated as of October 1, 2007, the increase would have been € 16,415 thousand.
 The change of € 1,616 thousand is due to the combined effect of:
 - a € 3,812 thousand increase in *inventories* (€ 15,703 thousand at December 31, 2007), as a result of lower paper consumption due to the reduction in the number of printed signatures and the early completion of directories originally scheduled in the first months of 2008;
 - a € 2,420 thousand increase in *trade account receivables* (€ 671,101 thousand at December 31, 2007) resulting from a € 17,916 thousand increase recorded by SEAT Pagine Gialle S.p.A. that was almost completely offset by the decrease in the Thomson group and Telegate group. While the payments received by SEAT Pagine Gialle S.p.A. remained substantially stable compared to 2006, the amount invoiced increased by more than € 25 million;

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- a € 16,105 thousand decrease in *trade account payables* (€ 276,814 thousand at December 31, 2007), due to lower purchase volumes compared to the previous year;
- a € 21,903 thousand increase in *payables for services to be provided and other current operating liabilities* (€ 124,626 thousand at December 31, 2007), due to the consolidation of the German group WLW (€ 15,678 thousand at October 1, 2007) and the recognition of a liability of € 12.3 million toward Deutsche Telekom in relation to the pending litigation for the price paid by Telegate AG to purchase telephone subscribers' data. For more details please see the section "Economic and financial performance by Business Area – Directory Assistance";
- a reduction of € 2,318 thousand in *reserves for current risks and charges* (€ 34,184 thousand at December 31, 2007), also due to the positive outcome of legal disputes with Deutsche Telekom in Germany, as explained in the previous item;
- **non-operating working capital**, negative for € 26,909 thousand at December 31, 2007 (negative for € 6,713 thousand at December 31, 2006), decreased by € 20,196 thousand compared to the previous year. In detail:
 - *income tax payables* amounted to € 34,309 thousand (€ 5,823 thousand at December 31, 2006), up € 28,486 thousand compared to December 31, 2006 due to higher taxes for the year recorded by the parent company SEAT Pagine Gialle S.p.A.;
 - *current tax assets* amounted to € 18,326 thousand (€ 3,105 thousand at December 31, 2006);
 - *current non-operating reserves* amounted to € 9,981 thousand (€ 2,757 thousand at December 31, 2006). The reserves at the beginning of 2007 were used in the first months of the year and re-accrued in SEAT Pagine Gialle S.p.A. for € 5,113 thousand to cover the expected restructuring costs arising from the implementation of the reorganisation plan and for € 4,000 thousand to cover possible claims on indemnities to employees, as described in the item "non-recurring and restructuring costs, net".

Equity

Equity amounted to € 1,123,830 thousand at December 31, 2007 (€ 1,075,430 thousand at December 31, 2006), of which € 1,100,006 thousand attributable to the Parent Company (€ 1,057,184 thousand at December 31, 2006) and € 23,824 thousand attributable to Minority interests (€ 18,246 thousand at December 31, 2006).

Equity increased by € 48,400 thousand compared to December 31, 2006, due to the combined effect of the income for 2007 amounting to € 98,399 thousand and the distribution of dividends for € 62,221 thousand.

Net financial debt

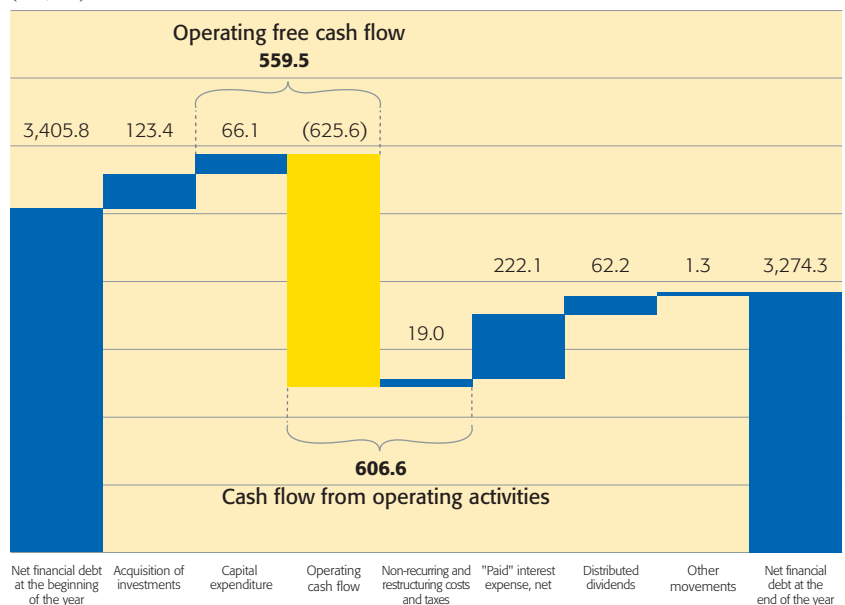
Net financial debt amounted to € 3,274,306 thousand at December 31, 2007 (€ 3,405,782 thousand at December 31, 2006) and decreased by € 131,476 thousand during 2007, after the net disbursement of € 118,135 thousand to acquire Wer liefert was? GmbH and the distribution of dividends for € 62,221 thousand.

It is different from the “book value” of net financial debt, as described below, since it is presented “gross” of:

- transaction costs for the incurring and refinancing of the medium and long-term “Senior” loan with The Royal Bank of Scotland Plc Milan Branch and the “Subordinated” loan with Lighthouse International Company S.A., as well as for the inception of the securitisation program for trade receivables. These costs amounted to € 82,792 thousand at December 31, 2007, net of accumulated amortisation;
- net assets for the market value of cash flow hedge instruments, which amounted to € 5,262 thousand at December 31, 2007 (€ 999 thousand at December 31, 2006).

The following chart summarizes the main items that influenced the trend of net financial debt during 2007.

(euro/mln)



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Net financial debt – “book value” amounted to € 3,186,252 thousand at December 31, 2007 (€ 3,302,457 thousand at December 31, 2006) and was made up as follows:

- **non-current financial debts**, amounting to € 3,190,372 thousand at December 31, 2007 (€ 3,384,189 thousand at December 31, 2006), were detailed as follows

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change
Debts due to The Royal Bank of Scotland Plc Milan Branch (net value)	1,670,940	1,870,861	(199,921)
Debts due to Lighthouse International Company S.A. (net value)	1,264,201	1,258,549	5,652
Asset backed securities (net value)	254,965	254,653	312
Debts due to other lenders	266	126	140
Total non-current financial debts	3,190,372	3,384,189	(193,817)
Current portion of non-current financial debts	163,744	158,301	5,443

- *Non-current debts due to The Royal Bank of Scotland Plc Milan Branch* amounted to € 1,670,940 thousand at December 31, 2007 (net of € 45,958 thousand of transaction costs not yet amortised at December 31, 2007). At December 31, 2007, this loan was structured as follows:
 - tranche A, in the amount of € 1,415.9 million, repayable in accordance with the amortisation plan with non-constant six month installments until June 2012 and bearing a floating interest rate equal to Euribor plus a spread. This spread was 1.91% p.a. until February 2007, then subsequently reduced to 1.685% and as of August 2007 to 1.435%;
 - tranche B, in the amount of € 464.5 million, repayable with a lump-sum payment in June 2013, bearing a floating interest rate equal to Euribor plus a spread. This spread was 2.41% p.a. until February 2007, then reduced to 2.26% until August 2007 and currently it is at 2.06%;
 - tranche C, amounting to € 90 million, currently not being used, designed to cover any working capital requirement of SEAT Pagine Gialle S.p.A. or its subsidiaries, in the form of a revolving credit line, available up to May 2012, bearing a floating interest rate equal to that applicable to tranche A. A non-usage fee of 0.56% p.a. is charged on the temporary non-used commitments.

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

- *Non-current debts due to Lighthouse International Company S.A.* amounted to € 1,264,201 thousand at December 31, 2007, net of € 35,799 thousand of transaction costs not yet amortised at the end of the year. The ten-year loan bears a fixed interest rate of 8% p.a. and falls due in 2014. It should be noted that SEAT Pagine Gialle S.p.A. issued guarantees of € 350,000 thousand for any possible additional charges relating to the bond.

- *Asset backed securities* amounted to € 256,000 thousand at December 31, 2007 (gross of transaction costs) and were issued by the SPE Meliadi Finance S.r.l. to finance the purchase of the trade receivables portfolio sold to it by SEAT Pagine Gialle S.p.A. as part of the securitisation program started in June 2006. These securities are guaranteed by the securitised trade receivables portfolio and had been subscribed through a private placement by an institutional investor. They expire in 2014 and bear a floating interest rate in line with the commercial paper rate. They are accounted for net of securitisation costs not yet amortised at December 31, 2007 (€ 1,035 thousand).

The above mentioned financing agreements require SEAT Pagine Gialle S.p.A. to comply with specific covenants, checked on a quarterly basis. These covenants refer to the observance of specific ratios between: *i*) net debt and EBITDA; *ii*) EBITDA and interest on debt; *iii*) cash flow and debt service (including interest and principal instalments which are payable in each reference period).

The check on the above mentioned covenants and the compliance with all loan contract obligations at December 31, 2007 (the reference date of this report) were positive. Therefore the Company was allowed to benefit from two progressive reductions of the spreads applied to the Euribor rate (with regard to the "Senior" debt) and their maintenance over time, as described above, thanks to the very low value of the ratio of net debt/EBITDA.

Furthermore, as typically it occurs with transactions of this type, the loan agreements define limits and conditions that affect also other areas as well, such as investments and whether or not the Company can take on additional debt, carry out acquisitions, distribute dividends or increase or otherwise alter its share capital.

Such limits – in particular those pertaining to operations that could therefore have a direct impact on the Company's performance – in no way limited or influenced the performance of the Company, which constantly monitors the observance of all conditions set forth in the aforementioned contracts;

- **current financial liabilities** amounted to € 215,508 thousand at December 31, 2007 (€ 229,210 thousand at December 31, 2006) and include:
 - € 163,491 thousand for the current portion of the loan with The Royal Bank of Scotland Plc Milan Branch, falling due in June and December 2008;
 - € 18,360 thousand for debts for interest expense on loans accrued but not yet paid;
 - € 30,579 thousand for payables to Shareholders for dividends resolved and not yet withdrawn at December 31, 2007;
 - € 2,818 thousand for debts for interest expense, accrued but not yet paid, on asset backed securities, issued by the special purpose vehicle Meliadi Finance S.r.l.;
- **non-current financial assets**, amounting to € 1,996 thousand at December 31, 2007 (€ 1,424 thousand at December 31, 2006), mainly refer to loans to employees;
- **current financial assets, cash and cash equivalents** amounted to € 217,632 thousand at December 31, 2007 (€ 309,518 thousand at December 31, 2006) and refer to:
 - cash and cash equivalents amounting to € 204,549 thousand (€ 308,195 thousand at December 31, 2006), of which € 87,276 thousand held by the SPE Meliadi Finance S.r.l. and generated by the collection of receivables transferred by SEAT Pagine Gialle S.p.A. under the securitisation program;

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- payments made to SNOS S.p.A. for € 8,989 thousand, in accordance with the Company's outstanding commitments to purchase the so named "ex Officine Savigliano" real estate complex in Turin, which will house the new headquarters of SEAT Pagine Gialle S.p.A.;
- the market value of the cash flow hedge instruments, amounting to € 5,262 thousand, described below.

The "Senior" debt with The Royal Bank of Scotland Plc Milan Branch and the debt arising from the issue of the asset backed securities by the SPE Meliadi Finance S.r.l., as part of the securitisation program, bear floating interest rates linked to the Euribor. To reduce the exposure to the risk of fluctuations in interest rates, SEAT Pagine Gialle S.p.A. entered into interest rate hedging instruments with the major international financial counterparties, which all referred to the "Senior" loan.

At December 31, 2007 the following hedging instruments were effective:

- a) *Interest Rate Collar*, for the period from February 2008 to June 2008, by which a floating band of the variable one-month Euribor rate was fixed with a constant cap at 4.565% and an average floor at 4.05% on a notional amount of € 764.0 million;
- b) *Interest Rate Collars*, for the period from June 2008 to December 2009, by which a floating band of the variable six-month Euribor rate was fixed with an average cap at 4.98% and an average floor at 3.78% on an average notional amount of € 1,463.0 million;
- c) *Interest Rate Collars*, for the period from January 2010 to December 2011, by which a floating band of the variable six-month Euribor rate was fixed with a constant cap at 4.67% and a constant floor at 3.93% on an average notional amount of € 641.0 million;
- d) *Interest Rate Swaps* referred to the debt expected to be outstanding in the period December 2009-June 2012, by which the variable six-month Euribor rate has been replaced with a fixed rate of around 3.75% on a notional amount of € 325.0 million;
- e) *Interest Rate Swap* entered into in August 2007 to enhance the hedges under d) above mentioned, referring to the debt expected to be outstanding in the period December 2008-December 2011, by which the variable six-month Euribor rate has been replaced with a fixed rate of around 4.55% on a notional amount of € 50.0 million.

The existing hedging instruments enable the Company to hedge around 60% of its total indebtedness in the first half of 2008, of which approximately 38% through the "Subordinated" fixed-rate debt and approximately 22% through Interest Rate Collars. This coverage is considered suitable taking into account the trends in short term rates.

For the period 2008-2010 the Company is currently hedging around 81% of its indebtedness, of which 42% through the "Subordinated" fixed-rate debt, 34% through Interest Rate Collars and 5% through Interest Rate Swaps and Forward Rate Agreements.

For the period 2011-2012, the Company is currently hedging around 73% of its indebtedness, of which 52% through the "Subordinated" fixed-rate debt, 11% through Interest Rate Collars and 10% through Interest Rate Swaps.

Liquidity risk

The leverage of the SEAT Pagine Gialle group is quite high, around 5 times EBITDA at the end of 2007. The average life of outstanding loans is 4.9 years and the repayment plans are as follows

(euro/thousand)	Due date - by						Total
	12.31.2008	12.31.2009	12.31.2010	12.31.2011	12.31.2012	beyond five years	
The Royal Bank of Scotland Plc Milan Branch	163,491	219,240	231,768	245,191	556,155	464,544	1,880,389
Lighthouse International Company S.A.						1,300,000	1,300,000
Asset backed securities						256,000	256,000
Debts due to other lenders	253	206	60				519
Total non-current financial debts (gross value)	163,744	219,446	231,828	245,191	556,155	2,020,544	3,436,908

The liquidity risk represents the risk not to have the financial resources necessary to pay the short-term portion of the debt, equal to € 163,744 thousand by December 31, 2008.

The business of the SEAT Pagine Gialle group is generally not volatile and generates high levels of cash flow that remain largely stable and predictable overtime. Furthermore taking into account also the committed credit lines, the financial resources of the Group are considered adequate to meet its commitments.

Since the second half of 2007, the credit crisis and the relevant impacts on a certain number of financial institutions prompted a widespread, deepening aversion to risk among investors, which in turn led to an increase in the credit default swap and a related significant reduction in the market value of high-yield securities, in particular.

In this scenario, the spread requested by the market to assume risks toward SEAT Pagine Gialle S.p.A. was approximately 350 basis points at December 31, 2007 (about 200 bps in December 2006) and more than 650 bps in the first months of 2008.

This situation is likewise reflected in the market performance of the bond issued by Lighthouse International Company S.A. and guaranteed by SEAT Pagine Gialle S.p.A., down to approximately a price of 100 at December 31, 2007 and 90 at the end of the first two months of 2008 from 109 in December 2006.

Despite this scenario, SEAT Pagine Gialle S.p.A. is not affected by these market trends, as it is not required to fund its short-term needs from the market. Furthermore, the spreads on the floating-rate loan (currently at the lowest level if compared to those applied to companies with similar debt structures and level of leverage) do not depend on financial market conditions.

For these reasons, the current reduction of monetary liquidity experienced by the financial markets should not significantly impact the economic performance of the company or its financial position.

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Impact of the “change of control” on existing loan agreements (Article 123-bis, comma l) of Legislative Decree No. 58/1998)

The Indenture, the American law document which lays down the “Notes” rule (the bonds issued by Lighthouse International Company S.A. in 2004 and guaranteed by SEAT in the amount of € 1,300 million with due date in 2014), and The Royal Bank of Scotland Plc Milan Branch’s Senior financing agreement require the loans be refunded in advance, if certain events, defined in detail, wholly called “change of control”, should occur.

In particular, according to the Indenture, every change of control gives the bond holders the right to be cash refunded by Lighthouse International Company S.A. at a price equal to 101% of par value of the notes. In this case SEAT Pagine Gialle S.p.A., as warrantor, will be obliged to supply Lighthouse International Company S.A. with the funds to make these repurchases.

According to The Royal Bank of Scotland Plc Milan Branch’s financing agreement, in the event that a change of control occurs, the commitment of The Royal Bank of Scotland Plc Milan Branch to provide new funds will be immediately cancelled and SEAT Pagine Gialle S.p.A. will immediately refund in advance all the financings withdrawn from it.

For additional information, in particular to identify the cases of “change of control”, please see the document "Annual Corporate Governance Report" published at the same time of this report and available to the public on the Company’s website: www.seat.it.

→ Operating free cash flow of the Group for 2007

Also in 2007, the SEAT Pagine Gialle group generated a high **operating free cash flow** (€ 559,544 thousand), up € 11,209 thousand compared to 2006. Net of the effect of the changes in foreign exchange rates and consolidation area, the increase would have been € 14,200 thousand compared to 2006.

This positive result was achieved thanks to the growth in EBITDA (up € 38,748 thousand compared to the previous year) and despite a rise in operating working capital € 7,140 thousand higher than in 2006, as well as an increase in capital expenditure of € 17,790 thousand compared to the previous year.

It should be noted that non-current operating liabilities decreased by more than € 2 million as a consequence of the entry into force of the complementary pension reform (Legislative Decree No. 252 of December 5, 2005), which required provisions for severance indemnities accrued in the year to be paid to pension funds or INPS Treasury Fund and not to remain in the Company as in the past, and about € 2 million for euro/sterling exchange rate performances.

The ratio of operating free cash flow to revenues from sales and services (38.5% in 2007) improved from 37.6% in 2006. The ratio of operating free cash flow to EBITDA decreased from 89.7% in 2006 to 86.1% in 2007 since, as described above, the improvement in EBITDA was partially offset by increases in operating working capital and capital expenditure.

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Reclassified income statement of the Group for 2007

(euro/thousand)	Year 2007	Year 2006	Change	
			Absolute	%
Revenues from sales and services	1,453,592	1,460,183	(6,591)	(0.5)
Materials and external services (*)	(504,158)	(568,838)	64,680	11.4
Salaries, wages and employee benefits (*)	(246,390)	(231,844)	(14,546)	(6.3)
Gross operating profit	703,044	659,501	43,543	6.6
<i>% on revenues</i>	<i>48.4%</i>	<i>45.2%</i>		
Other valuation adjustments and provisions to reserves for risks and charges, net	(50,077)	(47,180)	(2,897)	(6.1)
Other operating income (expense), net	(2,795)	(897)	(1,898)	n.s.
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	650,172	611,424	38,748	6.3
<i>% on revenues</i>	<i>44.7%</i>	<i>41.9%</i>		
Operating amortisation, depreciation and write-down	(42,151)	(33,269)	(8,882)	(26.7)
Non-operating amortisation and write-down	(162,067)	(162,067)	-	-
Non-recurring and restructuring costs, net	(16,880)	(13,970)	(2,910)	(20.8)
Operating result (EBIT)	429,074	402,118	26,956	6.7
<i>% on revenues</i>	<i>29.5%</i>	<i>27.5%</i>		
Interest expense, net	(239,313)	(246,209)	6,896	2.8
Gains (losses) on disposal/valuation of investments	(3,314)	(5)	(3,309)	n.s.
Income (loss) before income taxes and Minority interests	186,447	155,904	30,543	19.6
Income taxes for the year	(80,209)	(74,116)	(6,093)	(8.2)
Income (loss) before Minority interests	106,238	81,788	24,450	29.9
Minority interests	(7,839)	(1,652)	(6,187)	n.s.
Income (loss) for the year	98,399	80,136	18,263	22.8

(*) Less repayments of cost.

Reclassified balance sheet of the Group at December 31, 2007

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change
Goodwill and Customer DataBase	3,943,671	3,997,672	(54,001)
Other non-current assets (*)	167,973	166,820	1,153
Operating non-current liabilities	(68,555)	(78,148)	9,593
Non-operating non-current liabilities	(6,404)	(434)	(5,970)
Operating working capital	300,306	298,690	1,616
- <i>Operating current assets</i>	756,034	748,544	7,490
- <i>Operating current liabilities</i>	(455,728)	(449,854)	(5,874)
Non-operating working capital	(26,909)	(6,713)	(20,196)
- <i>Non-operating current assets</i>	18,356	3,510	14,846
- <i>Non-operating current liabilities</i>	(45,265)	(10,223)	(35,042)
Net invested capital	4,310,082	4,377,887	(67,805)
Equity Shareholders of the Group	1,100,006	1,057,184	42,822
Minority interests	23,824	18,246	5,578
Total equity	(A) 1,123,830	1,075,430	48,400
Net financial debt	3,274,306	3,405,782	(131,476)
Transaction costs on loans and securitisation program not yet amortised	(82,792)	(102,326)	19,534
Net market value of cash flow hedge instruments	(5,262)	(999)	(4,263)
Net financial debt - "book value"	(B) 3,186,252	3,302,457	(116,205)
of which:			
- <i>Non-current financial debts</i>	3,190,372	3,384,189	(193,817)
- <i>Current financial debts</i>	215,508	229,210	(13,702)
- <i>Non-current financial assets</i>	(1,996)	(1,424)	(572)
- <i>Current financial assets, cash and cash equivalents</i>	(217,632)	(309,518)	91,886
Total	(A+B) 4,310,082	4,377,887	(67,805)

(*) Including financial assets available for sale.

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Operating free cash flow of the Group for 2007

(euro/thousand)	Year 2007	Year 2006	Change
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	650,172	611,424	38,748
Gains (losses) from discounting operating assets and liabilities	264	(937)	1,201
Decrease (increase) in operating working capital	(19,064)	(11,924)	(7,140)
(Decrease) increase in operating non-current liabilities (*)	(5,826)	(1,829)	(3,997)
Capital expenditure	(66,113)	(48,323)	(17,790)
(Gains) losses on disposal of non-current operating assets	111	(76)	187
Operating free cash flow	559,544	548,335	11,209

(*) The change does not include the non-monetary effects arising from the curtailment and the actuarial gains/losses recognised directly to equity.

→ Reconciliation between equity of SEAT Pagine Gialle S.p.A. and consolidated equity at December 31, 2007

	Equity Shareholders of the Group				Minority interests			Total
	Share capital	Reserves	Income (loss) for the year	Total	Share capital and reserves	Income (loss) for the year	Total	
(euro/thousand)								
SEAT Pagine Gialle S.p.A. at December 31, 2007	250,352	763,161	88,310	1,101,823				1,101,823
Income (loss) of consolidated companies		(35,196)	55,951	20,755		7,830	7,830	28,585
Share capital and reserves of consolidated companies		442,894		442,894	15,843		15,843	458,737
Book value of consolidated companies		(613,466)		(613,466)				(613,466)
Consolidation adjustments								
Positive differences from acquisition of investments		170,572		170,572				170,572
Intra-group disposals of previous years		(6,959)	(652)	(7,611)				(7,611)
Intra-group dividends		41,771	(41,771)					
Foreign exchange adjustments and other movements		(14,803)	(158)	(14,961)	142	9	151	(14,810)
Reversal of the reserve for foreign exchange adjustments due to Consodata Group Ltd. deconsolidation		3,281	(3,281)					
Consolidated share capital, reserves and results at December 31, 2007	250,352	751,255	98,399	1,100,006	15,985	7,839	23,824	1,123,830

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

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

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

For the disclosures please refer to the following sections:

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

Reclassified income statement of SEAT Pagine Gialle S.p.A. for 2007

(euro/thousand)	Year 2007	Year 2006	Change	
			Absolute	%
Revenues from sales and services	1,090,217	1,077,495	12,722	1.2
Materials and external services (*)	(399,935)	(410,469)	10,534	2.6
Salaries, wages and employee benefits (*)	(86,866)	(81,193)	(5,673)	(7.0)
Gross operating profit	603,416	585,833	17,583	3.0
<i>% on revenues</i>	<i>55.3%</i>	<i>54.4%</i>		
Other valuation adjustments and provisions to reserves for risks and charges, net	(47,895)	(40,823)	(7,072)	(17.3)
Other operating income (expense), net	(2,039)	(2,586)	547	21.2
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	553,482	542,424	11,058	2.0
<i>% on revenues</i>	<i>50.8%</i>	<i>50.3%</i>		
Operating amortisation, depreciation and write-down	(26,764)	(19,655)	(7,109)	(36.2)
Non-operating amortisation and write-down	(162,067)	(162,067)	-	-
Non-recurring and restructuring costs, net	(13,077)	(12,711)	(366)	(2.9)
Operating result (EBIT)	351,574	347,991	3,583	1.0
<i>% on revenues</i>	<i>32.2%</i>	<i>32.3%</i>		
Interest expense, net	(204,374)	(206,025)	1,651	0.8
Gains (losses) on disposal/valuation of investments	192	(39)	231	n.s.
Income (loss) before income taxes	147,392	141,927	5,465	3.9
Income taxes for the year	(59,082)	(58,532)	(550)	(0.9)
Income (loss) for the year	88,310	83,395	4,915	5.9

(*) Less repayments of cost.

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Reclassified balance sheet of SEAT Pagine Gialle S.p.A. at December 31, 2007

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change
Goodwill and Customer DataBase	3,443,765	3,605,832	(162,067)
Other non-current assets (*)	637,755	486,537	151,218
Operating non-current liabilities	(43,883)	(47,315)	3,432
Non-operating non-current liabilities	(5,226)	-	(5,226)
Operating working capital	308,903	285,279	23,624
- Operating current assets	670,150	648,145	22,005
- Operating current liabilities	(361,247)	(362,866)	1,619
Non-operating working capital	(20,847)	(2,684)	(18,163)
- Non-operating current assets	17,046	3,649	13,397
- Non-operating current liabilities	(37,893)	(6,333)	(31,560)
Net invested capital	4,320,467	4,327,649	(7,182)
Equity (A)	1,101,823	1,061,668	40,155
Net financial debt	3,306,698	3,369,306	(62,608)
Transaction costs on loans and securitisation program not yet amortised	(82,792)	(102,326)	19,534
Net market value of cash flow hedge instruments	(5,262)	(999)	(4,263)
Net financial debt - "book value" (B)	3,218,644	3,265,981	(47,337)
of which:			
- Non-current financial debts	3,103,653	3,290,015	(186,362)
- Current financial debts	320,059	254,521	65,538
- Non-current financial assets	(1,994)	(1,424)	(570)
- Current financial assets, cash and cash equivalents	(203,074)	(277,131)	74,057
Total (A+B)	4,320,467	4,327,649	(7,182)

(*) Including financial assets available for sale.

Operating free cash flow of SEAT Pagine Gialle S.p.A. for 2007

(euro/thousand)	Year 2007	Year 2006	Change
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	553,482	542,424	11,058
Gains (losses) from discounting operating assets and liabilities	(83)	(1,440)	1,357
Decrease (increase) in operating working capital	(23,624)	(1,691)	(21,933)
(Decrease) increase in operating non-current liabilities (*)	(462)	1,073	(1,535)
Capital expenditure	(51,391)	(35,099)	(16,292)
(Gains) losses on disposal of non-current operating assets	(11)	(97)	86
Operating free cash flow	477,911	505,170	(27,259)

(*) The change does not include the non-monetary effects arising from the curtailment and the actuarial gains/losses recognised directly to equity.

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➤ Main events of 2007

In addition to the information provided in the section “Economic and financial performance by Business Area”, the following should be noted:

Wer liefert was? GmbH (Who supplies what?)

On October 1, 2007, the acquisition of 100% interest in Wer liefert was? GmbH from Eniro AB became effective. The enterprise value was € 118 million paid by SEAT through its own operational cash flow. The acquisition is in line with the SEAT group’s strategy to leverage its assets to grow in Europe, expand its international presence and consolidate its position in the online Business-to-Business market, in particular in Germany, where the SEAT group operates through Telegate and Europages.

The company is included in the consolidation area as from October 1, 2007.

Acquisition of the 50% interest in Katalog Yayin ve Tanitim Hizmetleri A.S.

At the end of July 2006, SEAT Pagine Gialle S.p.A. entered into a memorandum of understanding with Doğan Yayin Holding A.S., a leading company in the Turkish media and Internet market, aimed at verifying the opportunities for developing joint operations on the Turkish directories market.

Efforts towards implementing the project continued throughout 2007 and culminated in a transaction concluded in November 2007, through which SEAT Pagine Gialle S.p.A. underwrote a specific reserved capital increase in Katalog Yayin ve Tanitim Hizmetleri A.S.. In that way SEAT acquired the 50% interest in the company owned by Doğan Yayin Holding and specialised in the directories market in Turkey.

The transaction is aimed at generating synergies between the SEAT group’s know-how in terms of product development, sales force organisation and IT applications, on the one hand, and DYH’s in-depth local knowledge and understanding of the Turkish media market, on the other, with a view to minimising the entry risks in a market with a fast-growing potential. Turkey is, in fact, one of the world’s most dynamic emerging economies, and given its size (73 million inhabitants concentrated in a few large cities), high GDP growth and the large number of SMEs, the country features promising prospects for the launching of a multiplatform offer in the directories market.

Purchase of a real estate complex as the new headquarters of SEAT Pagine Gialle S.p.A.

In 2007, SEAT Pagine Gialle S.p.A. carried out a certain number of transactions concerning the sale process (launched in December 2006) of the real estate complex named "ex Officine Savigliano" in Turin, made up of six newly constructed buildings and a large portion of the so named "Manica Storica" covering a gross floor space of about 26,600 square meters overall. The complex is currently under construction and it will house SEAT Pagine Gialle S.p.A.'s new headquarters.

In particular, in the first half of the year, SEAT Pagine Gialle S.p.A. and SNOS S.p.A. (a company 51% owned by FinPiemonte S.p.A. and 49% owned by Impresa Rosso S.p.A.) started further negotiations focusing on a series of upgrades in the technical specifications and variants in the works, in departure from those referred to in the preliminary sale agreement signed at the end of December 2006.

Also as a consequence of the aforementioned upgrades and variants, the total value of the investment is currently estimated at about € 70 million, funded through a finance lease transaction with Intesa Leasing S.p.A..

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➤ Main events subsequent to December 31, 2007

Acquisition of a majority interest in the German company klickTel AG

In February 2008, the SEAT Pagine Gialle group, through its subsidiary Telegate AG, entered into preliminary agreements for the acquisition of at least a 78.6% interest in the German company klickTel AG, for a total consideration of approximately € 25 million.

The transaction, subject to the approval by the German Federal Cartel Office, is expected to be finalised in the second quarter of 2008. The acquisition of klickTel is aimed at reinforcing SEAT's position on the online directories market in Germany where the Group already operates through Telegate AG and Wer liefert was? GmbH. klickTel AG was set up in 1999 and listed on the Entry Standard of the Frankfurt Stock Exchange. It reported revenues of about € 21 million, nearly two thirds of which generated through online advertising sales, with the remaining accounted for by other products, such as navigable CD-ROMs, mobile solutions and software. The combination of Telegate and klickTel is bound to reinforce SEAT's market share in Germany, in terms of users (about 2.0 million unique users per month in Germany) and customer base (about 25,000 Business to Consumer advertisers). It will particularly boost the group's sales force (about 400 field and telesales agents).

The acquisition is expected to make Telegate one of the leaders in the highly fragmented market of directories in Germany, thus reducing the gap with conventional search engines and incumbents.

➤ Outlook

In 2007, the SEAT Pagine Gialle group benefited from the positive effects of the Parent Company's actions carried out in the past two years aimed at restructuring its internal organisation and strengthening its products offer and sales skills. The Group also benefited from the recovery of profitability in the Telegate group, thanks to the strong investments made in 2006 to enter the French market. As a consequence, Group EBITDA increased by 6.3% and SEAT Pagine Gialle S.p.A.'s EBITDA by 2.0% compared to 2006. This positive performance was however accompanied by certain setbacks – linked especially to an economic scenario and a market that did not match expectations – requiring activities aimed specifically at business development.

Besides the worsening economic climate prevailing in all the main European countries in which the SEAT Pagine Gialle group operates, it should be noted an acceleration in the Internet penetration. Strategic reflections are required to understand the most effective ways to manage the transition of mature businesses (such as print directories and directory assistance) to online media.

In detail, in the second half of 2007, the weakness of the world markets affected the Italian economy: initially following the credit crisis and the high prices of raw materials (especially, oil and grain) and then as a result of the recession that has started to emerge in the United States. Consequently, the EU Commission lowered its expectations of GDP growth for 2008 from 1.4% to about 0.7%. The SEAT group intends to react to the current complex and critical market situation, developing and innovating its product offer, focusing on technologically advanced solutions, including Internet, and investments on the quality and skills of the sales force. In November 2007, SEAT adopted a new territorial organization of its sales department, evolving the organizational structure adopted in 2006 to further improve its ability in enlarging the market share in all the countries in which it operates.

Therefore, despite the difficult economic scenario, in 2008 SEAT Pagine Gialle S.p.A. intends to maintain its goal to invest in new initiatives and projects required to ensure sustainable growth in coming years. In detail, it plans to increase its advertising investments in Italy compared to 2007, supporting both traditional print products and online services, whilst also dedicating greater resources to reinforce the sales force and further develop its Internet department.

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In Germany, the Telegate group will increase its investments reacting to the structural contraction of the Directory Assistance market, by extending its online platforms also through synergies in terms of users, customer base and sales force, which will arise from the acquisition of the German company klickTel, transaction under finalisation in 2008.

In the UK, Thomson's results will be impacted by the worsening economic scenario more and more competitive with reference to both print and online directories. The Thomson group will react to this situation through restructuring and reinforcing its sales force and further developing its range of products and services.

Europages will continue to invest in the development of its sales networks in France. It has already launched a collaboration project with Wer liefert was? GmbH in Germany aimed at expanding its share in this market.

The joint venture with the Doğan group in Turkey is entering the operating phase and the new directory services are expected to be launched in the second half of 2008.

Taking into account the willingness to continue to invest in 2008, despite the uncertainties arising from the current economic and financial scenario, EBITDA for 2008 – before the investments planned in Italy and Germany and aimed at the business development, whose effects will be felt as from 2009 – is expected to be substantially in line with the figure for 2007.

➤ Economic and financial performance by Business Area

		Italian Directories	UK Directories	Directory Assistance	Other activities	Aggregate Total	Eliminations and other adjustments	Consolidated Total
(euro/million)								
<i>Revenues from sales and services towards third parties</i>	Year 2007	1,086.1	158.9	149.6	59.0	1,453.6	-	1,453.6
<i>Intercompany revenues from sales and services</i>	Year 2007	4.1	-	36.2	21.2	61.5	(61.5)	-
Revenues from sales and services	Year 2007	1,090.2	158.9	185.8	80.2	1,515.1	(61.5)	1,453.6
	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>	Year 2007	(399.9)	(52.6)	(64.1)	(43.4)	(560.0)	55.8	(504.2)
<i>Salaries, wages and employee benefits (*)</i>	Year 2007	(86.9)	(64.3)	(68.2)	(27.1)	(246.5)	0.1	(246.4)
Gross operating profit	Year 2007	603.4	42.0	53.5	9.8	708.7	(5.7)	703.0
	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)	Year 2007	553.5	36.8	50.0	9.9	650.2	-	650.2
	Year 2006	542.4	39.3	17.7	12.0	611.4	-	611.4
Operating income (EBIT)	Year 2007	351.6	33.3	40.7	3.5	429.1	-	429.1
	Year 2006	348.0	35.1	10.6	8.4	402.1	-	402.1
Total assets	December 31, 2007	4,973.8	292.7	172.4	482.8	5,921.7	(816.0)	5,105.7
	December 31, 2006	5,022.7	324.3	144.5	322.8	5,814.3	(586.8)	5,227.5
Total liabilities	December 31, 2007	3,872.0	150.3	67.8	308.5	4,398.6	(416.8)	3,981.8
	December 31, 2006	3,961.1	171.2	64.5	293.0	4,489.8	(337.7)	4,152.1
Net invested capital	December 31, 2007	4,320.5	205.3	37.9	146.6	4,710.3	(400.2)	4,310.1
	December 31, 2006	4,327.6	221.6	61.6	16.1	4,626.9	(249.0)	4,377.9
Capital expenditure	Year 2007	51.4	1.8	5.8	7.4	66.4	(0.3)	66.1
	Year 2006	35.1	2.8	6.0	4.4	48.3	-	48.3
Average workforce (**)	Year 2007	1,379	999	2,476	511	5,365	-	5,365
	Year 2006	1,345	1,004	2,391	424	5,164	-	5,164
Sales agents (average number)	Year 2007	1,607	-	-	16	1,623	-	1,623
	Year 2006	1,757	-	-	-	1,757	-	1,757

(*) Less repayments of cost.

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

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Key performance indicators of the Group	Year 2007	Year 2006
Number of published directories		
PAGINEBIANCHE®	103	103
PAGINEGIALLE®	202	202
ThomsonLocal	173	173
Number of distributed directories (values in million)		
PAGINEBIANCHE®	26.9	26.5
PAGINEGIALLE®	21.2	21.1
ThomsonLocal	23.8	24.1
Number of visits (values in million)		
<i>Thirty-minute accesses to website with no interruption</i>		
PAGINEBIANCHE.it	215.5	183.2
PAGINEGIALLE.it	81.4	78.4
TUTTOCITTÀ.it	46.1	45.6
Europages.com ⁽¹⁾	22.2	21.3











(1) The figure referred to the year 2006 was redefined with the new measurement method adopted by the Company in 2007.

→ Italian Directories






Market scenario

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

Revenues by product

			Year 2007 % on total revenues
Print revenues			
	PAGINEGIALLE	Classified directories of Italian businesses	32.8
	PAGINEBIANCHE	alphabetical directories	35.8
	TuttoCittà	road map of Italy	
	Eccomi	the directory specifically created for families with children from 0 to 5 years old	0.7
	Idee InVacanza	tourist guide for shopping and entertainment	
	InZona	local guide for households with a list of retailers and services in proximity to their place of residence	
Total print revenues			69.3
Business to Business revenues			
	PAGINEGIALLE Professional	BtoB directory specifically designed for entrepreneurs and purchasing managers of SMEs	
	Annuario SEAT	BtoB directory for SMEs	3.5
	Prodotti Kompass	referred to all information (main offices, businesses, products, etc.) on over 100,000 Italian companies	
	PAGINEBIANCHE Office	CD-Rom delivered with PAGINEGIALLE Lavoro containing complete updated information on over 3 million Italian companies	
Total Business to Business revenues			3.5

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			Year 2007 % on total revenues
Online revenues			
	PAGINEGIALLE.it	search engine specialised in business searches	12.6
Total online revenues			12.6
Voice revenues			
	89.24.24 Pronto PAGINEGIALLE	voice service which provides directory assistance value added services	11.4
	12.40 Pronto PAGINEBIANCHE	voice service which provides subscriber information service	
Total voice revenues (from advertising and telephone traffic)			11.4
Other revenues			
	Direct Marketing	postal and online mailing list services	
	Merchandising	promotional and personalised product portfolio	3.2
	Other products		
Total other revenues			3.2
Total revenues			100.0

Product innovation and development of new IT systems

As in 2006, SEAT Pagine Gialle S.p.A. focused its development activities on the following three aspects:

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

These activities involved € 51.4 million in capital expenditure, up € 16.3 million compared to 2006.

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

- in May 2007, the *Integrated Customer DataBase* was completed. The database stores information on Italian businesses (existing and potential customers) and supports both the commercial and administrative aspects of all corporate processes;

- in the first half of 2007, the functional aspects of the new production platform, *SEM*, which was designed by an international project team specifically for directories, were completed. The platform allows the integrated processing of multimedia advertising information (print, voice, online). The applications that went into production at the end of 2006 for validating the "basic content" of advertisers and preparing the related advertisements for printing were enhanced with new paperless functions that allow all text and graphic items acquired by the sales force to be sent and managed electronically. Efforts to systematically refine and optimise SEM's application, infrastructural, organisational and managerial components were also undertaken to ensure that the efficiency and quality targets set in the original project could be met. SEM is now a conceptually mature, complete and reliable production platform that enables SEAT Pagine Gialle S.p.A. to capitalise on its IT and editorial skills to further develop its products and services and offer them to the market on innovative media. The level of functional and organisational innovation provided by SEM is recognised and appreciated by other major directory providers and can be used to develop initiatives at an international level;
- at the beginning of 2007, a *centralised graphics service* was formed to allow the sales force (which handles customers with medium-high spending power) to propose updated graphic versions of customers' current advertisements on the directories. This tool will encourage the renewal and expansion of contracts, thanks also to the support provided by a dedicated team, set up ad hoc, consisting of in-house graphic designers assisted by external consultants. An automated process was also developed for managing sales force requests and reusing accepted graphic versions in production. In all, approximately 3,000 graphic versions of various types and complexity were developed, allowing more satisfying sales results to be achieved when renewing contracts;
- in the area of *local products*, a project was started involving the automation of mapping content to achieve high levels of flexibility in developing products such as TuttoCittà, where capturing territorial characteristics is a key success factor. The project, which will be completed in the first quarter of 2008, focuses on obtaining mapping information from a unique centralised database, georeferencing businesses and expanding the mapping information of individual products at a low cost.

In terms of **product innovation**, some important changes were introduced over the year, particularly in the online and voice segments. The benefits of these initiatives in terms of results in the income statement began to have an impact in the last few months of the year and will become fully effective in 2008:

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1) print products:

- **PAGINEGIALLE®**: the publication of the 2007 Turin directory marked the entry into production of the restyled version of the product, particularly the "Lavoro" edition, which is now divided into two sections, one devoted to strictly Business to Business categories and the other containing primarily Business to Consumer categories. The aim is to offer the customer a more specialised product, allowing advertisers an opportunity to engage in communications specifically oriented toward their reference targets. In terms of content, the advertising range in both the "Lavoro" and "Casa" editions was enriched and new subject indices were introduced. As regards graphics, the layouts of both editions were redesigned, introducing color-coding to highlight their various elements, and new theme-based covers were introduced focusing on the promotion of Italian design;

2) online products:

- **PAGINEGIALLE VISUAL**: in 2007, the Company continued its product development activity, creating *Visual Site*, the new service on which SEAT Pagine Gialle advertisers can create personalised, multimedia websites. Visual Site includes the development of every part of the website, including the registration of domain name and hosting. The customer can choose from a wide range of templates designed especially for all the main product categories. Templates can be customised with a series of backgrounds and colors, a gallery of photographs and Flash animations. The service also includes indexing on the main search engines, and a high ranking on PAGINEGIALLE.it. To further enhance the multimedia functions of Visual Site, advertisers can add the corporate Video Visual, the Virtual Tour, the virtual 360° view of the business interior and the Chiama Gratis service, which offers users the opportunity to contact the company by phone, completely free of charge;
- **PAGINEGIALLE Prenota**: in May 2007, SEAT Pagine Gialle S.p.A. and Federalberghi-Confturismo launched a new online service, allowing the user to search for any type of accommodation, locate them on the maps, view their buildings and internal space, check availability for the period needed and book in real time over the Internet. As of June 2007, all details are available also on the voice platform of the 89.24.24 Pronto PAGINEGIALLE® service;
- **PAGINEGIALLE.it**: in October 2007, an important agreement was reached with Yahoo! Italia. Pursuant to this agreement, the search engine Yahoo! now includes the contents and services provided by SEAT in its results. This development brings considerable advantages not only to advertisers, who benefit from a significant increase in the ease of access by potential customers, but also Internet users, who may now find increasingly complete, detailed information, benefiting from the combination of the search experience offered by Yahoo! and the quality of the tools provided by SEAT;

- *PAGINEGIALLE NAV*: in December 2007, an agreement was reached with FIAT Group Automobiles. According to this agreement, on all Fiat 500 models the personal navigation system through maps, named Blue&Me™ Map, will be integrated with the PAGINEGIALLE and PAGINEBIANCHE databases and the SEAT search engine, thereby providing access to all information concerning 20 million individuals, 3.5 million Italian businesses and 1.3 million points of interest extracted from the Company's database;

3) voice products:

- *VOICEFINDER*: in 2007, the Company continued developing Voicefinder, the search engine used by telephone operators of the 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE directory assistance services. In particular, new functions were developed for the call center operators (such as advanced keyword search), the service offered to the caller (integration with the 89.24.24 website, the Prontissimo and 89.24.24*perte* web portals, and the PAGINEGIALLE Prenota service) and the development of the advertising offer;
- *DATABASE CONTENT*: significant activities were performed in 2007 aimed at supporting increased coverage, the rationalisation of search keywords, and the normalisation of contents and value-added services, such as the introduction of "Autocheck", which allows the acquisition of reliability reports on ownership data concerning used automobiles;
- *MULTIMEDIA SERVICES*: in 2007, the Company introduced the possibility for 89.24.24 advertisers to purchase visual advertisements to be sent to callers by telephone operators through video message (MMS). This service will allow advertisers to diffuse their advertising messages more effectively. In 2007 approximately 8,000 customers used the service;
- *89.24.24perte CUSTOMER RETENTION SERVICE*, aimed at callers to 89.24.24. In 2007 a management system was created for this customer retention service both at front-end (for call center operators) and back-end level (management of procedures and processes related to the service, such as communication with registered users, upgrades to Prontissimo, etc.).

IT systems supporting the sales force

In order to increase the level of efficiency in managing its sales force support systems, the Company focused on the following projects during the year:

- *Evolution*: the development of this software, which supports sales agents in preparing for customer visits, continued through the addition of new functionalities. Specifically, the "Evo Quick" program was upgraded in order to automatically generate content used in preparing proposals for new customers.

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- *PDA (Personal Digital Assistance) Fields*: the application, which was developed and released during the year, allows the SME customer portfolio to be assigned based on georeferencing and sales standards. It allows agents to access their portfolio (also through a graphical interface) and receive immediate feedback on visits.
- *Geomarketing*: an online geomarketing system was developed in 2007 that allows agents to generate reports on potential customers and integrate them with the presentations and other sales tools.

Systems for customer care management, credit management and collection of receivables, and integration of commercial and administrative back-office processes

- *SAP - "from order to cash"*: the implementation phase of the SAP CRM – Billing Evolution – project continued. The project is aimed at using the new SAP application platform and integrating the commercial, administrative and sales force back-office processes as well as simplifying, rationalising and innovating system functionality. In particular, in 2007, a transition structure was developed to allow the gradual migration of current systems to the SAP platform.
- *Credit management*: the development and personalisation of the credit scoring system continued to provide for a screening on customer solvency. Through the application of statistical analysis, the system allows to assign each customer a credit score reflecting its degree of solvency/delayed payment.

Economic and financial performance

The table below sets out the highlights for 2007, compared to those for the previous year

(euro/million)	Year 2007	Year 2006	Change	
			Absolute	%
Revenues from sales and services	1,090.2	1,077.5	12.7	1.2
Gross operating profit	603.4	585.8	17.6	3.0
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	553.5	542.4	11.1	2.0
Operating result (EBIT)	351.6	348.0	3.6	1.0
Net invested capital at the end of the year	4,320.5	4,327.6	(7.1)	(0.2)
Capital expenditure	51.4	35.1	16.3	46.4
Average workforce	1,379	1,345	34	2.5

SEAT Pagine Gialle S.p.A.'s **revenues from sales and services** for 2007 reached € 1,090.2 million, up 1.2% compared to the previous year (€ 1,077.5 million). Growth was substantially in line with 2006 (+1.5%). These results were achieved against the backdrop of an Italian economic scenario in which GDP, although rising 1.5% in 2007 (according to the latest ISTAT figures), began to show some signs of weakness at the end of the year, particularly related to the worldwide economic crisis (the credit crisis, high raw material costs, especially oil and grain, and the risk of a recession in the United States). As a result of these signs, the European Commission recently reduced its GDP growth projections for 2008 from 1.4% to 0.7%. In addition, SEAT had only benefited in part from the recovery of the Italian economy in the first few months of the year, as the recovery was not driven by increased consumption.

Revenues for 2007 were driven by the upturn in print products and the good results arising from the voice and online services thanks to the success of multimedia offers (voice: MMSs; online: promotional videos). These results reflect the positive effects of reorganisation and requalification actions in the sales area and the strengthening of the range of products and services, carried out in the past few years. On November 1, 2007, the SME and Local Sales Department was created. As expected, this organisational change caused a slowdown on the performances during the fourth quarter of the year, due to the implementation of the new organisation. The new Department addresses SMEs and the local network of retailers, offering a more standardised service throughout Italy by increasing coordination among sales networks. It is based on the identification of "markets", i.e. geographical areas homogeneous by characteristics and number of published directories, managed by dedicated Market Managers. Italy has been divided into four macro-areas, based on the Nielsen areas, each of which made up by a number of "local markets" ranging from approximately eight to ten.

In detail:

- **Print:** revenues from directories and local products amounted to € 755.3 million in 2007, a decrease of € 10.2 million (-1.3%) compared to the previous year, but a sharp improvement over the decrease of € 29.1 million (-3.7%) recorded in 2006. These results were driven in particular by the improved performance of directories, which decreased by 1.2% compared to 2006 (when the decrease had been 3.6%). As in 2006, the decrease in customer base was offset by the increase in the average value per advertiser. The "Large Customers" sales channel improved its performances having reversed the negative trend that had characterised this customer segment over the past few years. This result was achieved thanks to teams of qualified specialists aimed at satisfying the communication needs of customers operating at the national level. The SME channel also showed clear improvement due to the reorganisation and requalification strategies enacted in the past. Revenues from the Local channel, focused on smaller companies and retailers, decreased compared to the previous year, having the operating structure to be still defined especially in certain geographic areas, as not always adequate in terms of the number of sales agents to cover the market's needs. As mentioned at the beginning of this paragraph, a new SME and Local Sales Department was introduced in November 2007, to react to these difficulties.

Revenues from the two main products are described as follows. **PAGINEGIALLE®** continued to post decreasing revenues (-3.7%), although showing an improving trend compared to the -7.4% recorded in 2006. In addition to the aforementioned requalification of the sales force, the product also benefited from the restyling of the "Casa" and "Lavoro" editions, which were first published as of the Turin directory.

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PAGINEBIANCHE[®], thanks to the full-color (introduced in the third quarter of 2006), increased by 1.2%, driven by a rise in the average value per advertiser, which more than offset the decrease in the number of clients. The in-bundle offer of print and online (*PAGINEBIANCHE.it*) white pages was also positive, with the number of visits increasing by 17.6% to 215.5 million in 2007, and a monthly average of 3.9 million unique users.

With regard to *Local Products*, revenues from *Idee InVacanza*, the tourist guide with specific content pertaining to Italy's most popular vacation destinations, increased by 0.4% to € 1.6 million. Revenues from *InZona*, a neighborhood guide, were substantially flat (down € 0.2 million), whereas revenues from *TuttoCittà*[®] continued to decrease: as of 2008, the methods of selling this product will change toward exclusive sales through the Local and telesales channel.

- **Business to Business:** revenues of BtoB specialised products amounted to € 38.4 million, down 12.1% compared to the previous year. These products were impacted in 2007 by the sales force's focus on turning around print directories. In 2008 a revision of the product range is planned in order to reflect the increasing importance of the online component, in particular for the largest clients, in line with the trends of the BtoB market. Furthermore, this new offer will allow to coordinate more effectively the various brands (Anuario SEAT, PAGINEGIALLE Professional, Kompass, etc).

- **Online:** revenues of *PAGINEGIALLE.it* amounted to € 137.1 million in 2007, up 11.0%, also thanks to the new service *PAGINEGIALLE VISUAL*. Online orders booked increased by 13.2% compared to 2006. Their growth was higher than the growth in revenues as a certain number of PG VISUAL contracts have not been available on the website by the end of 2007 due to the complexity of such contracts, which typically require more time for online publication. These orders will consequently be recognised as revenues in the first quarter of 2008.

The number of online customers, after the fall recorded in 2006, resumed gradual growth (146 thousand compared to 142 thousand). In the same way, the average value per advertiser increased thanks to PG VISUAL.

With reference to the online offer, it should be noted the positive performances of all customer segments (National, SMEs and Local). The current range of products and services offered had a positive impact on the usage of the online platform, which saw the number of searches, including visits to the *PAGINEBIANCHE.it* brand, increase by 11.7% over 2006 to 343 million (307.2 million in 2006). Also searches for the *PAGINEGIALLE.it* brand were up 3.8% to 81.4 million, due in particular to the effect of an 11% increase in direct visits to the website *PAGINEGIALLE.it*. Visits originating from partner websites decreased, particularly searches from the web portal of the Telecom Italia group, which in 2007 resumed the use of its historic Virgilio brand.

With regard to *PAGINEGIALLE.it*, approximately 72% of searches occurred on proprietary brands, up from 67% in 2006, also thanks to the constant improvement of the offering through the introduction of new services, such as promotional videos for advertisers, real-time access to the traffic situation of all Italian motorways and new video itineraries from a "street-level" perspective for the central areas of some Italian cities. SEAT also continued its partnership strategy with the main search engines, aimed at increasing contact opportunities for its advertisers. As part of this strategy, in October a new agreement was finalised with the Yahoo! Italia portal.

- **Voice:** revenues increased sharply to € 123.8 million, up 20.0% compared to 2006, thanks to the ongoing development of the value added services 89.24.24 Pronto PAGINEGIALLE® and the success of the subscriber information service 12.40 Pronto PAGINEBIANCHE. In 2007, SEAT Pagine Gialle S.p.A. reinforced its leadership in the Directory Assistance market. As regards the 89.24.24 Pronto PAGINEGIALLE® service, revenues rose to € 80.3 million (+7.0% compared to 2006), driven by the sharp increase in advertising revenues (+16.3%), whereas traffic revenues (-2.0%) were affected by a drop in the call numbers, due to both the decrease in advertising pressure with respect to 2006 and the extension by Telecom Italia of the blocking of this service for users who had previously requested the de-activation of 144/166 services. Anyway, the decrease in call numbers was partly offset by the increasingly high quality and sophistication of the offered services, which allowed to increase the average revenue per call and the average handling time, respectively. The advertising component registered growth both in terms of the number of customers (+9.2% to 103 thousand) and average value per advertiser (+8.6% to € 431). In this regard, it should be noted that the service launched at the end of March 2007 (consisting in sending callers free video messages containing photos, logos and maps of the entity of interest) was a commercial success. This service performed well, posting average values almost double than those of the basic service.

The basic 12.40 Pronto PAGINEBIANCHE subscriber information service, launched at the end of 2005, achieved significant results in terms of awareness. Traffic revenues increased by 50.7% compared to 2006. The high level of usage also positively impacted advertising revenues, whose value nearly doubled to € 6.1 million (€ 3.3 million in 2006), due to the rapid expansion of the customer base, which climbed to 49 thousand customers (+60.4%), and the 18% increase in the average value per customer, currently approximately at € 127.7.

- **Other products:** revenues decreased by € 3.4 million compared to 2006, due to the performances of merchandising activities (€ 15.4 million) and direct marketing products (€ 10.1 million), partially impacted by the sales force's focus on core products.

Materials and external services, net of repayment of costs, amounted to € 399.9 million in 2007, down € 10.5 million compared to 2006 (-2.6%). In detail:

- **industrial costs** amounted to € 176.1 million in 2007 (€ 172.8 million in 2006), with an increase of € 3.3 million (+1.9%) mainly due to the increased use of inbound call center services (€ 30.0 million, +26.2%), as a consequence of the growth in the handling time for the directory assistance and subscriber information services. Telematic costs were affected by the increased costs incurred to produce PAGINEGIALLE VISUAL videos. Paper costs decreased by € 2.1 million to € 40.2 million, as a result of the lower number of printed signatures;

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- *sales costs* amounted to € 152.6 million in 2007, down 9.2% compared to the previous year (€ 168.0 million), mainly due to the lower incidence of advertising expenses, which decreased by € 14.6 million compared to 2006 (-42.1%), when they had been impacted by the launch of the subscriber information service 12.40 Pronto PAGINEBIANCHE. *Commissions and other sales costs* were down 4.0% to € 124.7 million. The decrease was driven in particular by the 5.8% reduction in commissions, also due to a different mix of revenues, with a sharp increase in telesales, not paid through sales commissions. Costs for outbound call center services, in fact, increased significantly by € 4.3 million, being telesales channel become fully operational. Royalties increased (up € 1.2 million to € 8.3 million) due to the expansion of the network of co-branded websites and royalties paid to Telespazio as part of PG VISUAL operations;
- *general costs* increased by € 1.6 million to € 71.2 million in 2007, also due to the increase in expenses for bad debt collection following the intense activity carried out and the full operation of the new scoring system.

Salaries, wages and employee benefits, net of repayment of costs for seconded personnel to other Group companies, amounted to € 86.9 million, up 7.0% compared to 2006 (€ 81.2 million), mainly due to the increase in average salaried workforce from 1,345 units in 2006 to 1,379 units in 2007. This item also includes the capitalisation of labor costs related to investments made during the year (€ 4.2 million, compared to € 3.7 million in 2006).

The workforce - including directors, project workers and trainees - numbered 1,449 personnel at December 31, 2007 (1,393 personnel at December 31, 2006).

Gross operating profit amounted to € 603.4 million, substantially in line with the previous year (+3.0%), with a ratio to revenues of 55.3% (54.4% in 2006), mainly thanks to higher revenues (+€ 12.7 million, or 1.2%).

EBITDA was € 553.5 million, up 2.0% compared to the previous year, with a profitability of 50.8% (50.3% in 2006). EBITDA increased more moderately than gross operating profit, also due to the allowance for doubtful receivables of € 1.7 million accrued to cover the insolvency risk inherent in traffic revenues. Until the end of 2006, Telegate Italia S.r.l. had paid SEAT Pagine Gialle S.p.A. telephone traffic revenues net of an overall percentage rate to cover possible losses on trade receivables: by contractual agreement Telecom Italia S.p.A. was the responsible for the recovery process. In the 2007 financial statements, revenues have been recognised gross of expected losses on trade receivables and the relevant losses have been accrued in the allowance for doubtful accounts.

Operating amortisation, depreciation and write-down amounted to € 26.8 million in 2007, up 36.2% compared to 2006 (€ 19.6 million) due to the go alive of investments made in previous years.

Non-operating amortisation, depreciation and write-down amounted to € 162.1 million. This amount was unchanged compared to 2006 and refers to the amortisation of the Customer DataBase.

Non-recurring and restructuring costs, net amounted to € 13.1 million in 2007 (€ 12.7 million in 2006) and included € 7.5 million referred to corporate restructuring expenses incurred as of the end of the first half of 2007 and that the company expects to incur in the coming months due to the implementation of the corporate reorganisation plan approved by the Board and agreed with the Union. 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 highly innovative IT systems. The item includes, moreover, € 4.0 million of non-recurring costs related to possible claims on indemnities to SEAT employees.

Operating result (EBIT) amounted to € 351.6 million in 2007 (€ 348.0 million in 2006), reflecting the performance of the gross operating profit and EBITDA.

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Regulatory framework

Telephone directories and Universal Database

The EU Commission started a review proceeding on the Universal Service Directives which was concluded on October 27, 2006, aimed at redefining the framework of the obligations currently imposed on the Incumbents of fixed phone networks. With regard to its business SEAT Pagine Gialle S.p.A. took part in the relevant public consultation, arguing the need to maintain current rules requiring telephone operators to offer a Universal Database of telephone subscribers to all companies operating in the directories market and that such service should be offered in compliance with the principle of fair, non-discriminatory and cost-oriented prices. Furthermore, SEAT Pagine Gialle S.p.A. argued the need to reinforce the obligations of universal access to Directory Assistance (DA) services from all telecommunication networks. Finally, SEAT expressed its view that it was not necessary to maintain the existing obligation for the supply of the “universal” telephone directory as many other sources of such information (voice, online and mobile directories) are now available in the market. Therefore, it is no longer indispensable an obligation for the supply of print telephone directories. The results of the consultation, originally expected by 2007, will be announced within the summer of 2008 and the new directives will be adopted in each Member State starting from 2009.

Directory Assistance services

Interconnection charges from mobile telephone networks to non-geographical numbers (NGN)

After intense discussions with AGCom and the companies involved, the European Commission advised against the possibility of an *ex-ante* regulatory intervention about the interconnection charges from mobile telephone networks to non-geographical numbers (among which DA services provided by the SEAT group, through the 89.24.24, 89.24.00, 12.40, 12.56, 12.89 numbers, are included). In March 2007, therefore, AGCom decided to withdraw its resolution, submitted at the end of 2006, in which a new specific market had been regulated (the so-called 15 bis market) in addition to the 18 markets already identified by the EU Directives of 2002.

The origination charges from mobile networks to NGN will be regulated within the framework of a new market analysis on the mobile phone sector (the so-called 15 market), whose procedure started in May 2007 and is still in progress.

Pending the new market analysis, up to now three mobile phone Operators have charged the SEAT group and the other DA Providers with origination costs at the levels provided for in Resolution 504/06/CONS urgently issued by AGCom in September 2006 and aimed at allowing greater competition among DA providers by immediately reducing interconnection charges from mobile telephone networks, although this resolution expired at the end of February 2007.

Telecom Italia (“TI”), however, on one hand, appealed against the urgent resolution before the Lazio Regional Administrative Court (“TAR”) and, on the other hand, applied partially the cost reduction only to certain numbers, by excluding 89.24.24 Pronto PAGINEGIALLE®. At the basis of TI’s decision is its restrictive interpretation of Resolution 504/06: TI believes that only services exclusively providing subscribers’ information and not also other information of public interest (as in the case of 89.24.24 service) should benefit from lower origination costs. Meanwhile, in July 2007 the Lazio Regional Administrative Court accepted TI’s appeal,

cancelling the Resolution 504/06/CONS (whose validity had in any case expired) for procedural reasons: it was stated that the prerequisites of extraordinary circumstances and urgency did not exist. AGCom brought an appeal against this decision before the Council of State. SEAT, together with other DA service providers, joined this appeal in defence of the resolution. The proceeding is expected to be closed within the first half of 2008.

Selective blocking of calls to 892 numbers

As from April 2, 2007, TI (taking a unilateral decision and without receiving any explicit request from its subscribers) made changes to the possibility for a segment of its fixed network subscribers to call 892 numbers. TI decided that pointing out its wish to protect TI subscribers from using certain voice entertainment services provided through 892 numbers by some companies completely disregarding current regulation. This automatic extension of blocked calls involved about 5 million TI customers who had previously requested the deactivation of 144 and 166 numbers (which are, in fact, devoted to services with an entertainment content). These customers, without having subsequently requested it, became unable to call 892 numbers unless they used a PIN for which they had to apply to TI Customer Care. TI's decision affected not only the SEAT group but also other companies, such as Meridiana, Trenitalia, Ticketone and Tirrenia, that offer social and information services through 892 numbers in full compliance with current regulation.

Having been impossible to reach a different law interpretation by TI, an urgent appeal became necessary to the Court of Milan requiring the immediate suspension of the automatic extension of the "selective access" service. The various appeals submitted were admitted at the end of the first instance of judgment, in May 2007, and the consequent orders obliged TI immediately to reinstate access to 892 numbers for all subscribers that had not explicitly requested it. TI subsequently appealed against the judgment and obtained a stay of execution of the order. In July 2007, the final hearing was held before a Court of Milan, which admitted TI's appeal and confirmed the lawfulness of the suspension without explicit request for the 5 million subscribers of the fixed network mentioned above. 892 numbers continue being accessible without the use of a PIN by all the other fixed network subscribers that had not asked for other numbers (of either TI or other Telephone Operators) suspension, as well as by all mobile network users.

Telecom Italia refused to apply its annual Reference Offer to DA services

There is a dispute with TI, which refused to apply economic conditions to DA services in line with those approved in AGCom Resolution 19/06/CIR, regarding the Reference Offer of 2006. At the end of 2006, the SEAT group submitted a request to settle the dispute, asking AGCom to establish unequivocally that the amounts to apply for the services offered by TI should always be the same as the amounts approved by AGCom itself and that they should be valid for an entire calendar year, in order to protect the SEAT group from uncertainty regarding the cost of the services. During 2007, at the end of the preliminary inquiry proceeding and after several hearings attended by the parties, AGCom accepted the SEAT group's request, requiring TI, through Resolution 59/07/CIR, to apply the economic conditions as approved by AGCom in July 2006 throughout the year 2006.

This resolution represents the recognition of an important principle, since it confirms that the conditions for the offer of TI interconnection, regulated and approved by AGCom, have to be applied on an annual basis (1st January – 31st December) regardless of the date on which AGCom approves the document concerned. The Resolution 59/07 also stated that these conditions should also be applied to 12xy services. TI has appealed against the resolution before the Lazio Regional Administrative Court, which has not yet set a date for the hearing.

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Controversy with Telecom over methods of invoicing non-geographical number (NGN) access services

In April 2007 TI discontinued all its previously existing access agreements with the other licensed operators (OLOs) holding non-geographical numbers (NGN: including for the SEAT group only the 892 numbers and not also the 12xy numbers). These agreements regulated the rules and economic conditions of the services allowing access to TI's fixed network. Pursuant current legislation and as Incumbent operator, TI is required to offer these services to other licensed operators. Specifically, these services refer to invoicing (with regard to calls to non-geographical numbers by TI subscribers) and credit management with the related recovery actions (with regard to defaulting TI subscribers) and the risk of bad debts.

After discontinuing these agreements, TI tried to impose a new one on the OLOs, containing a change based on an interpretation that did not conform to current AGCom regulations (specifically, Resolutions 417/06/CONS and 107/07/CIR, against both of which TI had appealed to the Lazio Regional Administrative Court. At the moment the Court has rejected the appeal against the first of the two resolutions; SEAT is appearing in both proceedings in support of AGCom).

On the motion of the OLOs, last November AGCom sent TI and all the OLOs a document in which it disagreed with TI on the invoicing procedure pointing out that TI is the only one subject entitled to collect invoiced services and it is also charged with the invoicing, credit management and recovery services. AGCom asked TI to sign the access agreements with the OLOs as soon as possible, in compliance with its document. Further discussions are in progress with TI in order to negotiate a solution, without this ruling out possible action in court to safeguard the interests of the SEAT group companies.

New National Numbering Plan

The public consultation called by AGCom regarding the draft document for the review of the National Numbering Plan ended last September. Among others, the changes of greatest interest to the SEAT group are a more stringent regulation on the use of 892 numbers (to safeguard both users and providers of these services in compliance with the law) and a greater homogenisation of the rules for 12xy and 892 codes. The SEAT group took part in this process with a written statement and a subsequent appearance before the Authority. The final Numbering Plan will probably be issued within the first three months of 2008.

Guideline Document on Security

As responsible of the personal data processing, in response to the requirements of the rule No. 26 of the "Disciplinare Tecnico" concerning minimum security measures (Legislative Decree No. 196 of June 30, 2003), SEAT Pagine Gialle S.p.A. will publish the annual update of its Guideline Document on Security, in relation to the processing of "sensitive and judiciary data" by electronic instruments, by the end of March 2008.

→ UK Directories

Market scenario and strategic positioning

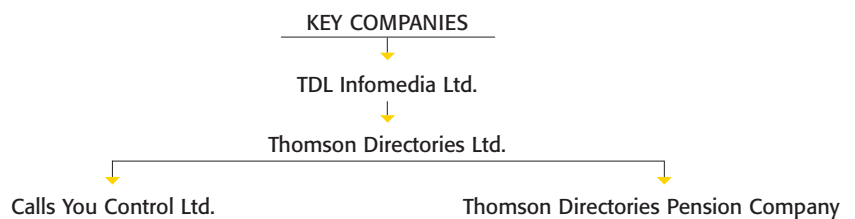
The Thomson group – present in the UK directories market since 1980 – joined the SEAT Pagine Gialle group at the end of 2000. With about 1,000 employees, the Group produces 173 editions of Thomson Local directories distributed in 24 million copies throughout the entire United Kingdom and ranks third after Yell and British Telecom. Every week, Thomson Local directories are used by 5 million people and generate 15 million business contacts. In recent years, the Group has stepped up its offer in the online directories market.

In 2007, the UK economy registered GDP growth of 3.1%, an increase compared to the 2.9% recorded in 2006. In 2008, due to the unfavorable macro-economic scenario, GDP is expected to grow (at the rate of approximately 1.8%) but with a strong slowdown compared to 2007. The UK directories market in particular is highly competitive and has reached a quite advanced stage of development. Major industrial groups such as British Telecom, Yell and Trinity Mirror operate in this market, and many competitors implement a business model mainly focusing on online operations.

In this market scenario, as of 2006 the Thomson group has been renewing its commercial offer and has introduced significant product innovations, as the restyling of Thomson Local directories, a loyalty program through the partnership with Nectar. As regards its online services, it introduced new functionalities, as *pay-per-click* offers on the UK's main search engines and portals. A reorganisation of the sales department was consequently required in order to succeed in effectively offering the market an increasingly complex and innovative multi-product range and seeking to present the Thomson group to SMEs as a media agency able to provide all-round services with regard to their presence on the Internet.

Structure of the Business Area

The UK Directories Business Area is organised as follows



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Main events during the year

- In July 2007 the Board of Directors of TDL Infomedia Ltd. (100% owned by SEAT Pagine Gialle S.p.A.) resolved the distribution of an interim dividend for an overall amount of GBP 6 million.
- In December 2007 the Board of Directors of TDL Infomedia Ltd. (100% owned by SEAT Pagine Gialle S.p.A.) resolved the distribution of an interim dividend for an overall amount of GBP 6 million.

Economic and financial performance

The table below sets out the highlights for 2007, compared to those for the previous year

(euro/million)	Year 2007	Year 2006	Change	
			Absolute	%
Revenues from sales and services	158.9	173.5	(14.6)	(8.4)
Gross operating profit	42.0	44.9	(2.9)	(6.5)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	36.8	39.3	(2.5)	(6.4)
Operating result (EBIT)	33.3	35.1	(1.8)	(5.1)
Net invested capital at the end of the year	205.3	221.6	(16.3)	(7.4)
Capital expenditure	1.8	2.8	(1.0)	(35.7)
Average workforce (FTE)	999	1,004	(5)	(0.5)

Revenues from sales and services amounted to GBP 108.8 million in 2007, down GBP 9.5 million (-8.0%) compared to 2006. This revenue performance was influenced both by the reorganisation of the sales area, which was necessary in order to bring a multi-product offer to the UK market, and an ever more competitive market environment. This situation also impacted the number of customers, which declined with respect to 2006, whereas the average value per customer increased. All the product lines were influenced by the reorganisation: print, online and business information.

In detail, *print revenues* decreased significantly, despite the positive effects arising from the restyling of the Thomson directories and the good performance of sales of new advertising spaces following to the company's agreement with Nectar (GBP 16.2 million for the year 2007). The fall in revenues was most significant in the segment of customers requiring national coverage, particularly financial institutions, which were most affected by the credit crisis. The customer segment managed by the telesales channel was also affected by the high turnover of telesales operators. Revenues from the network of sales agents spread throughout the country (accounting for approximately 75% of the total) remained substantially stable.

Online revenues as well decreased compared to 2006 despite the new positioning of the Group on the market as an online media agency. The fall in online revenues in 2007 may be attributed to the greater focus of the sales force (especially in the first half of 2007) on the new Nectar offer, confirming the sales force's difficulties in proposing and effectively managing an increasingly complex multi-product offering. The last few months of the year experienced a renewed commercial focus on the online offering, also driven by the new agreement with Google, reflected in an increase in online revenues.

Revenues from the business information channel also fell sharply on 2006, due in part to the expiry of a considerable number of database user licences.

The decline in revenues was reflected in a GBP 1.6 million drop in **EBITDA**, despite an increase in operating margin, which rose from 22.7% of revenues in 2006 to 23.2% in 2007, due to lower advertising costs, further efficiency gains related to technical production costs, and lower structural and sales costs. In more detail, the increased focus on discount and promotion policies allowed Thomson to contain its industrial costs, driven in particular by the decrease in paper consumption as a consequence of a lower number of printed signatures, resulting in an increase in the page yields (up to GBP 2,217 in 2007 from GBP 2,022 in 2006).

Distribution costs remained in line with 2006 due to the decision to internalise the distribution process, which involved 30% of operations, substantially offsetting the increase, in line with inflation, of the residual distribution costs.

Salaries, wages and employee benefits decreased by 4.3% to GBP 44.0 million impacted by the reduction in the variable component of costs in the marketing and corporate departments, offsetting the increase in the technical department arising from the development of the new Internet offering.

The **average workforce** was 999 units in 2007 (1,004 units in 2006), as the expansion of the technical staff was offset by a temporary decrease in the sales staff.

The Thomson group posted an **EBIT** of GBP 22.8 million, limiting the decrease compared to 2006 to GBP 1.1 million, also thanks to lower non-recurring costs related to restructuring in 2007.

The Thomson group's **net invested capital** amounted to € 205.3 million at December 31, 2007, including € 203.9 million of goodwill, down € 16.3 million compared to December 31, 2006 (€ 221.6 million, including € 222.6 million of goodwill), primarily due to the Euro/Sterling exchange rate. In fact, the Group's net invested capital in pounds sterling (GBP 150.5 million) remained substantially unchanged compared to the previous year.

Capital expenditure amounted to approximately GBP 1.2 million (GBP 1.9 million in 2006). In 2007, the Group invested primarily in EDP software and systems.

Operating free cash flow amounted to GBP 19.6 million, down compared to the previous year (GBP 27.5 million) due to the lower contribution of operating working capital, only partly offset by the decrease in capital expenditure.

Regulatory framework

No significant events are reported with respect to those described in the Report on operations of 2006 Annual Report.

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→ 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 AG and the subsidiary Prontoseat S.r.l. directly owned by SEAT Pagine Gialle S.p.A..

The **Telegate group** operates in different European directory assistance markets, featuring different levels of maturity.

In *Germany*, where the market continues to show year after year a decline in call numbers, Telegate, which provides services through the 11880 portal and is the second player after the former monopolist, Deutsche Telekom, has pursued a strategy of expanding its offer with value-added services, allowing the Company to increase its market share from 37% in 2006 to 38%. In addition, in reaction to the structural decline of the market, Telegate launched an online information search portal, leveraging its strong brand and high-quality database, and established a specific advertising sales department.

In *Spain*, Telegate consolidated its position, which, over time, will allow it to achieve an adequate level of profitability.

In *France*, after an extremely competitive start-up phase in 2006, which required strong advertising investments, Telegate reached the break even in the second half of 2007, in a market characterised by greater stability (though it is not yet at a level that can guarantee sufficient overall profitability).

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

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

Structure of the Business Area

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



Main events during the year

- In April 2007, the Shareholders' Meeting of Prontoseat S.r.l. – 100% owned by SEAT Pagine Gialle S.p.A. – resolved to cover the losses reported in the financial statements for the year ended December 31, 2006, by using the equity reserve "Shareholders' contributions" at December 31, 2006.
In June 2007, SEAT Pagine Gialle S.p.A. made a further equity contribution in the amount of € 1 million.
- In May 2007, the Shareholders' Meeting of Telegate AG – 61.85% owned by Telegate Holding GmbH and 16.43% 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.
- In September 2007, the companies Le 118000 SAS (100% owned by Telegate France Sarl) and Telegate France Sarl (100% owned by Telegate AG) were merged into a new company, Telegate 118000 Sarl.
- In October 2007, an Extraordinary Shareholders' Meeting of Telegate Holding GmbH (100% owned by SEAT Pagine Gialle S.p.A.) resolved to distribute an interim dividend for an overall amount of € 8.4 million.
- Between September and December 2007, the share capital of Telegate AG increased by € 248 thousand due to the issue of 247,500 ordinary shares, following the exercise of the same number of options by the beneficiaries of the stock option plans. This transaction reduced the interest in the company held by the SEAT Pagine Gialle group, which declined from 78.28% (16.43% directly and 61.85% through Telegate Holding GmbH) to 77.37% (16.24% directly and 61.13% through Telegate Holding GmbH).

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Economic and financial performance

The table below sets out the highlights for 2007, compared to those for the previous year

(euro/million)	Year 2007	Year 2006	Change	
			Absolute	%
Revenues from sales and services	185.8	188.7	(2.9)	(1.5)
Gross operating profit	53.5	16.7	36.8	n.s.
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	50.0	17.7	32.3	n.s.
Operating result (EBIT)	40.7	10.6	30.1	n.s.
Net invested capital at the end of the year	37.9	61.6	(23.7)	(38.5)
Capital expenditure	5.8	6.0	(0.2)	(3.3)
Average workforce (*)	2,476	2,391	85	3.6

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

Revenues from sales and services of Directory Assistance Business Area amounted to € 185.8 million in 2007, down 1.5% compared to the previous year, primarily due to the performance of Telegate on the French market, partly offset by the growth of call center services in Telegate Italia (particularly the 12.40 Pronto PAGINEBIANCHE service) and in Prontoseat S.r.l. (driven by the traffic generated by the 89.24.24 Pronto PAGINEGIALLE® service and the development of outbound activities).

EBITDA amounted to € 50.0 million in 2007, up sharply from the previous year, due in part to the considerable decrease in advertising expenses of the Telegate group, which were very high in 2006 to support the start-up phase of operations in France.

Telegate group

16.24% owned by SEAT Pagine Gialle S.p.A. and 61.13% by Telegate Holding GmbH

The table below sets out the highlights for 2007, compared to those for the previous year

(euro/million)	Year 2007	Year 2006	Change	
			Absolute	%
Revenues from sales and services	173.3	178.9	(5.6)	(3.1)
Gross operating profit	51.9	16.4	35.5	n.s.
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	48.9	16.7	32.2	n.s.
Operating result (EBIT)	40.4	10.3	30.1	n.s.
Net invested capital at the end of the year	19.5	43.7	(24.2)	(55.4)
Capital expenditure	5.5	5.3	0.2	3.8
Average workforce (FTE)	2,130	2,103	27	1.3

telegate

Revenues from sales and services decreased by 3.1% to € 173.3 million in 2007. The decrease was mainly linked to French market business trend. It should be noted that revenues for 2006 included € 9.6 million for services rendered in outsourcing for mobile providers SFR and Bouygues Telecom (at no margin), which were no longer carried out following market liberalisation in April 2006. Excluding these revenues, the increase compared to 2006 was 2.4%.

An analysis by country shows that:

- in **Germany**, revenues dropped by 2.3% to € 112.8 million compared to 2006. The decline of the telephone assistance service market continued in 2007, especially fixed-line calls, whereas calls from mobile phones remained stable. Telegate's positioning, which is more oriented towards mobile phone users than its competitors, allowed the company to consolidate its market share from 37% to 38%. The decrease in the call numbers to the 11880 service was offset by the increase in the average value per call arising from price adjustments and longer call handling time resulting from the introduction of ANA (Automatic Number Announcement) and, most especially, the strategic decision of constant developing value added services. In 2007, new offers were launched, as information on restaurants and maps for mobile phones, as well as the "Payback" initiative (Germany's best-known loyalty program), that allows customers to accumulate points by calling the number 11880 and has already generated positive results in 2007. Significant agreements were signed with important partners such as Google, governing the integration of maps and satellite photographs of Google Maps, and the media group Bild-Zeitung & Herz, supporting the new product BILDmobil, which will include the functions of 11880 "local searches".

In 2007, Telegate also continued to pursue a multi-channel strategy by offering its services both on voice and through the portal 11880.com with the aim of generating advertising sales. Advertising revenues amounted to € 2.8 million in 2007. Approximately 10,000 customers were acquired, with an average revenue per advertiser of approximately € 300;

- in **Spain**, revenues decreased compared to 2006, due in particular to the fall in revenues arising from the telephone assistance services outsourced by the operator MGA and the less than brilliant performance of other services managed in outsourcing for Antena 3, Jazztel and Comunitel. This decrease was partly offset by the increase in branded revenues, driven by the increased call handling time and the change in call rates, which offset the decrease in call numbers. Also in Spain a multi-channel offer (voice and online) was launched. In this connection, Telegate started to cooperate with QDQ Media SAU, second directories operator in Spain, with the aim of integrating new technology and developing a web platform for 11811;
- in **Italy**, the significant increase in revenues was driven by the positive performance of calls to the services 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE, which were up approximately 30% on the previous year;

- in **France**, the Company with its own 118000 number earned € 20.6 million in revenue, up 8.4% compared to 2006, if the comparison is made net of the aforementioned services managed in outsourcing for the mobile phone operators SFR and Bouygues Telecom, which were discontinued in April 2006 (date of the liberalisation of the market), as these services were provided at no margin. This result was achieved in a market characterised by greater stability than in the past, although the market is still not stable enough to permit satisfactory overall profitability. In the fourth quarter of 2007, a project to create an online platform in France was launched: its sales test, outsourced to a specialised company, is currently being performed.



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In 2007, **EBITDA** of the Telegate group rose by more than € 32 million compared to 2006, due in particular to the considerable decrease (-52.3%) in advertising investments, which were particularly high in 2006 due to the launch of the number 118000.

In **Germany**, EBITDA, despite the fall in revenues, increased by approximately € 4.8 million compared to 2006 due to the following factors: *i*) lower advertising costs (-40.3%) than in 2006, when a new operator entered the market; *ii*) lower industrial costs thanks to the decrease in the cost of updating database (down € 7.5 million) following the positive outcome of the lawsuits with Deutsche Telekom by the courts of Düsseldorf and Cologne. This cost reduction offset the increase in salaries, wages and employee benefits arising from the expansion of the key accounts and the telesales channel. General costs increased compared to 2006. They include € 0.8 million in consulting fees for litigation with Deutsche Telekom.

Good profitability was recorded in **Spain**, in line with 2006. The drop in revenues was offset by higher savings of operating costs for call centers arising from the optimisation of overall capacity and lower organisational costs.

In **Italy**, the positive performance of the services 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE and the increased efficiency in call center operations led to a sharp improvement in EBITDA over 2006, despite the increase in salaries, wages and employee benefits due to the change in contractual agreements with the call center operators.

In **France**, EBITDA increased by € 26.6 million compared to 2006 thanks to the decrease in advertising costs and lower costs thanks to the rationalisation of overall production capacity, following the discontinuation of the Company's outsourcing contracts with SFR and Bouygues Telecom. Increased revenues, on the one hand, and the aforementioned savings, on the other, allowed the company to reach the break-even point in the second half of 2007.

The **average workforce** of the Telegate group was 2,130 units in 2007 (2,103 units in 2006), of whom 1,820 were phone operators.

Net invested capital of the Telegate group amounted to € 19.5 million at December 31, 2007, down € 24.2 million compared to December 31, 2006, due in part to the recognition of a liability of € 12.3 million to Deutsche Telekom. In this regard, in July 2007 Deutsche Telekom, as already described in the 2007 First Half Report, had paid this sum as an advance on the amount possibly due upon the outcome of the pending litigation (concerning the price paid by Telegate AG in previous years for the purchase of telephone subscriber data, deemed excessive). Deutsche Telekom made such payment while confirming that it had not accepted the judgments passed by the judicial authorities till now, against which it intends to appeal.

The positive performances of EBITDA and operating working capital (due in particular to the collection of the aforementioned sum from Deutsche Telekom) resulted in an increase in operating free cash flow of € 64.2 million compared to the previous year.

Capital expenditure amounted to € 5.5 million, in line with 2006. It includes € 1.5 million referred to investments to develop the online platform in Germany and € 2.8 million to enhance the production capacity of call centers in Germany, Spain, France and Italy.



Prontoseat S.r.l.

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

The table below sets out the highlights for 2007, compared to those for the previous year

(euro/million)	Year 2007	Year 2006	Change	
			Absolute	%
Revenues from sales and services	12.6	9.8	2.8	28.6
Gross operating profit	1.6	0.3	1.3	n.s.
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	1.2	1.1	0.1	9.1
Operating result (EBIT)	0.3	0.3	-	-
Net invested capital at the end of the year	1.1	0.5	0.6	n.s.
Capital expenditure	0.4	0.7	(0.3)	(42.9)
Average workforce	345	288	57	19.8

In 2007, **revenues from sales and services** of Prontoseat S.r.l. amounted to € 12.6 million and increased by 28.6% compared to the previous year, thanks to the positive performances of the traffic volumes generated by the value-added service 89.24.24 Pronto PAGINEGIALLE® and the development of outbound services.

EBITDA amounted to € 1.2 million in 2007, a 9.1% increase compared to 2006, despite higher salaries, wages and employee benefits, due to the change in the contractual agreements with the call center operators and their increased number. The increase in the workforce compared to the previous year was required to support the increase in outbound telesales service (contacting potential customers and renewing existing customers on directories and 12.40 Pronto PAGINEBIANCHE service) and the launch of new activities (enrichment of the PAGINEGIALLE Prenota database, the appointment scheduling service for agents selling Europages products, interviews and market surveys on behalf of Consodata). In order to improve the quality of services provided, the Company continued to invest in the training of its call center operators: training hours per capita increased by 13.9% compared to 2006.

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Regulatory framework

Germany

During 2007 Telegate AG continued the litigation (already 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, in the judgement concerning the return of excess sums paid for the supply of subscribers data for the periods from 1997 to 2000 and from 2000 to 2004, the Düsseldorf Regional Court confirmed the decision handed down by the Court of Cologne on August 31, 2005. The Court ratified Telegate AG's right to the return of the following amounts, in addition to interest:

- € 52 million (for the period from 1997 to 2000);
- € 30.5 million (for the period from 2000 to 2004).

Deutsche Telekom appealed to the Federal Court against the first judgement. The result is expected before the end of 2008.

No further appeal is granted against the second judgement. Deutsche Telekom submitted a request to the Federal Court attempting to have the right to appeal granted.

Finally, as regards the judgment for the period January-September 1999, the Düsseldorf Regional Court confirmed the decision handed down on June 22, 2005, recognising Telegate AG's right to the return of a sum amounting to € 4.3 million, plus interest. Deutsche Telekom has submitted a request to the Federal Court attempting to have the right to appeal granted in this case too.

In the meantime, Telegate AG received € 12.3 million from Deutsche Telekom as an advance on any sum due at the end of the pending proceedings. Nevertheless Deutsche Telekom confirms that the advance does not constitute acquiescence in the court decisions handed down up to this time and is appealing against them.

Austria

No significant events are reported with respect to those described in the Report on operations of 2006 Annual Report.

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, by ordering Orange to submit new conditions to Telegate France.

In March 2007 the French Ministry of Industry, with ARCEP, issued a measure that lays down new rules for the sale of the telephone subscriber database which the various telephone operators must make available to the 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 costs for the directory assistance service providers, is at the moment the subject of an appeal brought by AFORS (Association des Opérateurs de Réseaux et Services de Télécommunications), the association which brings together alternative telephone operators.

In April 2007, ARCEP published the resolution regarding Value Added Services (“VASs”), which lays down some obligations that are defined as “symmetrical” as 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 freely deciding the conditions of the offer to end-users.

As a result of this decision, ARCEP has ruled that:

- a) France Télécom (FT) is no longer obliged to offer OLOs billing services in accordance with the cost-orientated principle;
- b) FT is not bound to offer billing on behalf of third parties if it offers “*de reversement*” service, whereby FT invoices the end-user an amount that includes billing, collection and management of bad debt, transferring a portion of the total of these amounts to the OLOs.

The ADR Association (whose founders are Telegate France, Le Numero and Pages Jaunes) has appealed against this decision.

Spain

The Communications Ministry published a resolution confirming again the obligation for Telefónica (the Incumbent telephone company) 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 Telefónica has offered a directory assistance service from a “universal service” standpoint through the 118.118 number.

Telegate Spain is convinced that a Universal Service 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 Telefónica, 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 complies with the European rules.

Even if the Communications Ministry resolution is confirmed, no changes in competition aspects are expected in the Spanish directory assistance market.

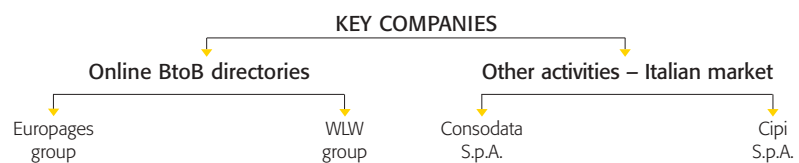
Finally, the Spanish Regulatory Authority (CMT) has decided to set up a fund to finance the Universal Service with the aim of balancing the costs that Telefónica must incur for this service (provided at a loss between 2003 and 2005), without at present specifying which entities are expected to contribute.

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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



Main events during the year

- In March 2007, the German company Europages GmbH was established with share capital of € 25 thousand. The Company is fully owned by Europages S.A.. Its business purpose is to carry out sales and marketing activities.
- In March 2007, the General Shareholders' Meeting of Consodata S.p.A., 100% owned by SEAT Pagine Gialle S.p.A., resolved to distribute an overall dividend of € 2,005 thousand.
- In March 2007, the General Shareholders' Meeting of Europages S.A., 93.562% owned by SEAT Pagine Gialle S.p.A., resolved to distribute an overall dividend of € 2,975 thousand.
- In April 2007, the Shareholders' Meeting of Cipi S.p.A., 51% owned by SEAT Pagine Gialle S.p.A., resolved to distribute an overall dividend of € 1,200 thousand, including € 800 thousand as retained earnings.
- On October 1, 2007, the acquisition of the 100% interest in Wer liefert was? GmbH from Eniro AB became effective. The group operates on the online BtoB market, particularly in Germany. The transaction was carried out throughout a special purpose vehicle (Provista GmbH, later renamed Wer Liefert Was? Holding GmbH), set up ad hoc and 100% owned by SEAT Pagine Gialle S.p.A.. The purchase was finalised at a net cash out of € 118,135 thousand, corresponding to the enterprise value of the acquired group.
In December 2007, the General Shareholders' Meeting of Wer liefert was? Holding GmbH resolved on a share capital increase, up to € 5,000 thousand from € 25 thousand at that moment. In December 2007, the deed of merger of Wer liefert was? GmbH (100% owned by Wer liefert was? Holding GmbH) into Wer liefert was? Holding GmbH was signed. The latter was then renamed Wer liefert was? GmbH. The merger, which entered into force upon the registration in the business register in March 2008, began to have tax and accounting effects as from October 1, 2007.

- In October 2007, Consodata Group Ltd. (100% owned by SEAT Pagine Gialle S.p.A.) was cancelled from the business register. On June 22, 2007, the Company's Shareholders' Meeting had resolved regarding the closing of the liquidation process.
- In November 2007, in execution of the agreements signed on November 12 with Doğan Yayın Holding A.S., SEAT Pagine Gialle S.p.A. acquired the 50% interest in Katalog Yayın ve Tanıtım Hizmetleri A.S. throughout the subscription of a reserved share capital increase. The Company, previously owned by Doğan Yayın Holding, has its registered office in Istanbul and operates in the directories market in Turkey.

Economic and financial performance

The table below sets out the highlights for 2007, compared to those for the previous year

(euro/million)	Year 2007	Year 2006	Change	
			Absolute	%
Revenues from sales and services	80.2	77.0	3.2	4.2
Gross operating profit	9.8	12.1	(2.3)	(19.0)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	9.9	12.0	(2.1)	(17.5)
Operating result (EBIT)	3.5	8.4	(4.9)	(58.3)
Net invested capital at the end of the year	146.6	16.1	130.5	n.s.
Capital expenditure	7.4	4.4	3.0	68.2
Average workforce (*)	511	424	87	20.5

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

The comparison with the previous year is not consistent since the economic results of:

- Wer liefert was? GmbH have been consolidated line-by-line as of October 2007;
- Europages GmbH have been consolidated as of March 2007.

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Online Business to Business directories

Europages group

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

The Europages group 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 exporters or suppliers. The database is constantly growing, with the inclusion of new companies from the countries that have recently joined the European Union.

In 2007, the Company began including Europages GmbH in its consolidated accounts. Europages GmbH, a German company wholly owned by Europages S.A., was established in March 2007 to sell the Europages product in Germany. The decision is consistent with the sales reorganisation plan launched in Europe by Europages S.A. with the goal of strengthening its presence on the markets of the main countries. The first step of the plan involved the establishment of a direct sales force in France in 2006; this business model will be extended to other major European countries, including Germany. However, this plan predated the acquisition of the German group WLW, a transaction made precisely for the purpose of strengthening the position of the SEAT group in the Business to Business market in Europe, and especially in Germany. In 2008, the operations of Europages GmbH are planned to be integrated into the current operations of WLW in order to achieve significant synergies, especially in terms of sales capacity.

The table below sets out the highlights for 2007, compared to those for the previous year

(euro/million)	Year 2007	Year 2006	Change	
			Absolute	%
Revenues from sales and services	25.7	29.0	(3.3)	(11.4)
Gross operating profit	1.1	5.7	(4.6)	(80.7)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	1.3	5.7	(4.4)	(77.2)
Operating result (EBIT)	(1.9)	5.0	(6.9)	n.s.
Net invested capital at the end of the year	7.2	(1.4)	8.6	n.s.
Capital expenditure	4.4	1.9	2.5	n.s.
Average workforce (FTE)	129	60	69	n.s.

EUROPAGES

In 2007, **revenues from sales and services** amounted to € 25.7 million, decreasing by € 3.3 million compared to the previous year, of which approximately a € 2.4 million decrease may be attributed to France and approximately € 1 million to Italy. The reduction is due to the different sales strategy pursued as of 2007, which envisages: *i*) migrating from a multimedia offer of the previous year to an almost entirely online offer, and *ii*) setting up an owned sales network in the most attractive countries, especially in France. The creation of a direct sales network in France following the conclusion of the distribution agreement with Pages Jaunes had temporary negative effects on revenues in France arising from the

implementation of the project (which required more time than planned) and the quality of the acquired customer portfolio, which did not match expectations. In fact, it included a high number of BtoC consumers who have not migrated to the new sales network because they are not very interested in the Europages product when it is not backed by Pages Jaunes products. The decrease in revenues in Italy, on the other hand, was related to the migration from a multimedia offer to an online offer. Consistently with worldwide Business to Business trends and given that the majority of searches are performed online, the 2007 print edition (the 25th) will be the final one and, starting in 2008, the product will be available only online.

In 2007, the visits were 22.2 million (+4.2%) and the searches 64.8 million, providing evidence of the strong positioning of the portal in the BtoB segment at the European level.

The reduction in revenues was reflected in a drop in operating margins. **EBITDA** amounted to € 1.3 million, compared to € 5.7 million in 2006, remaining positive despite the increase in costs incurred to create the new sales networks in France and Germany and to establish and enhance certain central departments with monitoring and marketing roles in the Parent Company, partially offset by savings on costs of printing and distributing print directories.

The **average workforce** increased by 69 units, rising from 60 units in 2006 to 129 units in 2007 due to the effect of the reorganisation plan currently in progress.

Net invested capital amounted to € 7.2 million at December 31, 2007, with an increase of € 8.6 million over the previous year, primarily due to the increased capital expenditure made during the year. The migration from a multimedia to an online offer also entailed an increase in trade account receivables arising from the different invoicing schedule.

Capital expenditure amounted to € 4.4 million in 2007, up approximately € 2.5 million compared to 2006, and was mainly referred to intangible assets used to create a new database to support the sales department and to the development of the new website "Europages 2.0".

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Wer liefert was? GmbH (Who supplies what?)

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

On October 1, 2007, the acquisition of 100% interest in Wer liefert was? GmbH (WLW) from Eniro AB became effective. The enterprise value was € 118 million paid by SEAT through its own operational cash flow. The acquisition is in line with the SEAT group's strategy to leverage its assets to grow in Europe, expand its international presence and consolidate its position in the online Business to Business market, in particular in Germany, where the SEAT group operates through Telegate and Europages.

The WLW group operates in the online BtoB market, primarily in Germany, but also in Austria, Switzerland, the Czech Republic, Croatia and Slovakia. It sells advertising space on its website through three standardised offers aimed primarily at domestic companies on the German BtoB market. The WLW website is well known by BtoB companies, as is shown by the website usage, which has increased over the years (+36% in 2007, from 1.1 million unique users to 1.4 million in 2007), and also by the number of advertisements on the website (1.8 million in 2007 compared to 1.2 million in 2006). The WLW database, which includes detailed information on 600,000 companies in the BtoB market, is divided into 48,000 categories.

The table below sets out the highlights for the fourth quarter of 2007 (WLW entered into the consolidation area as of October 1, 2007).

For a more detailed and complete information, the table sets out the key figures for all the year 2007 compared with those referred to 2006. However, it should be noted that these figures were prepared in accordance with the accounting standards adopted by the WLW group before the acquisition and are consequently not comparable with the figures of the fourth quarter of 2007.

	4 th quarter 2007	Year 2007 pro-forma ⁽¹⁾	Year 2006	Change Absolute	%
(euro/million)					
Revenues from sales and services	8.6	34.5	35.1	(0.6)	(1.7)
Gross operating profit	1.8	6.3	6.1	0.2	3.3
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	1.9	7.1	7.6	(0.5)	(6.6)
Operating result (EBIT)	1.3	5.7	6.4	(0.7)	(10.9)
Net invested capital at the end of the year	119.9	119.9	(7.8)	127.7	n.s.
Capital expenditure	0.5	0.8	0.8	-	-
Average workforce (FTE)	227	238	252	(14)	(5.6)

(1) Figures are not comparable because they are recognised according to the local accounting standards.



Wer
liefert
was?

Revenues from sales and services amounted to € 34.5 million in 2007, compared to € 35.1 million in 2006. This 1.7% decrease was related in particular to the Group's strategy of considerably expanding its customer base in order to increase its market penetration. During the year, this led to lower revenues from new customers than in previous years, despite the increase in the number of customers. In fact, in 2007, WLW had a total of 23,109 customers in Germany, up 4.5% from 22,107 in 2006. Customers in other countries (Switzerland, Austria, Croatia, the Czech Republic and Slovakia) increased to 10,405 at the end of 2007, up 1.4% on 2006 (10,257).

The Group **EBITDA** amounted to € 7.1 million in 2007, down slightly compared to 2006; this performance was affected by the payment of variable bonuses to the sales force, which were withheld in 2006 and then distributed in 2007.

Net invested capital includes € 126.9 million of goodwill arising from the merger by incorporation between Provista GmbH (a special purpose vehicle fully owned by SEAT Pagine Gialle S.p.A. and used to carry out the acquisition of the German group Wer liefert was?) and Wer liefert was? GmbH, the holding company of the German group which was acquired. This merger, which entered into force in March 2008, had accounting effect as of October 1, 2007.

Net working capital was negative for € 15.4 million at December 31, 2007 (negative for € 16.8 million at December 31, 2006).

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Other activities – Italian market

Consodata S.p.A.

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

For over 20 years, Consodata S.p.A., the Italian leader in one-to-one marketing and in geo-marketing, has been offering complete and innovative direct marketing services to thousands of enterprises operating in all industries. 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 S.p.A. offers its customers access to the largest behavioral database in Italy. This database enables companies 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 2007, compared to those for the previous year

(euro/million)	Year 2007	Year 2006	Change	
			Absolute	%
Revenues from sales and services	23.4	25.1	(1.7)	(6.8)
Gross operating profit	4.5	4.2	0.3	7.1
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	4.5	4.3	0.2	4.7
Operating result (EBIT)	2.6	2.2	0.4	18.2
Net invested capital at the end of the year	9.4	8.5	0.9	10.6
Capital expenditure	1.9	2.0	(0.1)	(5.0)
Average workforce	117	135	(18)	(13.3)



In 2007 **revenues from sales and services** amounted to € 23.4 million, down € 1.7 million compared to 2006 due to both the decline in the performance of the SME sales channel and the Company’s decision to focus on the sale of high-margin products (decreased focus on the “print” segment and more attention to the “data content” and “geo-marketing” segments). Also in 2007 the Company continued its strategy to change the business model by developing new technology to meet the customers’ needs more closely and the requests for an increasing degree of product customisation. Revenues from mailing and print segment were mainly impacted, for both the SME and large account channels, due to the increasing competition from Poste Italiane and small providers recorded in this segment. The decrease was partly offset by increased sales of “data content” products by approximately € 1.4 million compared to 2006 (+25.9%), driven by the sales of lists, mainly Business to Consumer.

Despite the fall in revenues, **EBITDA** increased by 4.7% compared to 2006 due to a different sales mix and a decrease in distribution and printing costs (down € 2.1 million) due to lower revenues from the print segment. The company is increasing its focus on the sale of high-margin products, such as “data content” products. The increase in EBITDA was driven both by the increased operating costs savings and the reduction of salaries, wages and employee benefits related to sales and corporate staff due to the decrease in the average workforce compared to 2006, in part as a consequence of the transfer of staff to SEAT’S sales and IT departments.

Operating free cash flow posted a high increase compared to the previous year (+€ 0.9 million), rising to € 1.7 million, driven by the growth in EBITDA and the positive contribution of operating working capital.

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Cipi S.p.A.

51% owned 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 personalisation 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 2007, compared to those for the previous year

(euro/million)	Year 2007	Year 2006	Change	
			Absolute	%
Revenues from sales and services	23.5	22.5	1.0	4.4
Gross operating profit	2.3	2.2	0.1	4.5
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	2.2	2.1	0.1	4.8
Operating result (EBIT)	1.6	1.3	0.3	23.1
Net invested capital at the end of the year	9.9	9.2	0.7	7.6
Capital expenditure	0.5	0.5	-	-
Average workforce	206	224	(18)	(8.0)



Revenues from sales and services amounted to € 23.5 million in 2007, with an increase of 4.4% compared to 2006, thanks to the Company's strategy of improving the quality and quantity of its direct sales network, focused on large accounts.

EBITDA amounted to € 2.2 million, with an improvement compared to 2006, also due to the constant attention to increase efficiency through the containment of costs related to employees, mainly industrial workforce. In 2007 salaries, wages and employee benefits decreased by 3.5%, despite the impact of the recent contractual adjustments and the company's participation in complementary pension schemes for its employees.

➤ Other information

➔ Human resources

SEAT Pagine Gialle group

	At 12.31.2007	At 12.31.2006	Change
Employees	6,421	6,084	337
Directors, project workers and trainees	231	577	(346)
Total workforce at the end of the year	6,652	6,661	(9)
Average workforce for the year (FTE)	5,365	5,164	201

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

The Group's workforce numbered 6,652 personnel at December 31, 2007, substantially in line with December 31, 2006 (6,661 personnel). The average workforce during the year (FTE for foreign companies) was 5,365 units, an increase of 201 units compared to the previous year. The average workforce is significantly lower than the workforce at the end of the year (number of "heads") because of high recourse to part-time contracts, particularly in the call centers.

As a consequence of the consolidation of the WLW German group as of October 1, 2007, the Group workforce increased by 231 personnel at the end of the year (an increase of 57 units in the average workforce because the WLW group was consolidated only for the last quarter). With reference to workforce by Business Area, SEAT (contributing to Group total revenues at 74.7%) employs only 26% of the overall workforce in 2007. This is due to the following reasons:

- in Italy, the sales force mainly consists of agents (1,607 at December 31, 2007), while abroad it is composed of employees;
- call centers (used to provide directory assistance services) employ a high number of operators mostly part-time. The Directory Assistance Business Area (contributing to Group total revenues at 10.2%) employs 45% of the overall workforce in 2007.

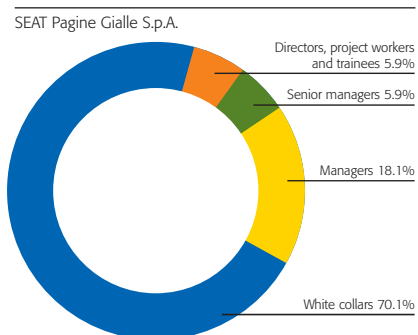
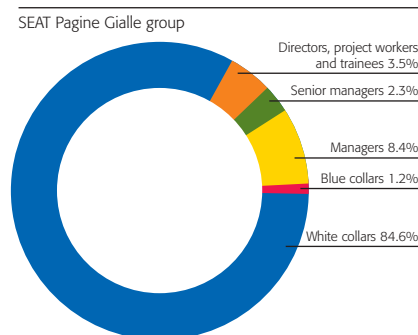
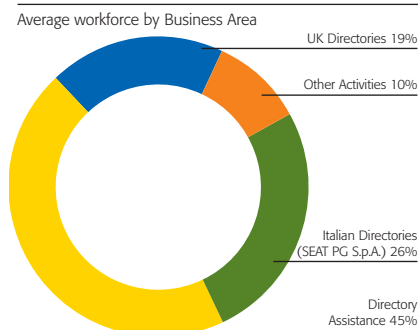
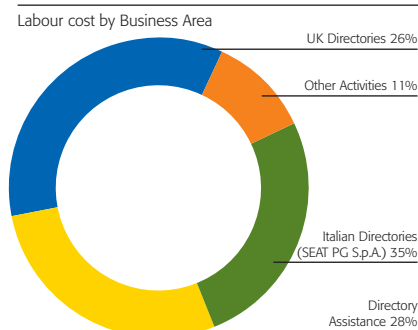
There was a high increase in the Europages' workforce (FTE +69 units), as a result of the strategic decision to set up a direct sales network both in France and Germany and strengthen the structure particularly in the Information Technology department.

Telegate group increased its staff (FTE +27 units) due to the decision to boost the structure dedicated to the internet products development. At the end of the year the number of project workers, mainly employed in call centers, was significantly lower than at the end of 2006.

Prontoseat increased its workforce (+57 units) to face the increase in the call numbers to the 89.24.24 Pronto PAGINEGIALLE® service.

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SEAT Pagine Gialle S.p.A.

	At 12.31.2007	At 12.31.2006	Change
Employees	1,363	1,274	89
Directors, project workers and trainees	86	119	(33)
Total workforce at the end of the year	1,449	1,393	56
Average workforce for the year	1,379	1,345	34

The number of SEAT Pagine Gialle S.p.A. employees increased by 89 personnel compared to December 31, 2006. This increase was almost totally recorded already in the first half of 2007 and is due to the recruitment of qualified resources in strategic areas to support its business development (in particular, Internet and Sales Departments). Internet and Sales Departments were reorganised during the year: in particular, it should be noted the reorganisation plan of the Sales Department carried out in November 2007, with the creation of the SMEs and Local Sales Department. The higher number of the employees was also due to the decision to insource some IT activities, previously outsourced, and reallocate in SEAT Pagine Gialle S.p.A. a certain number of employees of the subsidiary Consodata to support the business.

There was less recourse to temporary staff than in the previous year.

In the second half of the year, the corporate reorganisation plan (described in the next paragraph "Industrial relations") began to show its first effects, with 26 personnel taking early retirement.

58% of the new employees in 2007 are from 26 to 30 years old and about 87% are graduates. There was also a 4% increase, up to 32%, in the number of employees with fewer than 5 year seniority. The average age of workforce decreased to 42 years.

The percentage of women employed remained substantially stable compared to 2006, at about 54%.

Sales force

SEAT Pagine Gialle S.p.A. sales force is made of 1,618 agents (1,614 agents in 2006) and 104 employees (112 employees in 2006). Following the recent reorganisation – in November 2007 – it is structured and organised in 3 sales channels, based on customer segments (“Large Customers”, “SMEs Sales” and “Local Sales”), in order to better understand and meet more effectively their specific communication needs. Specifically:

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

The Large Customers Sales Department is organised by business category in order to manage the advertising needs of complex customers with a specialist approach. In 2007, the Department set up two new sales structures within its organisation, targeted respectively to manage and develop SEAT offering for central and local Public Administration and to develop innovative multi-platform projects (in collaboration with the Marketing Department), to meet domestic customers’ needs at the maximum level of personalisation;

- the *SMEs and Local Sales Department*, established in November 2007, addresses SMEs and Local businesses, offering a more standardised service throughout Italy than the previous one by increasing coordination among sales networks and product offerings differentiated by customer segment. The new sales organisation is divided into 4 *macro-areas* (based on the classification proposed by the Nielsen research institute) and 37 *markets* (identified based on geographic similarities, sales potential and management optimisation). The new organisation employs *Area Managers*, who are responsible for managing and developing the sales network in the assigned area and for the economic results of that area, and *Market Managers*, who carry out similar tasks but at the market level, differentiated by customer segment, to ensure the effective satisfaction of the communication needs of each segment.

The *SMEs Sales Department*, specifically, operates through a network of 1,282 agents coordinated by 37 Market Managers, addressing the communication market of SMEs and managing a total of about 400,000 customers.

The *Local Sales Department* operates through two channels: the telephone channel and the territorial network of Field Agents (about 270). The Local Sales Department manages about 220,000 low potential customers and a relevant number of *prospects*. The product offering of this department is more basic, reflecting the communication needs of the target market. The network of Field Agents includes some specialists in Business to Consumer products or Local niche products.

In March 2008, the Kompass Italia sales network entered the SMEs and Local Sales Department. Such sales network consisted of about 63 agents at the end of 2007, coordinated by three employed area managers, dedicated to the sale of products and services related to the Business to Business offer.

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Organisational development and services to employees

During 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.

In particular, it should be noted that in 2007 the *Employee Performance Review* process on 2006 was completed, involving 92% 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 performance assessment culture among staff.

The *Performance Review* process, extended also to the sales force, saw an increase in performance assessment of 54% compared to the previous directory sales campaign, also thanks to the possibility of filling a performance form online.

Actions have been carried out to support the sales force of the SMEs and Local Sales Department, 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.

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

Training

Having reached its third year of activity, Seat Corporate University (the SEAT Pagine Gialle training school) is constantly focused to employees, sales force and customers. In 2007, it further consolidated its training programme and thanks to its experience over time it enlarged its offering in connection with the specific aspects of SEAT Pagine Gialle S.p.A.'s business.

The use of the *Learning Management System* platform increased constantly, to supply information about training courses and to convey online training modules as a complement to, or in replacement of, classroom training. Some teaching activities were also brought in house thanks to the exploitation of internal professional experience and know-how.

In 2007, 65,394 hours of training were supplied, with a per head average of about 3 days. Attendance at training courses was extended to a higher number of staff than in 2006. The average duration of the courses was reduced in order to allow closer integration with internal organisational requirements, while more modules were prepared, also by making use of integrated methods involving online preparation and study.



The main subjects dealt with were:

- 72% addressed to the sales force, with special attention to the training programs for new engaged agents (a large number in the year); supporting the sales team leaders and orienting them to “evolved” sales techniques, favouring an increasingly professional approach focused on improving customer satisfaction and loyalty;
- 18% dedicated to the development of employees’ managerial skills and organisational behaviours, on the matters of change management and improvement of key organisational skills;
- 10% dedicated to the specialisation and development of technical skills.

At the same time, SEAT continued to be focused on caring its SMEs customers, addressing them the 6 two-monthly editions of the magazine *Seat Con Voi*, which proposed and developed themes about Business Communication, successful enterprise and new trends. Seat Corporate University was also very active in recruiting new sales agents, having engaged more than 350 ones.

Corporate Communication



Throughout 2007 the Business Web TV continued, consolidating its position as the corporate communication tool for the most important events for the Company.

In December 2007, the testing phase began for the “Portal 2.0” project for the new Corporate Intranet platform, whose purpose is to support Corporate Identity processes, improving the possibility of using the information in the system, rationalising the services proposed and integrating individual know-how and expertise and supporting the Corporate Identity processes.

Industrial relations

The first half of the year was characterised by two important events: the agreement on the Corporate Reorganisation Plan signed with the Trade Unions (first at the Company’s head office and then at the Ministry of Employment and Welfare) and the submission to the Ministry of Employment and Welfare of the application for the recognition of the Corporate Reorganisation Plan in order to obtain CIGS treatment (*Cassa Integrazione Guadagni Straordinaria*, Extraordinary Unemployment Compensation).

In the second half of 2007, the Ministry of Employment and Welfare approved the CIGS plan, related to the Corporate Reorganisation Plan for the period January 29, 2007 – January 28, 2009 by Decree No. 41751 of September 29, 2007.

During the same period, Provincial Labour Offices inspected the Company offices involved in the CIGS plan (Turin, Milan and Rome).

In July, a union agreement defined the closure of the SEAT call center in Bologna with effect from August 3, 2007.

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Stock option plans

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

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

During the reporting period their key features remained unchanged.

For more details, please refer to the same section of the previous annual and half-year reports and to the "Information Document – Compensation plans based on financial instruments", prepared in compliance with art. 114-bis of the Legislative Decree No. 58/1998 (*Testo Unico della Finanza*) and art. 84-bis of CONSOB Regulation No. 11971/1991, as subsequently amended (Regulation for listed companies), and with the scheme 7 - annex 3A of the aforementioned Regulation - available on the Company's official website www.seat.it - regarding the stock option plans resolved by SEAT Pagine Gialle S.p.A.'s competent bodies on September 1, 2007.

During 2007, no new stock option plans were resolved. It should be noted that: *i*) with regard to the "2000-2002 Stock Option Plan", this plan ended because the related options (never exercised during the period of their validity) expired in May 2007; and *ii*) with regard to the "Key People Plan", the 20,000,000 options (that entitle a right to subscribe, against payment, a corresponding number of ordinary shares of SEAT Pagine Gialle S.p.A.), granted on September 12, 2006 at a strike price of € 0.3724 (equal to the market price of SEAT Pagine Gialle S.p.A. ordinary share at the granted date), shall be exercisable between April 15, 2008 and December 15, 2008.

		Options at 01.01.2007	New options granted 01.01.2007 12.31.2007	Options exercised 01.01.2007 12.31.2007	Options expired and not exercised 01.01.2007 12.31.2007	Options expired 01.01.2007 12.31.2007 for termination of service/other	Options at 12.31.2007	of which exercisable at 12.31.2007	Maximum validity of the options
Key People Plan	No. of ordinary shares	17,350,000	-	-	-	750,000	16,600,000	16,600,000	may 2008 - december 2008
	Strike price for ordinary share (euro)	0.8532 0.3724	-	-	-	0.8532 -	0.8532 0.3724	0.8532 -	
	Market price for ordinary share (euro)	0.4522 ⁽¹⁾	-	-	-	0.3998 ⁽⁴⁾	0.2699 ⁽²⁾	0.2699 ⁽²⁾	
	No. of ordinary shares	20,000,000	-	2,410,000	-	-	17,690,000	17,690,000	june 2009
2004 Stock Option Plan for Employees of SEAT Pagine Gialle group	Strike price for ordinary share (euro)	0.3341	-	0.3341	-	-	0.3341	0.3341	
	Market price for ordinary share (euro)	0.4522 ⁽¹⁾	-	0.4734 ⁽³⁾	-	-	0.2699 ⁽²⁾	0.2699 ⁽²⁾	
	No. of ordinary shares	5,195,000	-	3,240,000	-	-	1,955,000	1,955,000	june 2009
2004 Stock Option Plan for Employees of TDL group	Strike price for ordinary share (euro)	0.3341	-	0.3341	-	-	0.3341	0.3341	
	Market price for ordinary share (euro)	0.4522 ⁽¹⁾	-	0.4622 ⁽³⁾	-	-	0.2699 ⁽²⁾	0.2699 ⁽²⁾	
	No. of ordinary shares	5,000,000	-	-	-	-	5,000,000	5,000,000	june 2009
2004 Stock Option Plan for the Chief Executive Officer	Strike price for ordinary share (euro)	0.3341	-	-	-	-	0.3341	0.3341	
	Market price for ordinary share (euro)	0.4522 ⁽¹⁾	-	-	-	-	0.2699 ⁽²⁾	0.2699 ⁽²⁾	
	No. of ordinary shares	35,955,000 1,600,000	-	5,010,000 -	-	-	30,945,000 1,600,000	30,945,000 1,600,000	june 2010 june 2010
2005 Stock Option Plan for Employees of SEAT Pagine Gialle group	Strike price for ordinary share (euro)	0.3221 0.3915	-	0.3221 -	-	-	0.3221 0.3915	0.3221 0.3915	
	Market price for ordinary share (euro)	0.4522 ⁽¹⁾	-	0.4714 ⁽³⁾	-	-	0.2699 ⁽²⁾	0.2699 ⁽²⁾	
	No. of ordinary shares	5,435,000	-	4,065,000	-	-	1,370,000	1,370,000	june 2010
2005 Stock Option Plan for Employees of TDL group	Strike price for ordinary share (euro)	0.3221	-	0.3221	-	-	0.3221	0.3221	
	Market price for ordinary share (euro)	0.4522 ⁽¹⁾	-	0.4678 ⁽³⁾	-	-	0.2699 ⁽²⁾	0.2699 ⁽²⁾	
	No. of ordinary shares	5,000,000	-	-	-	-	5,000,000	5,000,000	june 2010
2005 Stock Option Plan for the Chief Executive Officer	Strike price for ordinary share (euro)	0.3221	-	-	-	-	0.3221	0.3221	
	Market price for ordinary share (euro)	0.4522 ⁽¹⁾	-	-	-	-	0.2699 ⁽²⁾	0.2699 ⁽²⁾	
	No. of ordinary shares	261,500 7,000 392,000	-	240,500 7,000 -	-	-	21,000 - 4,625	21,000 - 387,375	september 2010 - september 2010 september 2010
2005 Stock Option Plan for Directors and Employees of Telegate group	Strike price for ordinary share (euro)	14.28 17.22 16.09	-	14.28 17.22 -	-	-	14.28 - 16.09	14.28 - 16.09	

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

(2) Market price of SEAT Pagine Gialle ordinary share at December 28, 2007.

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

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

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→ Litigation

With regard to the disputes for which SEAT Pagine Gialle S.p.A., as beneficiary of the partial proportional spin-off of Telecom Italia Media S.p.A. (hereinafter “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 art. 2506-quater, paragraph 3, of the Italian Civil Code, four proceedings are still pending.

1) Appeal against the Shareholders’ Meeting resolutions of April 27, 2001

This is the action brought by Cecchi Gori Group Fin.Ma.Vi S.p.A., now Cecchi Gori Group Fin.Ma.Vi S.p.A. under liquidation (hereinafter “Finmavi”), and by Cecchi Gori Group Media Holding S.r.l. (hereinafter “Media”) against the Company effecting the spin-off and HMC - Holding Media Comunicazione (formerly Cecchi Gori Communications S.p.A.) regarding the resolutions adopted on April 27, 2001 by the Shareholders’ Meetings of Cecchi Gori Communications S.p.A. (now HMC) on the approval of the financial statements at December 31, 2000 and on the cancellation of the share capital due to losses and its restoration.

Finmavi and Media lost in the first two instances of judgement and appealed to the Supreme Court, which entirely rejected their appeal at the hearing on September 20, 2007, ordering them to pay the costs of the proceedings.

2) Deed of pledge

This is the action brought by Finmavi and Media before the Court of Milan requesting the Court to rule that the deed of pledge, whereby the shares of Cecchi Gori Communications S.p.A. (now HMC), held by Media, which had been pledged to the Company effecting the spin-off, was void or ineffective, and requesting that the Company effecting the spin-off was ordered to pay damages of at least 750 billion Italian lire plus revaluation and interest.

In this case too, Finmavi and Media lost in the first two instances of judgement and appealed to the Supreme Court, which accepted their appeal at the hearing of September 20, 2007 but also accepted a ground of cross-appeal submitted by the Company effecting the spin-off, referring the matter to another Section of the Milan Court of Appeal, also with regard to the costs of the Supreme Court judgement.

3) Liability in tort

This is the action brought against the Company effecting the spin-off before the Court of Milan by Finmavi, Media and Mr Vittorio Cecchi Gori personally, requesting the Court to rule the Company effecting the spin-off liable in tort with regard to its conduct in the management of HMC and the performance of the agreement of August 7, 2000 for the acquisition of the Cecchi Gori Group’s television companies, and to order the Company effecting the spin-off to pay about € 500 million for damages.

The case is pending before the Court of Milan and the next hearing is set on May 27, 2008.

4) Appeal against the Shareholders’ Meeting resolutions of August 11, 2000

This is the action brought by Finmavi and Media against HMC related to the resolutions of Cecchi Gori Communications S.p.A.’s Extraordinary Shareholders’ Meeting on August 11, 2000, introducing amendments to the Articles of Association whose purpose was to award special rights to Class “B” shares.

Finmavi and Media lost in the two instances of judgement and appealed to the Supreme Court. A date for the hearing to debate the case has not yet been set.

It should be noted that the Company effecting the spin-off 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 the Company effecting the spin-off (as those referred to the disputes described above) or the one transferred to SEAT Pagine Gialle S.p.A. will be considered entirely attributable to the company who owns the division.

→ Corporate Governance

Introduction

SEAT Pagine Gialle S.p.A. has adopted a Corporate Governance structure characterised by a set of rules, behaviours and processes aimed at ensuring an efficient and transparent corporate governance system. The Company's corporate governance system is based on the application principles and criteria defined by the Code of Conduct for listed companies (hereinafter also referred to as "the Code"), produced by the Corporate Governance Committee promoted by the Italian Stock Exchange, representing entrepreneurs and market participants. It is specified that the Board of Directors resolved to apply the current version of the Code (introduced in March 2006) starting from December 19, 2006, positively assessing the application of the recommendations expressed therein.

The main matters related to Corporate Governance are described below. Please refer to the Corporate Governance Annual Report (published in compliance with current legislative provisions and available online on the website www.seat.it) for further information, and in particular for *i*) the ownership structure pursuant to art. 123 bis of Legislative Decree No. 58/1998 ("TUF", *Testo Unico della Finanza*); and *ii*) the appointed directors and statutory auditors, in compliance with art. 144 decies of CONSOB Regulation No. 11971/99, as amended.

Updating during 2007

The governance structure adopted by SEAT ensures that all shareholders are protected and, also in compliance with the best practice found at national and international level, is constantly updated, through both internal rules of conduct and with regard to the regulation of relationships with third parties and, in particular, with stakeholders.

In this regard, it should be noted that during 2007 the Extraordinary Shareholders' Meeting of the Company resolved, on the proposal of the Board of Directors, to align the corporate By-Laws with the provisions introduced by Law No. 262 of December 28, 2005, bearing "Provisions for savings protection and regulations on capital markets" (hereinafter also referred to as the "Savings Act"), as amended by Legislative Decree No. 303 of December 29, 2006: as it is known, the Savings Act introduced a set of significant amendments to the provisions contained in the Italian Civil Code and in Legislative Decree No. 58 of February 24, 1998 (TUF), with the aim of making more effective the protection of the assets invested in financial instruments.

This document also seizes the opportunity to promote some updating amendments (see articles 5 and 8 of the corporate By-Laws), in order to make the rules in the corporate By-Laws more complete and clearer and to adopt some recommendations (deadline for filing lists of candidates as Director and Statutory Auditor) of the Code dated March 2006.

In view of leaving the pre-existing mechanism - already characterised by a list-based voting system - substantially unchanged, the corporate By-Laws have adopted rules requiring the Board of Directors to comprise an adequate number of members who meet the independence requirements laid down in the applicable regulations. The provisions laid down in the corporate By-Laws in relation to the appointment of members elected by Minorities to the Board of Directors and to the Board of Statutory Auditors have also been aligned with the new rules. Finally, new clauses have been introduced which are aimed at regulating the appointment of the Manager responsible for preparing the Company's financial reports (pursuant to art. 154-bis of the TUF).

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Management and coordination activities

SEAT Pagine Gialle S.p.A. is not subject to management and coordination activities by companies or entities. Pursuant to art. 2497-bis of the Italian Civil Code, the subsidiaries have identified SEAT Pagine Gialle S.p.A. as the legal entity that performs the management and coordination activities. Such activities consist in indicating the general and operating strategic guidelines of the Group, defining and updating the corporate governance and internal audit model, and formulating the general policies for the management of human and financial resources, training, communication and procurement of production factors.

Company organisation

The organisational structure of SEAT is articulated according to the traditional system and is comprised of:

- the Shareholders' Meeting;
- the Board of Directors;
- the Board of Statutory Auditors.

Auditing activities are carried out by the Independent Auditors.

Board of Directors

The Ordinary Shareholders' Meeting of April 27, 2006 appointed the Board of Directors for the three-year period 2006 - 2008, fixing the number of members (13) and confirming the appointment of all members of the previous Board. The Company promptly published the only list presented (by P.G. Subsilver S.A. shareholder) on its website, combined with the CVs of the candidates.

The Ordinary Shareholders' Meeting held on April 19, 2007 appointed as Directors Antonio Belloni and Carmine Di Palo, both of whom already co-opted by the Board during 2006 to replace Stefano Mazzotti and Stefano Quadrio Curzio, who had resigned.

The main offices held by the members of the Board of Directors as directors or statutory auditors in the Companies referred to in art. 1.C.2 of the Code of Conduct (or in listed companies in regulated markets, including foreign markets, in finance companies, banks, insurance companies or large-sized companies) are listed below

Enrico Giliberti	Director of Sirti S.p.A.; Independent Director of Telco S.p.A. and Olimpia S.p.A..
Luca Majocchi	Director of Eniro AB.
Antonio Belloni	Chief Executive Officer and Vice-Chairman of BC Partners S.r.l..
Lino Benassi	Chairman of Banca Italease; Director of DeAgostini S.p.A., Credit Suisse Italy, DeA Capital S.p.A. and Zignago Vetri S.p.A..
Dario Cossutta	No office held in the companies under art. 1.C.2.
Carmine Di Palo	No office held in the companies under art. 1.C.2.
Gian Maria Gros Pietro	Chairman of Atlantia S.p.A., Autostrade per l'Italia S.p.A. (Atlantia group) and Perseo S.p.A.; Director of Fiat S.p.A. and Edison S.p.A..
Luigi Lanari	Director of Lecta S.A., Sub Lecta 1 S.A. and Sub Lecta 2 S.p.A.; Partner responsible for CVC Capital Partners S.r.l..
Marco Lucchini	No office held in the companies under art. 1.C.2.
Michele Marini	No office held in the companies under art. 1.C.2.
Pietro Masera	No office held in the companies under art. 1.C.2.
Marco Reboa	Director of ENI S.p.A., Interpump S.p.A. and IMMSI S.p.A.; Chairman of the Board of Directors of Intesa Investimenti; Chairman of the Board of Statutory Auditors of Luxottica Group; Statutory Auditor of Lactalis Italia S.p.A. Group.
Nicola Volpi	Chief Executive Officer of Permira S.p.A.; Director of Sisal S.p.A. and Sisal Holding Finanziaria S.p.A..

Their CVs may be consulted on the Company's website www.seat.it, in the section Company Boards.

With reference to the directors appointment as above mentioned, the Extraordinary Shareholders' Meeting held on April 19, 2007 resolved, inter alia, to amend art. 14 of the corporate By-Laws according to the provisions under art. 147-ter of the TUF, as introduced by the Savings Act. In particular:

- restrictions were imposed with the purpose to allow that at least one director elected by the Minorities must be appointed from a list which is not connected, either directly or indirectly, with the list which has ranked first in the number of votes;
- procedures were explained for the determination of the minimum necessary stake in the share capital to submit lists for the election of directors;
- in accordance with art. 147-ter, IV C, of the TUF, rules were prescribed to allow the Board of Directors to comprise an adequate number of members who meet the independence requirements as required for statutory auditors in art. 148, III C, of the TUF;
- amendments were also made in relation to the procedures for the submission of lists, in accordance with the Code, bringing the deadline for filing the lists from 10 to 15 days before the meeting and eliminating, with simplification purposes, the burden to prove the share useful to submit lists in the two days before the meeting.

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Pursuant to art. 14 of the corporate By-Laws, it should be noted that the Board of Directors is appointed on the basis of the lists that must contain and expressly indicate at least two candidates who meet the independence requirements requested by art. 147-ter, IV C, of Legislative Decree No. 58/1998. Only those shareholders who, alone or together with others, own voting shares representing at least 2% of the voting share capital in the Ordinary Shareholders' Meeting, or representing the lower percentage determined by CONSOB pursuant to Article 147-ter, I C, of Legislative Decree No. 58/1998, are entitled to submit lists. Such lists are accompanied by schedules, submitted within the due date above mentioned, containing professional curricula of candidates and the declarations in which each candidate accepts the nomination and attests, under his/her own responsibility, that there is no reason for ineligibility or incompatibility and he/she is in compliance with law and By-Laws requirements prescribed for the office, in case along with an indication of their suitability to be qualified as independent directors (pursuant to art. 147-ter, IV C, of Legislative Decree No. 58/1998).

As regards the procedures to appoint the Board, reference should be made to the abovementioned art. 14 of the corporate By-Laws.

Only the Chief Executive Officer is to be considered as executive director. The other directors, which are therefore non-executive, are in terms of number, authority and authoritativeness such as to assure that their opinion plays a significant role in the Board decisions; specifically, they pay particular attention to areas where conflicts of interest may arise.

During the meeting on February 27, 2007, the Board of Directors adopted a procedure to assess the independence of the directors, pursuant to which the Directors sign an appropriate declaration form at least once a year (for submission to the Chairman of the Board of Directors and the Chairman of the Board of Statutory Auditors), in which they certify their suitability to the independence requirements requested by art. 3 of the Code, with specific regard to the valuation criteria under the application criterion 3.C.1 of the Code. On the basis of the information received, the Board acknowledged and confirmed the independence of the directors Lino Benassi, Gian Maria Gros Pietro and Marco Reboa. It should be noted that the above mentioned directors also meet the independence requirements under art. 148, paragraph 3, of the TUF.

Chairman and Chief Executive Officer

The **Chairman**, Enrico Giliberti, is empowered to sign on behalf of the Company and acts as the Company's legal representative in front of third parties and in legal proceedings. The Chairman is not entrusted with any proxies and does not have a management role for the administration of the Company. He has been entrusted with the organisation of the Board's activities together with maintaining relations between Executive and Non-executive Directors. The **Chief Executive Officer**, Luca Majocchi, oversees the Company's technical and administrative performance and ensures that Board of Directors' resolutions are executed. He is empowered to sign on behalf of the Company and acts as the Company's legal representative in front of third parties and in legal proceedings. In compliance with the applicable law and statute restrictions, in terms of matters that the Board of Directors is not allowed to delegate, he also has all the specific powers and responsibilities necessary to guarantee the management of the Company, within a general limit of value of € 10 million. Specific limits are set for certain transactions.

The Chief Executive Officer has also been appointed as executive director responsible for supervising the functionality of the internal control system (referred to below), as well as the official internal responsible for the Company's secondary office.

Internal committees of the Board of Directors

In accordance with the principle 5.P.1 and the criterion 5.C.1 of the Code, the Board of Directors has established the following internal committees with proposing and advisory functions:

- the Compensation Committee, and
- the Internal Audit Committee.

Both the Committees are composed of three members. Duties are defined by resolution of the Board of Directors and may be supplemented or changed by a subsequent resolution of the Board.

Compensation Committee

The members of the Compensation Committee are the directors Gian Maria Gros Pietro (Chairman), Antonio Belloni and Dario Cossutta.

The Compensation Committee met three times in 2007, defining the targets of the Chief Executive Officer for the year 2007, which the variable component of its remuneration is linked to, and assessing the criteria adopted for the remuneration of Top management.

Fees to the Directors. The Directors are entitled to receive an annual remuneration as determined by the Shareholders' Meeting, in addition to refund for costs incurred to perform their functions. The remuneration may include also that related to particular commitments of Directors. Pursuant to art. 2389, paragraph 3, of Italian Civil Code, the remuneration of Directors entrusted with particular commitments is resolved by the Board of Directors, after having obtained the favourable opinion of the Board of Statutory Auditors.

Non-executive Directors (whose compensation is proportioned to their commitment, also taking into account their attendance to the Committees' meetings) are not beneficiaries of any share incentive plans.

The remuneration of the Chairman is fixed, whereas that of the Chief Executive Officer is significantly variable. Top management's remuneration also contains a variable component, based on business performance and personal targets.

The amount of fees to the Directors for the year 2007 is shown in the disclosures to the Financial Statements of SEAT Pagine Gialle S.p.A..

Internal Audit Committee

The members of the Internal Audit Committee are the directors Lino Benassi (Chairman), Marco Reboa and Marco Lucchini. The Internal Audit Committee is composed exclusively of non-executive directors, which must have broad accounting and financial experience.

Meetings may be also attended by the Chairman of the Board of Statutory Auditors, or by an effective Auditor charged by the latter, and the Responsible of the Internal Audit Department. Depending on the issues on the Agenda, meetings may also be attended by the Chief Executive Officer, the Company's Independent Auditors and the Company's top management.

The Internal Audit Committee is entrusted with the duties established by art. 8.C.3 of the Code of Conduct and it performs its activity pursuant to a specific internal Regulation.

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The Internal Audit Committee met seven times in 2007 and once in the first months of 2008 and carried out the following actions:

- verified the development of the organisational and operational structure of the Internal Audit Department;
- reviewed and assessed the results of the activities performed by the Internal Audit Department that had been planned for 2007;
- reviewed the internal auditing programs planned for 2008;
- met with the Manager responsible for preparing the Company's financial reports, the Administration, Finance and Control top management, the Board of Statutory Auditors and the Independent Auditors in order to examine the main features of the Financial Statements as at December 31, 2007, the correct adoption of accounting standards and their consistency for the purposes of preparing the Financial Statements of the Group;
- met with the Partner of the Independent Auditors in order to examine the issues arisen during their audit;
- positively assessed the Company's decision to appoint the independent auditors Reconta Ernst & Young S.p.A. on some agreed control and due diligence procedures;
- 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;
- monitored the design and development of the "Law No. 262/2005 (i.e. Savings Act)" project carried out by the Company with the support of PricewaterhouseCoopers Advisory S.r.l., whose results were assessed by the Board of Directors;
- examined and positively assessed the Report on the organisational, administrative and accounting structure of the Company.

Internal Control System

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

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

In accordance with art. 8.C.5 of the Code, the Chief Executive Officer is charged with supervising the effectiveness of the Internal Control System and is also required to implement the recommendations provided for by the Board of Directors, and in particular:

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

SEAT Pagine Gialle has an Internal Audit Department which does not report, within the hierarchical structure, to any executive officers and it is structured in such a way as *i)* to allow it to assess and ensure the effectiveness and efficiency of the Internal Control System and *ii)* to verify whether the system provides reasonable guarantees that the organisation will be able to achieve its objectives economically and efficiently.

The Internal Audit Senior Manager – Mr Francesco Nigri - is a member of the Supervisory Body as required by the Organisational Model under Legislative Decree No. 231/01 and also acts as the **Manager responsible for the Internal Control**.

The latter ensures, in accordance with art. 8.C.6, the following:

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

In order to perform his duties, the Manager responsible for the Internal Control can access to all the information he deems useful and has the appropriate means for the fulfilment of the functions that have been assigned to him.

Law No. 262/2005 (the so-called "Savings Act")

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

The above mentioned action was planned with the methodological support from PricewaterhouseCoopers Advisory S.r.l. (PwC) and has been broken down into the following stages:

- definition of the "scope". The "scoping" analysis, carried out within the consolidation area, showed that subsidiaries have not a significant size with reference to quantitative terms. For this reason as first step it was considered appropriate to carry out an analytical examination of the procedures governing the generation of accounting data only in the Parent Company;
- identification of the areas and processes to be examined. This activity involved the quantitative and qualitative analysis of current processes and the consequent identification of those considered to be the most sensitive for the purposes of this analysis;
- controls assessment. Existing controls were analysed and tested with reference to the areas and processes described above, and particular attention was pointed on the accounting assertions (such as Completeness, Existence, Rights & Obligations, Valuation, Recognition, Presentation, Disclosures);

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- identification of possible improvements in the current Internal Control System where this is considered appropriate and hence increased monitoring of the areas and processes deemed sensitive for the purposes of the actions described above.

The setting up and progress of the project have been constantly monitored by the Internal Audit Committee and its results were assessed by the Board of Directors at the meeting held on December 20, 2007. It should be noted in particular that the Board of Directors - also on the basis of the work done in relation to the "project pursuant to Law No. 262" - expressed a favourable opinion of the efficacy, adequacy and effective functioning of the Internal Control System (in compliance with the criterion 8.C.1, letter c), of the Code).

Legislative Decree No. 231/2001 and Supervisory Body

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

- the **Code of Ethics for the Group** - adopted by the Company -, in which the general principles (transparency, correctness, fairness) to be complied with in the running and conduct of business are presented;
- the **Principles and guidelines of the organisational, management and control model**, which identify, *inter alia*, the sensitive actions related to crimes against the public administration and corporate crimes, the Model's key features, the recipients, information flows, responsibilities and powers of the Supervisory Body;
- the **Organisational Model**, which identifies the crimes against the public administration - highlighting the risk areas and the support areas - and corporate crimes. The Model was drawn up on the guidelines set by Confindustria and appropriately adjusted in order to take into account the nature of business and the features of the Internal Control System. This document is regularly updated in consideration of the frequent regulatory changes impacting Legislative Decree No. 231.

The **Supervisory Body** (set up pursuant to Legislative Decree No. 231/2001) is composed of Marco Reboa (Chairman), Marco Beatrice (Manager in charge of the Legal and Corporate Affairs Department of SEAT Pagine Gialle S.p.A.) and Francesco Nigri (Manager in charge of the Internal Audit Department of SEAT Pagine Gialle S.p.A.). This approach is able to assure consistency with the guidance of the Accompanying Report of Legislative Decree No. 231/2001: the Committee has the requisites of autonomy, independence, professional competence and continuity of action needed to perform its duties efficiently.

The Supervisory Body is entrusted with:

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

During 2007, the Supervisory Body continued to perform its routine supervisory activity, as well as the examination of the recently-introduced regulatory changes impacting Legislative Decree No. 231/2001.

Manager responsible for preparing the Company's financial reports (pursuant to art. 154 bis of Legislative Decree No. 58/1998)

In accordance with the provisions under art. 154 bis of Legislative Decree No. 58/1998, introduced by the so-called "Savings Act", the Extraordinary Shareholders' Meeting of the Company held on April 19, 2007, resolved to amend art. 19 of the corporate By-Laws, providing for the Board of Directors (subject to the mandatory opinion of the Board of Statutory Auditors) to be granted the power to appoint and dismiss the Manager responsible for preparing the Company's financial reports (hereinafter also referred to as the "Manager Responsible") determining his/her term of office. Only persons with at least three-year of experience in a position of appropriate responsibility in the administrative and/or financial department of the Company or of another company of comparable size or organisational structure may be appointed as Manager Responsible.

The Board of Directors' meeting on June 19, 2007 appointed Mrs. Maurizia Squinzi - Chief Financial Officer of the Company - as the Manager Responsible for preparing the Company's financial reports until the Shareholders' Meeting called to approve the financial statements at December 31, 2008 (this term coinciding with that of the current Board of Directors). It resolved that she exercises the powers and has the means at her disposal necessary for the effective performance of the duties referred to in the above mentioned art. 154 bis of Legislative Decree No. 58/1998. The Manager Responsible reports at least every six months on the manner in which the work of the management and control of the process of the preparation of financial reports is carried out, the criticalities (if any) found during the reference period and the adequacy of the structure and means at her disposal.

The new office of the Manager Responsible represents a key role for strengthening the Company's internal control system, attributing importance to the internal process of preparing the annual report and the main financial documents related to the companies.

Board of Statutory Auditors

The Board of Statutory Auditors is made up of three acting members and two alternate members, appointed by the Shareholders' Meeting, which also fixes their remuneration (pursuant to art. 22 of the corporate By-Laws).

The Shareholders' Meeting on April 27, 2006 appointed the Board of Statutory Auditors for the three-year period 2006 – 2008, confirming the appointment of all members of the previous Board.

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

Given that art. 148, paragraph 2, of the TUF provides that the procedures for the election by the Minorities of an acting member of the Board of Statutory Auditors must be determined by CONSOB regulation, the art. 22 of the corporate By-Laws - as amended by the Shareholders' Meeting on April 19, 2007 - provides, *inter alia*, that "only those shareholders who, alone or together with others, own voting shares representing at least 2% of the voting share capital in the Ordinary Shareholders' Meeting, or representing the lower percentage determined by CONSOB pursuant to art. 147 ter, I C, of Legislative Decree No. 58/1998, are entitled to submit lists". The Company also adopted the provision under art. 148, paragraph 2 bis, of the TUF which requires the Minorities to designate the Chairman of the Board of Statutory Auditors and it has been specified that the member of the Board of Statutory Auditors appointed by the Minorities shall be appointed from a list which is not connected, either directly or indirectly, with the shareholders who have submitted or voted the list which has ranked first in the number of votes.

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Furthermore, the above mentioned Shareholders' Meeting resolved to made some amendments in relation to the procedures for the submission of lists, in accordance with the criterion 10.C.1 of the Code, bringing the deadline for filing the lists from 10 to 15 days before the meeting and eliminating, as required for the Board of Directors, with simplification purposes, the burden to prove the share useful to submit lists in the two days before the meeting.

The main offices held in other companies by the acting members of the Board of Statutory Auditors are listed below

(Information updated at December 31, 2007)

Enrico Cervellera	Director of Ferrero S.p.A.; Chairman of the Board of Statutory Auditors of Interpump S.p.A., Lactalis Italia S.p.A. Group (*), Egidio Galbani S.p.A. (*), Big S.r.l. (*); Acting Auditor of Brembo S.p.A., Luxottica Group S.p.A., Tamburi Investment Partners S.p.A. <i>(*)Galbani Group's company</i>
Vincenzo Ciruzzi	Acting Auditor of Dexia Crediop S.p.A., Twice Sim S.p.A., Raffineria di Gela S.p.A., Enipower Mantova S.p.A..
Andrea Vasapolli	Acting Auditor of Aksia Group SGR S.p.A..

Information on the personal and professional experience of the Statutory Auditors are provided for on the Company's website www.seat.it, in the section Company Boards.

Shareholders' Meeting

The Shareholders' Meeting was held on April 19, 2007 to approve the Financial Statements at December 31, 2006. The Chief Executive Officer reported to the Shareholders' Meeting on the activities carried out and planned and he arranged – with the support of the Chairman - in order to provide the Shareholders with all the information about the key issues necessary for them to take the decisions (criterion 11.C.4 of the Code).

Relations with Shareholders

In 2007 the Company ensured a timely and accurate release of information in order to guarantee correctness and transparency on the Company's operations, in compliance with the "Procedure of SEAT Pagine Gialle S.p.A. for the management and market disclosure of inside information".

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

In 2007, Investor Relations organised numerous official meetings with the market (financial analysts, institutional investors and representatives of the financial community) through quarterly conference calls, road shows and conferences. Furthermore, they have daily contacts, through direct meetings and conference calls, with financial analysts and institutional investors.

To further promote communication with all the members of the financial market, the Company makes available on its website its economic and financial information (annual, half-year and quarterly reports) and supporting documents (presentations to the financial

community), a specific section named "Corporate Governance" (including the documents referred to the Company's governance system, the information on company boards, as well as the reports and material to be used by the Shareholders' Meeting), as well as the press releases issued by the Company, both in Italian and English version. The website also has a section with useful information for all Shareholders and an online updating of the Company's share prices.

Independent Auditors

The Shareholders' Meeting on April 27, 2006 appointed Reconta Ernst & Young S.p.A. as Independent Auditors for the six-year period 2006-2011.

Shareholders' agreements

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

- a) Shareholders' agreement dated July 30, 2003, as amended by an addendum dated March 24, 2004, and by an amendment dated December 21, 2006, and a further addendum dated September 13, 2007, between the closed investment funds indirectly holding a stake in SEAT Pagine Gialle S.p.A.'s ordinary share capital (the "Funds"), each via their own SPEs (Special Purpose Vehicles) subject to Luxembourgian law. This Shareholders' agreement makes regulation concerning, *inter alia*, *i*) membership and resolutions of the Board of Directors of SEAT Pagine Gialle S.p.A. and its subsidiaries, as well as resolutions of the SEAT Pagine Gialle S.p.A.'s Shareholders' Meeting; *ii*) establishment of a constraint of non-transferability on SEAT Pagine Gialle S.p.A.'s shares owned by the Funds via their own respective SPEs, as well as on the interests owned by the Funds in the SPEs themselves.

On March 20, 2007, the agreement dated July 30, 2003 was renewed, at the same terms and conditions. Therefore the agreement will be effective until the first of the following date: *i*) three years from March 20, 2007 (or five years, if after three years ordinary shares of SEAT Pagine Gialle S.p.A. are no more listed); or *ii*) the date when the parts involved in the agreement have sold their direct or indirect interest in the Company;

- b) Shareholders' agreement dated March 18, 2005, between some SPEs of first level held by the Funds and Mr Luca Majocchi concerning his appointment as Chief Executive Officer of the Company.

All the aforesaid agreements were properly notified as required by art. 122 of Legislative Decree No. 58/1998 and related implementation directives, also via publication of extracts, respectively: *i*) in "La Repubblica" newspaper on August 9, 2003, as regards the Shareholders' agreement dated July 30, 2003, *ii*) in "La Repubblica" newspaper on March

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30, 2004, as regards the addendum dated March 24, 2004, *iii*) in "La Repubblica" newspaper on December 28, 2006, as regards the amendment dated December 21, 2006, *iv*) in "La Repubblica" newspaper on March 23, 2007, as regards the renewal of the Shareholders' agreement dated March 20, 2007, *v*) in "La Repubblica" newspaper on October 26, 2007, as regards the addendum dated September 13, 2007, *vi*) in "Il Sole 24 Ore" newspaper on March 25, 2005, as regards the Shareholders' agreement concerning Luca Majocchi appointment as Chief Executive Officer of the Company. A further extract was published in "Il Sole 24 Ore" newspaper on December 17, 2004, to advise of completion of some corporate reorganisation operations carried out in compliance with the above mentioned addendum of March 24, 2004.

The Shareholders' agreement dated July 30, 2003 was filed with the Milan Companies' Register on August 13, 2003. The addendum of March 24, 2004 was filed with the Milan Companies' Register on April 1, 2004. The amendment of December 21, 2006 was filed with the Milan Companies' Register on December 22, 2006. The renewal of the Shareholders' agreement of March 20, 2007 was filed with the Milan Companies' Register on March 21, 2007. The addendum of September 13, 2007 was filed with the Milan Companies' Register on September 19, 2007. The Shareholders' agreement concerning the appointment of Luca Majocchi as Chief Executive Officer of the Company was filed with the Milan Companies' Register on March 22, 2005.

→ Social responsibility

SEAT Pagine Gialle: an engine of economic and social relations

SEAT Pagine Gialle, a European multimedia telephone directory leader and hi-tech internet services supplier for the last 80 years, offers consumers and businesses tools to acquire information about others and provide information about themselves and services to create relations between people looking for something and others offering something. The SEAT group - real relations search engine, with the capacity of satisfying the needs of citizens and businesses - concentrates its attention not only on technological innovation but also on social responsibility. For a long time it has played an important role in projects to support the spread of culture, knowledge, the relationship with the surrounding area and the sustainability, important factors for a good quality of life.

Aware of the importance of the synergy among national institutions, local authorities and the business world, also in 2007 SEAT went on working with public and private partners in the promotion of cultural projects and events ranging from figurative arts to design, from literature to archaeology, from the tourist promotion of the Italian artistic, cultural and environment heritage to didactics, from training to scientific research, stressing the creativity that permeates all forms of expression and enhances humanity.

SEAT Pagine Gialle on the territory

The territorial communication plan aimed at consolidating and diffusing the Company's image among a widespread and extended public of interlocutors continued successfully also in 2007, strengthening the reputation and authority of SEAT Pagine Gialle on the territory, through the publishers of local newspapers and local opinion makers. With this aim, observatories specialised on specific topics were set up, using the contents of SEAT Pagine Gialle databases to write news items.

The goal is to spread "useful knowledge" among a broader public, highlighting the features of the services offered by SEAT and their importance in daily supporting the community and the activities performed by small, medium and large Italian entrepreneurs.

In 2007, the main subjects dealt with:

- job observatory: launched on the occasion of PAGINEGIALLE's 40th anniversary, it analyses the most common jobs in the all Italian countries, comparing them with those listed in publications of 40 years ago;
- privacy observatory: launched on the occasion of the 2007/2008 PAGINEBIANCHE® distribution, it analyses the population behaviour in all Italian countries with regard to the diffusion of the names and addresses (including e-mail addresses and mobile numbers) on the directories;
- holiday resort observatory: launched on the occasion of *Idee InVacanza* distribution. It analyses local tourist offer from accommodation to the attractions and natural resources;
- city observatory: launched on the occasion of the *TuttoCittà*® distribution, it analyses the evolution of the local social and economic environment over the last three years;
- consumption observatory: on the basis of the calls to 89.24.24 Pronto PAGINEGIALLE® it analyses, by province and by region, Italian people's habits: tourism and accommodation, entertainment, transport, emergencies, relationships with the Public Administration;

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- hotel observatory: set up on the occasion of the launch of PAGINEGIALLE Prenota, it analyses the trend in demand for all kinds of tourist accommodation in each country through the searches performed by millions of users of the PAGINEGIALLE.it service;
- sectors and districts observatory: using the data from the Annuario SEAT database, it analyses the evolution and the features of offering by the main Italian manufacturing sectors on a provincial and regional basis.

The "observatories" project will continue in 2008 analysing the settled matters and focusing on exports and innovation.

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

"Vivo il mio quartiere!" is an educational program in its second year, which in the 2006-2007 school year involved 77 schools and over 2,500 school children between 7 - 11 years, who are attending the third, fourth and fifth years of primary school in Milan, Rome, Naples and Turin. This initiative consists of an educational journey to discover the life of the city's areas around the school and to increase the sense of the social and economic community. The project was set up in 2005 following the launch of *InZona*, a guide dedicated to the discovery of the various areas of the city, its services and shops. The guide is distributed free of charge directly to families and commercial operators in the towns listed above, to raise product notoriety and stimulate its use. The material prepared (more than 530 works by the school children) was integrated in the guide.

PAGINEBIANCHE d'Autore

The regional selection of works by 20 young Italian artists started in July 2004 and is proceeding successfully. The works are to be printed on the covers of 30 million copies of PAGINEBIANCHE®.

The entrants for the 2006-2007 selection were 840. More than 670 have already entered for the 2007-2008 edition, which is still open. The competition is described on the website www.paginebianchedautore.it.

The great success was also due to the support and collaboration of DARC (the General Direction for Architecture and Contemporary Art of the Department for Cultural and Landscape Heritage of the Ministry of Cultural Activities and Heritage, which promotes and rewards contemporary creativity throughout Italy) and GAI (Association for the young Italian Artists network, an association of local governments throughout Italy, with the aim to support creativity of young talents with training, promotion and research activities).

Winners will benefit from the great popularity of PAGINEBIANCHE® and their works will enter homes of all the Italians living in the Region which they competed for. They are also competing for the award of an additional special prize: a six-month study stay at the ISCP in New York, one of the most famous places for contemporary art visibility and training.

The project will continue in 2008 with the conclusion of the fourth edition and the launch of the fifth one.



Tempi Moderni (Modern Times)

Following on the success of the first edition of the photographic competition, a new open one was kept to select the illustrations for the covers of the new *TuttoCittà*[®], the road map of Italy published in 35 local editions. The main themes of the competition, named *Tempi Moderni* (Modern Times), have been glimpse and urban symbols of a continuously evolving society. Those wishing to enter had to send one or more photos on the theme, which were assessed by experts from the Italian Photographic Foundation, famous partner in the project. 10 finalists were chosen for each edition of *TuttoCittà*[®], and then the public, through the web, voted for their preferences until 4 cover photos remained for each edition. People keen on photography joined in this second competition in a large number and with great vivacity: more than 1,000 images were received. All the accepted photos were published on the dedicated website: www.tempimoderni.it. The project will carry on in 2008 with the "Elettricità" competition, whose main theme will be the energy in all its forms.

Io e il mio design (My design and I)

On the occasion of the 40th anniversary of PAGINEGIALLE and around the time of the opening of Turin 2008 World Design Capital exhibition, SEAT decided to put a selection from the precious *Compasso d'oro* collection on the covers of the 22 million copies that are delivered to offices and homes throughout Italy every year. This collection includes the best design objects over the last 50 years and is considered a national art treasure. With the aim of bringing design closer and closer to daily life in the collective consciousness, SEAT launched a competition involving the public in narrating experiences from real life in which a design object played a leading role. The competition has been run with the distribution of PAGINEGIALLE[®] directories and on a dedicated website, www.paginegialledesign.it. At the end, the most interesting stories will be published in a book (to be presented at the 2008 "Salone del libro") about the evolution and the role of design in everyday life. The proceeds will be given to charity in this case too.

Social solidarity initiatives

Book: "Il segreto della gallina" ("The Hen's Secret")

This is a book that came out on the occasion of the 80th anniversary of SEAT Pagine Gialle and the 40th anniversary of PAGINEGIALLE, aimed at presenting real life experiences through advertising. The title is inspired by a quotation from the famous, timeless Marcello Marchesi: "La gallina quando ha deposto l'uovo grida coccodè, l'anatra sta zitta. Ecco perché tutti chiedono uova di gallina" ("When a hen lays an egg she clucks, while a duck does not say anything. That is why everybody asks for hens' eggs").

The communication, in fact, talks about products, services, targets and media and is therefore the mirror of a society in which fashions, inventions, technologies, status symbols, lifestyles, ways of thinking and acting have followed each other and are "frozen" for ever in advertising messages, as in a big history book.

It is a look back into the past to understand what our society was like and how it has changed, a way to reflect on the direction we are taking. It is a tale about the styles adopted by the communication in the last 80 years, from the posters by great artists at beginning of the century to the up-to-date special effects, from advertisements by famous artists in the first telephone directories to the present 3D directory and the Navigator integrated with the PAGINEGIALLE[®] database and to the 2.0 web where the users themselves become advertisement makers.

The gains SEAT obtains from the copyright of the book, presented at the 2007 "Salone del libro", will go to Telethon to support scientific research into genetic diseases.



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Book 89.24.24: *"Vorrei un'ambulanza per l'iguana di mia sorella..."* ("I'd Like an Ambulance for My Sister's Iguana...")

Following on the success of the book trilogy containing the most curious and unusual stories told by the 89.24.24 personal assistants in the most famous call center in Italy, the first collection has been reprinted, with the addition of other new anecdotes. The gains from the sale of all the copies of this book will go to Telethon to support scientific research into genetic diseases in this case too.



Book: *"Passaggi a nord ovest"* ("North-West Passages")

This book was made by the students of the Master's course in Publishing Design at the Turin European Design Institute with the contribution of Regione Piemonte. It includes experiences, images and data regarding tourism in Piemonte, providing information and ideas about present trends and opportunities for social and economic growth. It was presented at the 2007 "Salone del libro". The gains SEAT obtains from the copyright of the book will go to Telethon to support scientific research into genetic diseases.

2007 Telethon Campaign



In addition to a basic donation of € 75 thousand given to continue with the financing of a research project that started in 2005 (Haemochromatosis - Doctor Clara Camaschella - Monte Tabor Institute - S. Raffaele Hospital of Milan), the TV marathon has been further enriched by an initiative connected with the forthcoming Design Year (Turin 2008 World Design Capital), based on the promotion, on the website www.paginegialledesign.it and on PAGINEGIALLE VISUAL, of design objects offered on fair trade terms for the benefit of the non-profit making organisation.



Financial Statements of the Group



➤ Balance sheet of the Group at December 31, 2007

Assets

	At 12.31.2007	At 12.31.2006	Change	Note
(euro/thousand)				
Non-current assets				
Intangible assets with indefinite useful life	3,687,067	3,579,001	108,066	(5)
Intangible assets with finite useful life	347,873	485,871	(137,998)	(7)
Property, plant and equipment	56,198	50,013	6,185	(8)
Investments accounted for at equity	5,707	288	5,419	(9)
Other non-current financial assets	2,126	1,592	534	(10)
Deferred tax assets, net	14,343	48,346	(34,003)	(30)
Other non-current assets	326	805	(479)	(13)
Total non-current assets	(A) 4,113,640	4,165,916	(52,276)	
Current assets				
Inventories	15,703	11,891	3,812	(11)
Trade account receivables	671,101	668,681	2,420	(12)
Current tax assets	21,054	5,239	15,815	(30)
Other current assets	66,532	66,243	289	(13)
Current financial assets	13,083	1,323	11,760	(17)
Cash and cash equivalents	204,549	308,195	(103,646)	(17)
Total current assets	(B) 992,022	1,061,572	(69,550)	
Total assets	(A+B) 5,105,662	5,227,488	(121,826)	

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Liabilities and equity

	At 12.31.2007	At 12.31.2006	Change	Note
(euro/thousand)				
Equity Shareholders of the Group				
Share capital	250,352	249,879	473	(14)
Additional paid-in capital	465,103	460,428	4,675	(14)
Reserve for foreign exchange adjustments	(15,212)	(5,312)	(9,900)	(14)
Reserve for transition to IAS/IFRS	181,570	181,576	(6)	(14)
Reserve for stock options	7,592	7,905	(313)	(14)
Reserve for "cash flow hedge" instruments	5,262	1,533	3,729	(14)
Reserve for actuarial gains (losses)	(3,956)	(4,256)	300	(14)
Other reserves	110,896	85,295	25,601	(14)
Income for the year	98,399	80,136	18,263	
Total equity Shareholders of the Group	(A) 1,100,006	1,057,184	42,822	(14)
Minority interests				
Share capital and reserves	15,985	16,594	(609)	
Income for the year	7,839	1,652	6,187	
Total Minority interests	(B) 23,824	18,246	5,578	(14)
Total equity	(A+B) 1,123,830	1,075,430	48,400	
Non-current liabilities				
Non-current financial debts to third parties	1,926,171	2,125,640	(199,469)	(17)
Non-current financial debts to associates	1,264,201	1,258,549	5,652	(17)
Non-current reserves to employees	47,183	56,768	(9,585)	(20)
Deferred tax liabilities, net	5,089	-	5,089	(30)
Other non-current liabilities	22,687	21,814	873	(22)
Total non-current liabilities	(C) 3,265,331	3,462,771	(197,440)	
Current liabilities				
Current financial debts to third parties	198,133	211,835	(13,702)	(17)
Current financial debts to associates	17,375	17,375	-	(17)
Trade account payables	276,814	292,919	(16,105)	(24)
Reserve for current risks and charges	44,165	39,259	4,906	(23)
Current tax payables	54,413	23,533	30,880	(30)
Payables for services to be rendered and other current liabilities	125,601	104,366	21,235	(24)
Total current liabilities	(D) 716,501	689,287	27,214	
Total liabilities	(C+D) 3,981,832	4,152,058	(170,226)	
Total liabilities and equity	(A+B+C+D) 5,105,662	5,227,488	(121,826)	

➤ Income statement of the Group for 2007

(euro/thousand)	Year 2007	Year 2006	Change		Note
			Absolute	%	
Sales of goods	35,983	38,790	(2,807)	(7.2)	(26)
Rendering of services	1,417,609	1,421,393	(3,784)	(0.3)	(26)
Revenues from sales and services	1,453,592	1,460,183	(6,591)	(0.5)	(26)
Other income	5,757	8,596	(2,839)	(33.0)	(27)
Total revenues	1,459,349	1,468,779	(9,430)	(0.6)	
Materials	(61,493)	(64,862)	3,369	5.2	(27)
External services	(446,365)	(508,417)	62,052	12.2	(27)
Salaries, wages and employee benefits	(246,390)	(231,921)	(14,469)	(6.2)	(27)
Other valuation adjustments	(38,866)	(37,441)	(1,425)	(3.8)	(12)
Provisions to reserves for risks and charges, net	(11,211)	(9,739)	(1,472)	(15.1)	(22-23)
Other operating expense	(4,852)	(4,975)	123	2.5	(27)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net	650,172	611,424	38,748	6.3	
Amortisation, depreciation and write-down	(204,218)	(195,336)	(8,882)	(4.5)	(7-8)
Non-recurring costs, net	(9,361)	(12,932)	3,571	27.6	(27)
Restructuring costs, net	(7,519)	(1,038)	(6,481)	n.s.	(27)
Operating income	429,074	402,118	26,956	6.7	
Interest expense	(258,190)	(257,583)	(607)	(0.2)	(28)
Interest income	18,877	11,374	7,503	66.0	(28)
Gains (losses) on investments accounted for at equity	13	34	(21)	(61.8)	(9)
Gains (losses) on disposal of investments	(3,327)	(39)	(3,288)	n.s.	(29)
Income before income taxes, discontinued operations and Minority interests	186,447	155,904	30,543	19.6	
Income taxes for the year	(80,209)	(74,116)	(6,093)	(8.2)	(30)
Income before Minority interests	106,238	81,788	24,450	29.9	
Minority interests	(7,839)	(1,652)	(6,187)	n.s.	
Income for the year	98,399	80,136	18,263	22.8	
SEAT Pagine Gialle shares (number)	8,345,055,482	8,329,290,482	15,765,000	0.2	
- ordinary (number)	8,208,980,696	8,193,215,696	15,765,000	0.2	
- savings (number)	136,074,786	136,074,786	-	-	
Earning per share (in euro)	0.01177	0.00964	0.00213	22.1	
Diluted earning per share (in euro)	0.01175	0.00962	0.00213	22.1	

Basic earning per share is calculated by dividing the income (loss) for the year of the Group by the average number of the shares outstanding during the year. Diluted earning per share is calculated by using the weighted average number of the shares outstanding during the year, adjusted by assuming the issue of all the potential shares deriving from the exercise of dilutive options pursuant to IAS 33.

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

(euro/thousand)	Year 2007	Year 2006	Change
Cash inflow from operating activities			
Income (loss) for the year before Minority interests	106,238	81,788	24,450
Amortisation, depreciation and write-down	204,218	195,336	8,882
Interest expense, net (*)	240,173	245,272	(5,099)
Costs for stock options	1,497	4,768	(3,271)
Income taxes for the year	80,209	74,116	6,093
(Gains) losses on disposal of non-current assets	2,842	(37)	2,879
(Write-up) write-down of assets	(13)	(34)	21
Change in working capital	(44,241)	(58,705)	14,464
Change in non-current liabilities	(6,133)	(2,968)	(3,165)
Foreign exchange adjustments, change in the scope of consolidation and other change	21,865	(1,268)	23,133
Cash inflow from operating activities (A)	606,655	538,268	68,387
Cash outflow for investments			
Purchase of intangible assets with indefinite useful life	(127,620)	(416)	(127,204)
Purchase of intangible assets with finite useful life	(51,094)	(34,785)	(16,309)
Purchase of property, plant and equipment	(15,019)	(13,538)	(1,481)
Other investments	(5,339)	(157)	(5,182)
Proceeds from disposal of non-current assets	1,234	968	266
Foreign exchange adjustments, change in the scope of consolidation and other change	12,622	(13,314)	25,936
Cash outflow for investments (B)	(185,216)	(61,242)	(123,974)
Cash outflow for financing			
Proceeds of non-current loans	-	256,000	(256,000)
Repayment of non-current loans	(208,301)	(431,522)	223,221
Payment of interest expense, net	(222,122)	(223,285)	1,163
Payment of transaction costs on loans	-	(1,525)	1,525
Change in financial assets and financial debts	(26,627)	51,831	(78,458)
Increase in share capital from exercised stock options	8,350	20,434	(12,084)
Distribution of dividends	(62,221)	(45,276)	(16,945)
Payment of costs related to dividends distribution	-	(565)	565
Foreign exchange adjustments, change in the scope of consolidation and other change	(14,164)	2,919	(17,083)
Cash outflow for financing (C)	(525,085)	(370,989)	(154,096)
Increase (decrease) in cash and cash equivalents in the year (A+B+C)	(103,646)	106,037	(209,683)
Cash and cash equivalents at beginning of the year	308,195	202,158	106,037
Cash and cash equivalents at end of the year	204,549	308,195	(103,646)

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

➤ Statement of changes in consolidated equity for 2007

(euro/thousand)	Equity Shareholders of the Group				Minority interests			Total
	Share capital	Reserves	Income (loss) for the year	Total	Share capital and reserves	Income (loss) for the year	Total	
At 12.31.2006	249,879	727,169	80,136	1,057,184	16,594	1,652	18,246	1,075,430
Allocation of previous year result		21,658	(80,136)	(58,478)	(2,091)	(1,652)	(3,743)	(62,221)
Exercise of stock options	473	6,631		7,104	1,246		1,246	8,350
<i>Income (loss) recognised directly to equity</i>								
- Change in the reserve for "cash flow hedge" instruments		3,729		3,729				3,729
- Actuarial gains (losses)		1,965		1,965				1,965
- Foreign exchange adjustments		(13,181)		(13,181)				(13,181)
Reversal of the reserve for foreign exchange adjustments due to Consodata Group Ltd. deconsolidation		3,281	(3,281)					
Fair value of stock option plans		1,408	(1,408)		118	(118)		
Other changes		(1,405)		(1,405)	118		118	(1,287)
Transactions of the year affecting only the income statement			103,088	103,088		7,957	7,957	111,045
At 12.31.2007	250,352	751,255	98,399	1,100,006	15,985	7,839	23,824	1,123,830

➤ Statement of changes in consolidated equity for 2006

(euro/thousand)	Equity Shareholders of the Group				Minority interests			Total
	Share capital	Reserves	Income (loss) for the year	Total	Share capital and reserves	Income (loss) for the year	Total	
At 12.31.2005	248,012	600,200	131,905	980,117	12,861	6,756	19,617	999,734
Allocation of previous year result		89,784	(131,905)	(42,121)	3,601	(6,756)	(3,155)	(45,276)
Exercise of stock options	1,867	18,567		20,434				20,434
<i>Income (loss) recognised directly to equity</i>								
- Change in the reserve for "cash flow hedge" instruments		15,795		15,795				15,795
- Actuarial gains (losses)		(4,280)		(4,280)				(4,280)
- Foreign exchange adjustments		2,946		2,946				2,946
Fair value of stock option plans		4,468	(4,468)		122	(122)		
Other changes		(311)		(311)	10		10	(301)
Transactions of the year affecting only the income statement			84,604	84,604		1,774	1,774	86,378
At 12.31.2006	249,879	727,169	80,136	1,057,184	16,594	1,652	18,246	1,075,430

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➤ Accounting policies and disclosures

1. Corporate information

The SEAT Pagine Gialle group is the European leader and one of the main operators at world level in the sector of multimedia profiled advertising, offering "print-voice-online" directories, hi-tech products for the Internet and for satellite and ortophotometric navigation, as well as complementary communication services such as one-to-one marketing.

The parent company SEAT Pagine Gialle S.p.A. has its registered office in Milan, Via Grosio 10/4, and its share capital is € 250,352 thousand.

The Group's main activities are described in the report on operations, under the section "Economic and financial performance by Business Area".

2. Basis of preparation

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

The SEAT Pagine Gialle group adopted the IAS/IFRS as from January 1, 2005 following the coming 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 assets designated to finance the pension funds, derivative financial instruments and financial assets held for sale, which are carried at fair value.

The financial instruments and financial assets are in euro and all values are rounded to euro thousand unless otherwise indicated.

2.1 Basis of consolidation

The consolidated financial statements include the financial statements of SEAT Pagine Gialle S.p.A. and its subsidiaries. Where necessary, the statements have been adjusted to make them consistent with the valuation criteria adopted by the parent company.

Subsidiaries are consolidated on a line-by-line basis starting from the acquisition date, i.e. from the date on which the Group acquired control, and up to the effective date of their disposals. In addition, the special purpose entities (SPES) are consolidated on a line-by-line basis if the risks and benefits can be substantially conducted on behalf of the Group regardless of the interest held. Consequently Meliadi Finance S.r.l. (the SPE created *ad hoc* for the securitisation program of trade receivables) is consolidated on a line-by-line basis, although 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 and recognising to Minorities, under specific items, their share of equity and net result for the year;
- elimination of intra-group receivables and payables, as well as costs and revenues;
- elimination of intra-group dividends.

Unrealised intra-group profits have not been eliminated since their amount is not material.

Associates and joint ventures are consolidated using the equity method.

The acquisition of new subsidiaries is accounted for using the purchase method, with a consequent allocation of the cost of the merger at the fair values of the assets, liabilities and contingent liabilities acquired at the acquisition date. In the year the acquisition occurs, the consolidated financial statements include the net result of these companies for the period between the acquisition date and the end of the year.

Minority interests represent the share of the result for the year and equity of subsidiaries which are not held by the Group. They are shown separately from the amounts due to the Group in the consolidated income statement and equity.

2.2 Accounting estimates and assumptions

In preparing the annual financial statements and related notes in compliance with the 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 the actual results may differ from such accounting estimates.

The estimates are used to recognise in the income statement provisions to face risks on doubtful receivables and claims for publishing mistakes, amortisation and depreciation, write-down of assets, employee benefits, taxes, restructuring reserves, other provisions and reserves.

The estimates and assumptions are periodically reviewed and the effect of any change is immediately recognised in the income statement.

3. Accounting policies

Intangible assets

Intangible assets acquired separately are initially recognised at cost, whilst those acquired through business combinations at fair value at the acquisition date. Following this moment, intangible assets are recognised at cost net of amortisation and any cumulative impairment losses. No intangible assets produced internally, except for development costs, are capitalised: they are recognised in the income statement for the year in which they are incurred. The useful life of intangible assets is defined as finite or indefinite.

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

More specifically, the following amortisation criteria are applied:

- *industrial patents and intellectual property rights* are amortised over their estimated useful life. The intangible asset "*Customer DataBase*", recognised following the partial allocation of goodwill arising from mergers, is amortised on a straight-line basis, over a six-year period, based on its estimated useful life;
- *concessions, licenses, trademarks and similar rights* are amortised over their estimated useful life;
- *software* is amortised on a three-year basis;
- *other capitalised costs* are amortised over a period for 3 to 5 years.

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

Research costs are recognised in the income statement at the time they are incurred.

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

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

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

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

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

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

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

Property, plant and equipment

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

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

The maintenance costs to keep the asset effective are recognised in the income statement as expenses in the year they are incurred.

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

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

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

Impairment loss of assets

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

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

Investments

The investments of the SEAT Pagine Gialle group in associates and joint ventures are valued on an equity basis. An associate is a company over which the Group exercises significant influence and which cannot be classified as a subsidiary.

The equity method means that the investment is recorded on the balance sheet at cost plus any changes (following the acquisition) in the Group's share of the net assets of the associate or joint venture. Goodwill relating to the associate or joint venture is included in the accounting value of the investment and is not subject to amortisation. Following initial recognition, the Group establishes if it is necessary to record any impairment. The income statement reflects the Group's share of the associate or joint venture's net result for the year. Should an associate or joint venture record adjustments which are directly recognised under equity, the Group records its share and shows it, where possible, in the table of changes in equity.

The accounting year end date for associates and joint ventures is aligned to that of the SEAT Pagine Gialle group; the accounting principles used comply with those used by the Group for similar transactions and events in similar circumstances.

Effects of foreign currency translations

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

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

Foreign currency transactions are recognised initially at the exchange rate (relating to the functional currency) of the transaction date. Monetary assets and liabilities, denominated in foreign currency, are translated to the functional currency at the exchange rate at the reporting date. All foreign exchange differences are recognised in the income statement, except for differences arising from foreign currency loans taken out to cover a net investment in a foreign company. These differences are recognised directly to equity up to the disposal of the net investment, when they are then recognised in the income statement. Non-monetary items valued at historic cost in foreign currency are translated using the exchange rates applying on the date the transaction is first recognised. Non-monetary items recognised at fair value in foreign currency are translated using the exchange rate at the date this value is determined.

The exchange rates used are as follows

Currency / euro	Average exchange rate ⁽¹⁾ for the year 2007	Exchange rate at December 31, 2007	Average exchange rate for the year 2006	Exchange rate at December 31, 2006
Pound sterling	1.4613	1.3636	1.4669	1.4892
Swiss franc	0.6025	0.6043	n.a.	n.a.
Kuna	0.1365	0.1364	n.a.	n.a.
Czech crown	0.0373	0.0376	n.a.	n.a.
Turkish lira	0.5816	0.5824	n.a.	n.a.

(1) The average exchange rate is referred to the period of consolidation of the companies within the SEAT Pagine Gialle group.

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Financial assets

IAS 39 provides for the following types of financial instruments: financial assets at fair value, with adjustments recognised in the income statement, loans and receivables, held-to-maturity investments and available-for-sale assets. Initially, all financial assets are recognised at fair value, plus directly attributable costs if any.

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

All standard purchases and sales of financial assets (i.e. transactions with delivery of the assets in the period generally provided for by regulations and conventions in the market) are recognised at the trade date, which is the date on which the Group committed itself to purchase the assets.

Financial assets include:

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

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

Cash and cash equivalents

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

Financial debts

Financial debts are accounted for at the amortised cost.

Non-current loans are shown in the balance sheet net of the transaction costs not yet amortised at the balance sheet date.

Derivatives

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

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

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

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

Inventories

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

In detail they include:

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

Trade and other receivables

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

Securitised trade receivables

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

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

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

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Reserves for risks and charges

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

Any changes in estimates are reflected in the income statement in the year in which they have occurred.

In the case of reserves for future risks – over more than 12 months – the liability, if significant, is discounted at a pre-tax rate, that reflects the present market valuation of the cost of money in relation to time. The increase of the reserves over time is accounted for as a financial item in the income statement.

Reserves for risks and charges include:

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

Employee benefits

Pension plans

The SEAT Pagine Gialle group recognises different forms of defined benefit and defined contribution pension plans, in line with the local conditions and practices of the countries where it operates. Defined benefit pension plans are based on the average expected remaining working life of those employees who join the plans and on the remuneration they have received in a predetermined service period.

The assets designated to finance the defined benefit pension plans and the related annual cost recognised on the income statement are assessed by independent actuaries using the projected unit credit method.

Actuarial gains and losses are immediately recognised in the financial statement for the year in which they occur, with a corresponding entry in the equity "Reserve for actuarial gains (losses)".

The liabilities accrued are shown net of the assets designated to finance their future payment.

Payments for defined contribution plans are recognised in the income statement as a cost, when they are made.

Reserve for severance indemnities

The reserve for severance indemnities of the Italian companies, to the extent that it continues representing an obligation for the company, is considered a defined benefit plan and is accounted for in accordance with the provisions for other defined benefit plans.

Share-based payments

SEAT Pagine Gialle S.p.A. grants additional benefits to certain categories of its employees and employees of its subsidiaries which are considered to be "key" in terms of responsibility and/or skills, through stock option plans. In accordance with IFRS 2 "Share-based Payment", stock option plans are accounted for at fair value at the grant date. This fair value is recognised as a cost in the income statement during the vesting period, in straight-line monthly quotas, debiting at the same time a specific equity reserve. The fair value is measured by an independent expert using a binomial model without taking into account any performance conditions, but only market conditions (which influence the price of SEAT Pagine Gialle S.p.A. shares). Changes in the fair value after the grant date have no effect on the initial valuation. Accrued costs at each reporting date are based on the best available estimate of the number of options which will be effectively vested. The cost for the year in the income statement represents the change in total costs recognised between the beginning and the end of the year. The dilution effect of options not yet exercised is reflected in the calculation of diluted earning per share.

Leasing

Financial leasing agreements, which substantially transfer to the SEAT Pagine Gialle group all the risks and rewards relating to the leased assets, are capitalised at the date the lease starts at the fair value of the leased asset or, if less, at the present value of the lease payments. Lease payments are split pro-rata between capital and interest payments so as to achieve the application of a constant interest rate on the residual debt. Financial expenses are recognised directly to the income statement.

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

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

Revenue recognition

Revenue is recognised only when it is probable that economic benefits will flow to the Group and the relevant amount can be reliably estimated. The following criteria must be met to recognise revenues in the income statement:

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

Grants

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

Income taxes

Current taxes

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

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

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

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Deferred taxes

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

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

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

- deferred taxes arising from initial recognition of goodwill or an asset or liability in transactions other than a business combination which has no impact either on the net income for the year recognised in the financial statements or on the net taxable income for the year;
- taxable temporary differences relating to investments in subsidiaries and associates where the reversal of such differences can be controlled and it is unlikely to occur in the foreseeable future.

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

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

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

Value Added Tax

Costs, revenues and tangible and intangible assets are recognised in the balance sheet net of value added tax except when such tax, applied to the purchase of goods or services:

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

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

Earning per share

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

4. Business combinations

On October 1, 2007 the acquisition of the 100% interest in the German company Wer liefert was? GmbH (WLW) and its subsidiaries from Eniro AB became effective. As from that date the German group was consolidated on a line-by-line basis.

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

(euro/thousand)	Fair value at the acquisition date
Non-current assets	8,374
Non-current liabilities	(387)
Net working capital	(17,472)
Current financial assets, cash and cash equivalents	30,793
Total	21,308

The cost of the business combination was € 148,928 thousand, inclusive of directly attributable costs. The overall goodwill arising from the business combination amounted to € 127,620 thousand.

It should be noted that at the date of this report the process of allocating the respective fair values to the identifiable assets and liabilities acquired was still in progress. Therefore, the aforementioned goodwill has been valued on a provisional basis and will be subject to further allocations in relation to the results of the valuations, as allowed by IFRS 3.

5. Intangible assets with indefinite useful life

Intangible assets with indefinite useful life amounted to € 3,687,067 thousand at December 31, 2007 (€ 3,579,001 thousand at December 31, 2006) and were as follows

(euro/thousand)	Year 2007			Year 2006
	Goodwill	Goodwill on consolidation	Total	Total
Balance at beginning of the year	3,182,784	396,217	3,579,001	3,574,260
Goodwill on business combination	126,949	671	127,620	416
Foreign exchange adjustments	-	(18,776)	(18,776)	4,482
Disposal of consolidated companies	-	-	-	(157)
Change in the scope of consolidation and other movements	-	(778)	(778)	-
Balance at end of the year	3,309,733	377,334	3,687,067	3,579,001

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They include:

- *goodwill*, of € 3,309,733 thousand at December 31, 2007, of which € 3,169,868 thousand relating to the goodwill arising from mergers carried out in previous years by the parent company SEAT Pagine Gialle S.p.A. and € 126,949 thousand relating to the goodwill arising from the merger by incorporation between Provista GmbH (a special purpose entity fully owned by SEAT Pagine Gialle S.p.A. and used to carry out the purchase of the German group Wer liefert was?) and Wer liefert was? GmbH, the holding company of the German group which was acquired. This merger had accounting effect as from October 1, 2007. The post-merger company was re-named Wer liefert was? GmbH;
- *goodwill on consolidation*, of € 377,334 thousand at December 31, 2007 (€ 396,217 thousand at December 31, 2006). It arose from the difference between the purchase price of the investments consolidated on a line-by-line basis and the fair value of their corresponding share of equity at the acquisition date. The item decreased in the year by € 18,883 thousand, mainly due to the change in the euro/sterling exchange rate.

For the purposes of the impairment test, intangible assets with indefinite useful life have been allocated to their respective cash generating units (CGUs). In particular, it should be noted that € 3,180,174 thousand of goodwill, equal to 86.3% of the overall value of the intangible assets with indefinite useful life, is allocated to the CGU corresponding to SEAT Pagine Gialle S.p.A..

6. Impairment test of intangible assets with indefinite useful life

Goodwill acquired through business mergers has been allocated - at the acquisition date - to the respective companies acquired which constitute separate cash generating units for the purposes of checking for impairment.

These valuations are made at the end of every year by comparing the book value of each CGU with the respective *recoverable amount*, which is the higher of the fair value of the asset itself when it exists and its *value in use* (present value of expected future cash flows which it is presumed will arise from the permanent use and disposal of an asset at the end of its useful life). For value in use we consider the equity value, i.e. the difference between the enterprise value and the value of the opening net financial position.

Goodwill arisen in SEAT Pagine Gialle S.p.A. from the mergers carried out in previous years was not allocated to separate CGUs within the company, since they had not been identified. Therefore, goodwill refers to the company as a whole.

For every CGU, the *value in use* is estimated as the present value of expected cash flows from operations, on the basis of two time periods, the first established by the time horizon of the last business plan prepared by company management and the second by the so-called *terminal value*. To this end, for each CGU, reference is made to the operating income, net of taxes, *increased* by amortisation and write-downs and *decreased* to reflect operational investments and the generation/use of cash flow arising from the change in operating working capital. Cash flows from non-recurring operations are not considered. The *terminal value* is estimated by applying the perpetual annuity method, in a 1%-2.5% range.

Cash flow from operations thus determined is discounted by applying a discount rate to reflect the *weighted average cost of capital (WACC)* for all the sources of capital, on the basis of a separate financial target structure for each company. The cost of debt is estimated by using the expected average cost of the debt of SEAT Pagine Gialle S.p.A., since the parent company performing a centralised treasury role is the only company to have debts with third parties. The exchange rate for no-risk investments is the rate on the curve for 20-year euro/sterling swaps as available at the reporting date. The equity beta reflects the debt/equity financial structure of each CGU and the relevant risk premium. The "specific" risk is calculated on the basis of the intrinsic risk of the CGU's business and of the market in which it operates.

It should be noted that the tests at December 31, 2007, carried out using the same method as applied in the previous year, were positive. Therefore, no loss impairment was to be recognised in the income statement.

7. Intangible assets with finite useful life

Intangible assets with finite useful life amounted to € 347,873 thousand at December 31, 2007 (€ 485,871 thousand at December 31, 2006) and were as follows

	Year 2007				Total	Year 2006
	Customer DataBase	Software	Industrial patents, trademarks, concessions and licenses	Other intangible assets		Total
(euro/thousand)						
<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)
Balance at beginning of the year	418,671	33,269	12,165	21,766	485,871	624,703
- Investments	-	22,625	2,690	25,779	51,094	34,785
- Amortisation	(162,067)	(20,927)	(3,310)	(2,959)	(189,263)	(182,010)
- Write-down	-	(94)	-	(78)	(172)	(92)
- Foreign exchange adjustments and other movements	-	7,982	544	(8,183)	343	8,485
<i>Cost</i>	972,400	162,848	21,319	51,706	1,208,273	1,156,389
<i>Accumulated amortisation</i>	(715,796)	(119,993)	(9,230)	(15,381)	(860,400)	(670,518)
Balance at end of the year	256,604	42,855	12,089	36,325	347,873	485,871

Intangible assets with finite useful life included:

- *Customer DataBase*, of € 256,604 thousand at December 31, 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. Deficits arising from the mergers effected in December 2003 (€ 972,400 thousand) were partially allocated to this intangible asset, also on the basis of the assessment made by independent experts. The Customer DataBase is amortised over six years: the amortisation for the year was € 162,067 thousand;
- *software*, amounting to € 42,855 thousand at December 31, 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 departments;
- *industrial patents, concessions, trademarks and licenses*, amounting to € 12,089 thousand at December 31, 2007 (€ 12,165 thousand at December 31, 2006), mainly referred to the Telegate group's licenses for its voice portals 11881, 11882 and 11889;
- *other intangible assets*, amounting to € 36,325 thousand at December 31, 2007 (€ 21,766 thousand at December 31, 2006), mainly referred to software projects still in progress at the end of 2007.

Investments for the year, amounting to € 51,094 thousand, increased by € 16,309 thousand compared to the previous year. The Group's focus in 2007 was on three aspects:

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

For further details, please refer to the section "Economic and financial performance by Business Area".

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Investments mainly relate to:

- in the Parent Company (€ 42,272 thousand):
 - the completion of SEM (Multimedia Publishing System). The Platform allows the integrated processing of multimedia advertising information (print, voice and online);
 - the completion of the Integrated Customer DataBase, an integrated database supporting all the operating processes, regarding all Italian business operators, both existing and potential customers;
 - the further development of Evolution, a software supporting sales agents in preparing for customer visits, through the addition of new functionalities;
 - the development of the legacy systems (sales and administrative) to ensure the increasing flexibility required mainly in managing the online offers;
 - the implementation of further steps of the SAP - CRM project (aimed at using the new SAP application platform and ensuring a higher level of integration between back-office commercial, administrative and sales force processes) and the SFE – CRM project (front-end system), to support sales agents with a user-friendly interface with back-end systems (SAP, SEM, etc.);
 - the development of online products, in particular PAGINEGIALLE VISUAL, including "Visual Site", a highly interactive software for website creations that allows the customisation of websites using templates based on specific product categories;
- in Europages (€ 3,538 thousand):
 - the creation of the new database to support the sales development;
 - the development of the new website "Europages 2.0";
- in the Telegate group (€ 2,486 thousand):
 - the development of the Internet platform in Germany;
 - the enhancement of the production capacity of call centers in Germany, Spain, France and Italy;
- in Consodata (€ 1,631 thousand):
 - the development of the "Lifestyle" database for one-to-one marketing.

8. Property, plant and equipment

Property, plant and equipment amounted to € 56,198 thousand at December 31, 2007 (€ 50,013 thousand at December 31, 2006). They are shown net of accumulated depreciation of € 121,046 thousand at the end of the year, for a ratio to cost of 68.29% (67.93% at December 31, 2006). They were detailed as follows

(euro/thousand)	Year 2007				Year 2006
	Property	Machineries and equipment	Other fixed assets	Total	Total
Cost	24,929	53,851	77,180	155,960	150,621
Accumulated depreciation	(7,136)	(40,199)	(58,612)	(105,947)	(100,973)
Balance at beginning of the year	17,793	13,652	18,568	50,013	49,648
- Investments	228	2,919	11,872	15,019	13,538
- Depreciation and write-down	(974)	(4,675)	(9,134)	(14,783)	(13,234)
- Disposals and other movements	5,316	259	374	5,949	61
Cost	31,771	56,587	88,886	177,244	155,960
Accumulated depreciation	(9,408)	(44,432)	(67,206)	(121,046)	(105,947)
Balance at end of the year	22,363	12,155	21,680	56,198	50,013

Property, plant and equipment include:

- *property*, of € 22,363 thousand at December 31, 2007 (€ 17,793 thousand at December 31, 2006). The increase for the year of € 4,570 thousand was mainly due to the consolidation of Wer Liefert Was? GmbH, owner of the building in which it carries out its operations;
- *machineries and equipment*, of € 12,155 thousand at December 31, 2007 (€ 13,652 thousand at December 31, 2006). In 2007 investments amounted to € 2,919 thousand (€ 3,989 thousand in 2006) and refer in particular to the enhancement of the technological infrastructure of the Telegate group's call centers;
- *other fixed assets*, of € 21,680 thousand at December 31, 2007 (€ 18,568 thousand at December 31, 2006), of which € 12,944 thousand related to IT systems. Investments were € 11,872 thousand in 2007 (€ 9,000 thousand in 2006), of which € 8,066 thousand related to EDP systems, as part of the projects described in the previous item.

The amount of accumulated depreciation (€ 121,046 thousand) is considered adequate, for all types of fixed assets, to cover the depreciation of the assets based on their estimated residual useful life. The following table sets out the main 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%

9. Investments accounted for at equity

The changes during the year were as follows

	At 12.31.2006	Change during the year				At 12.31.2007
		Acquisition of investments	Gains (losses) in the income statement arising from accounting for at equity	Foreign exchange adjustments on the equity	Total	
(euro/thousand)						
Associates						
Lighthouse International Company S.A.	288	-	21	-	21	309
Joint ventures						
Katalog Yayın ve Tanıtım Hizmetleri A.S.	-	5,314	(8)	92	5,398	5,398
Total investments accounted for at equity	288	5,314	13	92	5,419	5,707

In November 2007 SEAT Pagine Gialle S.p.A. underwrote a specific reserved capital increase in *Katalog Yayın ve Tanıtım Hizmetleri A.S.*. In that way, SEAT acquired the 50% interest in this company previously owned by Doğan Yayın Holding and specialised in the directories market in Turkey. Following the agreements signed for the acquisition, the Company is jointly controlled by SEAT Pagine Gialle S.p.A. and Doğan Yayın Holding.

10. Other non-current financial assets

Other non-current financial assets amounted to € 2,126 thousand at December 31, 2007 (€ 1,592 thousand at December 31, 2006) and include, in particular:

- loans to employees of € 1,995 thousand, lent at market rates for transactions of this type;
- assets held for sale, referred to € 110 thousand for a 2.2% interest in the share capital of Emittenti Titoli S.p.A.

11. Inventories

This item was as follows

	At 12.31.2006	Change during the year				At 12.31.2007
		Increases (Decreases)	(Provision) Reversal of allowance	Foreign exchange adjustments and change in the scope of consolidation	Total	
(euro/thousand)						
Raw materials, suppliers and consumables	6,868	2,120	-	(44)	2,076	8,944
Merchandising products	3,421	122	(140)	-	(18)	3,403
Work in progress and semi-finished goods	1,219	1,444	-	318	1,762	2,981
Finished goods	383	(145)	137	-	(8)	375
Total inventories	11,891	3,541	(3)	274	3,812	15,703

12. Trade account receivables

This item was as follows

	Year 2007			Year 2006
	Trade account receivables	Allowance for doubtful trade account receivables	Net value	Net value
(euro/thousand)				
Balance at beginning of the year	785,476	(116,795)	668,681	669,740
Provision in the income statement	-	(38,800)	(38,800)	(37,322)
Utilisation	-	37,752	37,752	44,496
Foreign exchange adjustments and other movements	3,400	68	3,468	(8,233)
Balance at end of the year	788,876	(117,775)	671,101	668,681

Trade account receivables amounted to € 671,101 thousand at December 31, 2007, net of an allowance for doubtful account receivables of € 117,775 thousand. € 3,487 thousand fell due after more than 12 months. They included receivables for services to be rendered of € 82,395 thousand, gross of VAT (€ 83,273 thousand at December 31, 2006).

Securitized receivables continue being recognised under "trade account receivables" in accordance with IAS 39, since SEAT Pagine Gialle S.p.A. maintains the relevant risks and benefits.

The allowance for doubtful trade account receivables, of € 117,775 thousand at December 31, 2007, is considered adequate to cover expected losses. It was used in 2007 for € 37,752 thousand (€ 44,496 thousand in 2006). The amount charged to the income statement for the year was € 38,800 thousand (€ 37,322 thousand in 2006).

All trade receivables fell due within five years.

13. Other assets (current and non-current)

Other current and non-current assets amounted to € 66,858 thousand at December 31, 2007 (€ 67,048 thousand at December 31, 2006) and were detailed as follows

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change
Advances on sales commissions and other receivables from agents	45,017	46,528	(1,511)
Advances to suppliers	3,798	4,483	(685)
Prepaid expenses	8,083	6,126	1,957
Other receivables	9,634	9,106	528
Total other current assets	66,532	66,243	289
Other non-current assets	326	805	(479)

In particular:

- *advances on sales commissions and other receivables from agents*, of € 45,017 thousand at December 31, 2007 (€ 46,528 thousand at December 31, 2006), were shown net of the related allowance for doubtful accounts of € 2,077 thousand at December 31, 2007 (€ 2,957 thousand at December 31, 2006). The item included € 1,522 thousand of receivables falling due after more than 12 months, classified among other current assets since they fell within the normal business operating cycle. These receivables were discounted at the present value using the average market interest rate for receivables of this due date;
- *advances to suppliers*, of € 3,798 thousand at December 31, 2007 (€ 4,483 thousand at December 31, 2006), included € 3,347 thousand for advances paid to the printer Ilte S.p.A. (€ 4,113 thousand at December 31, 2006).

14. Equity

Equity was detailed as follows

	At 12.31.2006	Change during the year				At 12.31.2007
		Allocation of previous year result	Dividends distribution	Exercise of stock options	Other movements	
(euro/thousand)						
Share capital	249,879			473	473	250,352
- <i>ordinary shares</i>	245,797			473	473	246,270
- <i>savings shares</i>	4,082					4,082
Additional paid-in capital	460,428			4,675	4,675	465,103
Reserve for transition to IAS/IFRS	181,576				(6)	181,570
Reserves for income (loss) directly recognised to equity						
- <i>Reserve for "cash flow hedge" instruments</i>	1,533				3,729	5,262
- <i>Reserve for actuarial gains (losses)</i>	(4,256)				300	(3,956)
- <i>Reserve for foreign exchange adjustments</i>	(5,312)				(9,900)	(15,212)
Reserve for stock options	7,905			(1,715)	1,402	7,592
Other reserves	50,054	373		(339)	34	50,088
Retained earnings	35,241	79,763	(58,478)	4,455	25,567	60,808
Result for the year	80,136	(80,136)			98,399	98,399
Equity Shareholders of the Group	1,057,184		(58,478)	7,549	93,751	1,100,006
Share capital and reserves	16,594	1,652	(3,743)	801	681	15,985
Result for the year	1,652	(1,652)			7,839	7,839
Minority interests	18,246		(3,743)	801	8,520	23,824
Total equity	1,075,430		(62,221)	8,350	102,271	1,123,830

Share capital

The *share capital* amounted to € 250,352 thousand at December 31, 2007 (€ 249,879 thousand at December 31, 2006).

It is composed by No. 8,208,980,696 ordinary shares and No. 136,074,786 savings shares, with a par value of € 0.03 each. The share capital increased by € 473 thousand in 2007 further to the issue of No. 15,765,000 ordinary shares following the exercise of the same number of options by the beneficiaries of the stock option plans issued by 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 € 465,103 thousand at December 31, 2007 (€ 460,428 thousand at December 31, 2006). It increased by € 4,675 thousand in 2007 further to the issue of ordinary shares, as previously described.

It should be noted that € 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 tax value of the Customer DataBase to its book value, according to Law No. 342/2000. Deferred tax liabilities were not calculated on this amount, as the Company is not planning to pay it out.

Reserves for income (loss) directly recognised to equity

- The *Reserve for "cash flow hedge" instruments* showed a positive balance of € 5,262 thousand at December 31, 2007, an increase of € 3,729 thousand compared to December 31, 2006 (€ 1,533 thousand). The reserve represents the market value of the cash flow hedge instruments. Please refer to the paragraph 19 for a more detailed description of hedging transactions carried out by the Group.
- The *Reserve for actuarial gains (losses)* showed a negative balance of € 3,956 thousand (negative of € 4,256 thousand at December 31, 2006). It represents the net cumulative actuarial gains/losses on defined benefit pension plans according to IAS 19, paragraph 93A. Following the entry into force of the complementary pension reform (Legislative Decree No. 252 of December 5, 2005), € 1,666 thousand of actuarial gains on the reserve for severance indemnities which had been recognised in the reserve at January 1, 2007 were transferred to "Retained earnings".
For additional details on the methods for determining the amounts, please refer to the paragraph 20.
- The *Reserve for foreign exchange adjustments* showed a negative balance of € 15,212 thousand at December 31, 2007 (negative of € 5,312 thousand at December 31, 2006). The change of € 9,900 thousand compared to December 31, 2006 was mainly due to the euro/sterling exchange rate performance during the year. This negative impact was partly offset by the reversal to the income statement of € 3,281 thousand of foreign exchange losses arising from the deconsolidation of Consodata Group Ltd., following the closure of its liquidation process and the cancellation of the Company from the business register.

Reserve for stock options

The *Reserve for stock options* amounted to € 7,592 thousand at December 31, 2007 (€ 7,905 thousand at December 31, 2006). It decreased during the year mainly due to the following movements:

- a decrease of € 1,715 thousand due to the options exercised during 2007;
- an increase of € 1,408 thousand resulting from the valuation, according to IFRS 2, of the stock option plans whose vesting period is not yet concluded.

Other reserves

Other reserves amounted to € 50,088 thousand at December 31, 2007 (€ 50,054 thousand at December 31, 2006) and referred for € 49,976 thousand to the legal reserve of SEAT Pagine Gialle S.p.A..

Retained earnings

This reserve amounted to € 60,808 thousand at December 31, 2007 (€ 35,241 thousand at December 31, 2006). The increase of € 25,567 thousand compared to December 31, 2006 was due to € 21,285 thousand for the allocation of the result for 2006 fiscal year which was not distributed.

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15. Dividends distributed to Shareholders

The overall dividend distributed to SEAT Pagine Gialle S.p.A.'s Shareholders was € 58,478 thousand (€ 42,121 thousand in 2006). For more detailed information, please refer to the paragraph 14 of the notes to the Financial Statements of SEAT Pagine Gialle S.p.A. at December 31, 2007.

Dividends distributed by the subsidiaries to Minorities amounted to € 3,743 thousand in 2007 (€ 3,155 thousand in 2006), mainly to Minorities of the Telegate group.

16. Earning per share

Earning per share was calculated on the basis of the following data

		At 12.31.2007	At 12.31.2006
Number of shares of SEAT Pagine Gialle S.p.A.		8,345,055,482	8,329,290,482
- <i>ordinary</i>		8,208,980,696	8,193,215,696
- <i>savings</i>		136,074,786	136,074,786
Par value per share	€	0.030	0.030
Income (loss) for the year of the SEAT Pagine Gialle group	€/thousand	98,399	80,136
Earning per share	€	0.01177	0.00964
Diluted earning per share	€	0.01175	0.00962

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

17. Net financial debt

Net financial debt amounted to € 3,274,306 thousand at December 31, 2007 (€ 3,405,782 thousand at December 31, 2006) and decreased by € 131,476 thousand in 2007 after a net cash-out of € 118,135 thousand related to the acquisition of the subsidiary Wer liefert was? GmbH.

Net financial debt is different from the net financial debt - "book value" since it is presented "gross" of:

- transaction costs for the incurring and refinancing of the medium and long-term "Senior" loan with The Royal Bank of Scotland Plc Milan Branch and the "Subordinated" loan with Lighthouse International Company S.A., as well as for the inception of the securitisation program for trade receivables. These costs amounted to € 82,792 thousand at December 31, 2007, net of accumulated amortisation;
- net assets for the market value of cash flow hedge instruments, which amounted to € 5,262 thousand at December 31, 2007 (€ 999 thousand at December 31, 2006).

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change	Note
Net financial debt	3,274,306	3,405,782	(131,476)	
Transaction costs on loans and securitisation program not yet amortised	(82,792)	(102,326)	19,534	
Net market value of "cash flow hedge" instruments	(5,262)	(999)	(4,263)	
Net financial debt - "book value"	3,186,252	3,302,457	(116,205)	
of which:				
- Non-current financial debts to third parties	1,926,171	2,125,640	(199,469)	(a)
- Non-current financial debts to associates	1,264,201	1,258,549	5,652	(a)
- Current financial debts to third parties	198,133	211,835	(13,702)	(b)
- Current financial debts to associates	17,375	17,375	-	(c)
- Non-current financial assets (*)	(1,996)	(1,424)	(572)	(d)
- Current financial assets	(13,083)	(1,323)	(11,760)	(e)
- Cash and cash equivalents	(204,549)	(308,195)	103,646	(f)

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

a) Non-current financial debts

This item was as follows

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change
<i>Debts due to The Royal Bank of Scotland Plc Milan Branch (gross value)</i>	<i>1,716,898</i>	<i>1,930,389</i>	<i>(213,491)</i>
<i>less transaction costs</i>	<i>(45,958)</i>	<i>(59,528)</i>	<i>13,570</i>
Debts due to The Royal Bank of Scotland Plc Milan Branch (net value)	1,670,940	1,870,861	(199,921)
<i>Asset backed securities (gross value)</i>	<i>256,000</i>	<i>256,000</i>	<i>-</i>
<i>less transaction costs</i>	<i>(1,035)</i>	<i>(1,347)</i>	<i>312</i>
Asset backed securities (net value)	254,965	254,653	312
Debts due to other lenders	266	126	140
Total non-current financial debts to third parties	1,926,171	2,125,640	(199,469)
<i>Debts due to Lighthouse International Company S.A. (gross value)</i>	<i>1,300,000</i>	<i>1,300,000</i>	<i>-</i>
<i>less transaction costs</i>	<i>(35,799)</i>	<i>(41,451)</i>	<i>5,652</i>
Debts due to Lighthouse International Company S.A. (net value)	1,264,201	1,258,549	5,652
Total non-current financial debts	3,190,372	3,384,189	(193,817)

Non-current financial debts to third parties

- Non-current debts due to The Royal Bank of Scotland Plc Milan Branch amounted to € 1,670,940 thousand at December 31, 2007 (net of € 45,958 thousand of transaction costs not yet amortised at December 31, 2007). At December 31, 2007 this loan was structured as described below:
 - tranche A, in the amount of € 1,415.9 million, repayable in accordance with the amortisation plan with non-constant six-month installments until June 2012 and bearing a floating interest rate equal to Euribor plus a spread. This spread was 1.91% p.a. until February 2007, then subsequently reduced to 1.685% and as of August 2007 to 1.435%;
 - tranche B, in the amount of € 464.5 million, repayable with a lump-sum payment in June 2013, bearing a floating interest rate equal to Euribor plus a spread. This spread was 2.41% p.a. until February 2007, then reduced to 2.26% until August 2007 and currently it is at 2.06%;
 - tranche C, in the amount of € 90 million, designed to cover any working capital requirements of SEAT Pagine Gialle S.p.A. or its subsidiaries, in the form of a revolving credit line facility (at the moment unused), available up to May 2012, bearing a floating interest rate equal to that applicable to tranche A if drawn (spread 1.435%). A non-usage fee of 0.56% p.a. is charged on the temporary non-used commitments.

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The narrower spreads applied to the various tranches starting from February 2007 and June 2007 are due to the application of a contract term calling for progressive reductions in the cost of debt depending on improvements in the consolidated net debt/EBITDA ratio. This spread stood at the end of 2007 at around 160 basis points, a particularly low value given the company's leverage. Also hedging transactions positively impacted interest expense in 2007, as described in the paragraph 19.

- *Asset backed securities* amounted to € 256,000 thousand at December 31, 2007 (gross of transaction costs) and were issued by the SPE Meliadi Finance S.r.l. to finance the purchase of the trade receivables portfolio sold to it by SEAT Pagine Gialle S.p.A. as part of the securitisation program started in June 2006. These securities are guaranteed by the securitised trade receivables portfolio and had been subscribed through a private placement by an institutional investor. They expire in 2014 and bear a floating interest rate in line with the commercial paper rate. They are accounted for net of securitisation costs not yet amortised at December 31, 2007 (€ 1,035 thousand).

Non-current financial debts to associates

Non-current financial debts to associates consist of the loan issued by Lighthouse International Company S.A. amounting to € 1,264,201 thousand at December 31, 2007 (net of € 35,799 thousand for transaction costs not yet amortised at the end of the year). The ten-year loan bears a fixed interest rate of 8% p.a. and falls due in 2014.

In 2007, the overall average cost of SEAT Pagine Gialle S.p.A.'s financial debt was 6.4% (approximately 6% in 2006). This increase derived from *i*) the growing weight of the "Subordinated" debt due to Lighthouse International Company S.A. (at a fixed rate of 8%), following the progressive repayments of the "Senior" debt in 2007 (€ 208.3 million), and *ii*) the increase of the Euribor component of the cost for the "Senior" debt, partially offset by the reductions in spreads and the positive contribution from hedging transactions, as described above.

b) Current financial debts to third parties

Current financial debts to third parties amounted to € 198,133 thousand at December 31, 2007 (€ 211,835 thousand at December 31, 2006) and were as follows

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change
Current portion of the debt due to The Royal Bank of Scotland Plc Milan Branch	163,491	158,301	5,190
Current portion of the debt due to other lenders	253	-	253
Debts due to Shareholders for dividends resolved but not yet withdrawn	30,579	20,774	9,805
Debts for interest expense accrued but not yet paid	3,803	32,459	(28,656)
Other current financial debts	7	150	(143)
Liabilities relating to hedging instruments on exchange rate risks	-	151	(151)
Total current financial debts to third parties	198,133	211,835	(13,702)

They referred to:

- € 163,491 thousand to the current portion of the loan with The Royal Bank of Scotland Plc Milan Branch, falling due in June and December 2008;
- € 30,579 thousand for the Parent Company debt due to Shareholders for dividends resolved but not yet withdrawn at the end of the year;
- € 3,803 thousand for debts for interest expense accrued but not yet paid, of which € 2,818 thousand on the *asset backed securities* issued by the SPE Meliadi Finance S.r.l. and € 985 thousand on the loan with The Royal Bank of Scotland Plc Milan Branch, decreased by € 29,399 thousand compared to December 31, 2006 as a consequence of changes in the due dates for interest payments.

c) Current financial debts to associates

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

d) Non-current financial assets

Non-current financial assets amounted to € 1,996 thousand at December 31, 2007 (€ 1,424 thousand at December 31, 2006) and referred to loans to employees.

e) Current financial assets

Current financial assets amounted to € 13,083 thousand at December 31, 2007 (€ 1,323 thousand at December 31, 2006) and included: *i)* € 8,989 thousand for the payments to SNOS S.p.A., as part of the understandings for the purchase of the "ex Officine Savigliano" real estate complex in Turin, which will house the new headquarters of SEAT Pagine Gialle S.p.A.; and *ii)* € 5,262 thousand for the market value of the "cash flow hedge" instruments (€ 999 thousand at December 31, 2006).

For additional details on hedging instruments, please refer to the paragraph 19.

f) Cash and cash equivalents

Cash and cash equivalents decreased by € 103,646 thousand compared to December 31, 2006, as follows

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change
Bank deposits	204,170	305,475	(101,305)
Postal deposits	238	2,642	(2,404)
Cash on hand	141	78	63
Total cash and cash equivalents	204,549	308,195	(103,646)

The item included € 87,276 thousand for the bank deposits of Meliadi Finance S.r.l., arising from the collection of trade receivables sold by SEAT Pagine Gialle S.p.A. under the securitisation program.

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18. Guarantees provided, main commitments and contingent liabilities

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

- 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 equal to or higher than € 25,000.

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

The financing agreements with The Royal Bank of Scotland Plc Milan Branch and with Lighthouse International Company S.A. require SEAT Pagine Gialle S.p.A. to comply with specific *covenants*, which are checked quarterly and refer to the observance of specific ratios between *i*) net debt and EBITDA, *ii*) EBITDA and interest on the debt, *iii*) cash flow and service on the debt (inclusive of interest and principal investments payable in each reference period).

The check on the above mentioned covenants and the compliance with all loan obligations at December 31, 2007 (the reference date of this report) were positive. Therefore the Company was allowed to benefit from two progressive reductions of the spreads applied to the Euribor rate (with regard to the "Senior" debt) and their maintenance over time, as described above, thanks to the very low value of the ratio of net debt/EBITDA.

Moreover, as standard for transactions of this type, the loan agreements fix limits and operational conditions with regard to other aspects, such as capital expenditure, withdrawal of additional loans, performance of new acquisitions, distribution of dividends and resolution of share capital transactions.

It should be noted that these restrictions – with reference to the operational ones directly impacting the business – have not limited or conditioned the Company's operations at all. The Company's management ensures the constant monitoring of the compliance with all the obligations of the above mentioned conditions.

At the end of December 2006, SEAT Pagine Gialle S.p.A. signed with SNOS S.p.A. (a company 51% owned by Finpiemonte S.p.A. and 49% owned by Impresa Rosso S.p.A.) a preliminary sale agreement for the purchase of the real estate complex still under construction in Turin aimed at housing SEAT Pagine Gialle S.p.A.'s new headquarters. This complex consists on six newly constructed buildings together with a substantial portion of the historical building (named "Manica Storica") covering a gross floor space of about 26,600 square metres overall.

In the first half of the year, SEAT Pagine Gialle S.p.A. further negotiated with SNOS S.p.A. to point out a number of upgrades in technical specifications and variants in the works, compared to the preliminary sale agreement signed at the end of December 2006. Also as consequence of the aforementioned upgrades and variants, the total value of the investment is currently estimated at about € 70 million.

With regard to the six newly constructed buildings in September 2007, the new agreements allowed the Company to sign lease agreements with Intesa Leasing S.p.A., to finance the transaction, as well as SNOS S.p.A. to sign a sale agreement with Intesa Leasing S.p.A..

Then, in December 2007, SEAT Pagine Gialle S.p.A. signed a lease agreement with Intesa Leasing S.p.A. regarding the portion of the historical building. The sale agreement, on the contrary, will be signed at the delivery date, unless otherwise agreed between the parties.

All the above mentioned leases' terms last 15 years and will start since the delivery of the buildings (planned for the second half of 2008), once the work has been ended and safety certificates for the buildings have been obtained.

19. Information on financial risks

Market risks

In its normal operations, the SEAT Pagine Gialle group is subject to risks on fluctuations in interest and exchange rates. These market risks regard in particular the existing loan with The Royal Bank of Scotland Plc Milan Branch, the asset backed securities issued by the SPE Meliadi Finance S.r.l. as part of the securitisation program, and the foreign currency receivables and payables (in particular in GBP).

The SEAT Pagine Gialle group is constantly monitoring the financial risks which it is exposed to, in order to evaluate any potential negative effect and take any appropriate limiting action. These risks are managed through the use of derivative financial instruments, according to the company's risk management policies. In compliance with these policies, the derivatives are entered into only to limit the exposure to risks on foreign exchange and interest rate fluctuations. No speculative derivatives are entered into.

Market risk policy of SEAT Pagine Gialle group

This policy provides for:

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

Hedging instruments on interest rate risks

The "Senior" debt with The Royal Bank of Scotland Plc Milan Branch and the debt arising from the issue of asset backed securities by the SPE Meliadi Finance S.r.l., as part of the securitisation program, bear floating interest rates linked to the Euribor. To reduce the exposure to the risk of fluctuations in interest rates, SEAT Pagine Gialle S.p.A. entered into interest rate hedging instruments with the major international financial counterparties, which all referred to the "Senior" loan.

To determine the market value of the derivative financial instruments, SEAT Pagine Gialle S.p.A. relies to third party valuations (banks and financial institutions).

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

IRSs and FRAs involve or may involve the exchange of interest flows calculated on the notional value of the derivative at a fixed or floating rate, on the due dates agreed by parties. The notional value 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 based on the interest rates expected to be at their relevant maturity dates, the strike price at each maturity date and the volatility of interest rates.

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At December 31, 2007 the following hedging instruments were effective:

- Interest Rate Collar (positive market value of € 338 thousand) for the period from February 2008 to June 2008, by which a floating band of the variable one-month Euribor rate was fixed with a constant cap at 4.565% and an average floor at 4.05% on a notional amount of € 764.0 million;
- Interest Rate Collars (negative market value of € 569 thousand) for the period from June 2008 to December 2009, by which a floating band of the variable six-month Euribor rate was fixed with an average cap at 4.98% and an average floor at 3.78% on an average notional amount of € 1,463.0 million;
- Interest Rate Collars (positive market value of € 1,008 thousand) for the period from January 2010 to December 2011, by which a floating band of the variable six-month Euribor rate was fixed with a constant cap at 4.67% and a constant floor at 3.93% on an average notional amount of € 641.0 million;
- Interest Rate Swaps (positive market value of € 4,748 thousand) entered into in February and March 2006 and referred to the debt expected to be outstanding in the period December 2009-June 2012, by which the variable six-month Euribor rate has been replaced with a fixed rate of around 3.75% on a notional amount of € 325.0 million;
- Interest Rate Swap (negative market value of € 263 thousand) entered into in August 2007 to enhance the hedges under d) above mentioned, referring to the debt expected to be outstanding in the period December 2008-December 2011, by which the variable six-month Euribor rate has been replaced with a fixed rate of around 4.55% on a notional amount of € 50.0 million.

The existing hedging instruments enable the Company to hedge around 60% of its total indebtedness in the first half of 2008, of which approximately 38% through the "Subordinated" fixed-rate debt and approximately 22% through Interest Rate Collars. This coverage is considered suitable taking into account the trends in short term rates.

For the period 2008-2010 the Company is currently hedging around 81% of its indebtedness, of which 42% through the "Subordinated" fixed-rate debt, 34% through Interest Rate Collars and 5% through Interest Rate Swaps and Forward Rate Agreements.

For the period 2011-2012, the Company is currently hedging around 73% of its indebtedness, of which 52% through the "Subordinated" fixed-rate debt, 11% through Interest Rate Collars and 10% through Interest Rate Swaps.

Hedging instruments on interest rate risks enable the Company to keep under control the cost of its debt. In fact, a 100 basis point increase in the Euribor rate is expected to increase the annual cost of the debt of about € 11 million, gross of tax effects.

Liquidity risk

The leverage of the SEAT Pagine Gialle group is quite high, around 5 times EBITDA at the end of 2007. The average life of existing loans is 4.9 years and the repayment plans are as follows

(euro/thousand)	Due date - by						Total
	12.31.2008	12.31.2009	12.31.2010	12.31.2011	12.31.2012	beyond five years	
The Royal Bank of Scotland Plc Milan Branch	163,491	219,240	231,768	245,191	556,155	464,544	1,880,389
Lighthouse International Company S.A.	-	-	-	-	-	1,300,000	1,300,000
Asset backed securities	-	-	-	-	-	256,000	256,000
Debts due to other lenders	253	206	60	-	-	-	519
Total non-current financial debts (gross value)	163,744	219,446	231,828	245,191	556,155	2,020,544	3,436,908

The liquidity risk represents the risk of not having the financial resources necessary to pay the short-term portion of the debt, amounting to € 163,744 thousand by December 31, 2008.

The business of the SEAT Pagine Gialle group is generally not volatile and generates high levels of cash flow that remain largely stable and predictable overtime. Furthermore taking into account also the committed credit lines, the financial resources of the Group are considered adequate to meet its commitments.

Since the second half of 2007, the credit crisis and the relevant impacts on a certain number of financial institutions prompted a widespread, deepening aversion to risk among investors, which in turn led to an increase in the credit default swap and a related significant reduction in the market value of high-yield securities, in particular.

In this scenario, the spread requested by the market to assume risks toward SEAT Pagine Gialle S.p.A. was approximately 350 basis points at December 31, 2007 (about 200 bps in December 2006) and more than 650 bps in the first months of 2008.

This situation is likewise reflected in the market performance of the bond issued by Lighthouse International Company S.A. and guaranteed by SEAT Pagine Gialle S.p.A., down to approximately a price of 100 at December 31, 2007 and 90 at the end of the first two months of 2008 from 109 in December 2006.

Despite this scenario, SEAT Pagine Gialle S.p.A. is not affected by these market trends, as it is not required to fund its short-term needs from the market. Furthermore, the spreads on the floating-rate loan (currently at the lowest level if compared to those applied to companies with similar debt structures and level of leverage) do not depend on financial market conditions.

For these reasons, the current reduction of monetary liquidity experienced by the financial markets should not significantly impact the economic performance of the company or its financial position.

Impact of the "change of control" on existing loan agreements (art. 123-bis, comma l) of Legislative Decree No. 58/1998)

The Indenture, the American law document which lays down the "Notes" rule (the bonds issued by Lighthouse International Company S.A. in 2004 and guaranteed by SEAT in the amount of € 1,300 million with due date in 2014), and The Royal Bank of Scotland Plc Milan Branch's Senior financing agreement require the loans be refunded in advance, if certain events, defined in detail, wholly called "change of control", should occur.

In particular, according to the Indenture, every change of control gives the bond holders the right to be cash refunded by Lighthouse International Company S.A. at a price equal to 101% of par value of the notes. In this case SEAT Pagine Gialle S.p.A., as warrantor, will be obliged to supply Lighthouse International Company S.A. with the funds to make these repurchases.

According to The Royal Bank of Scotland Plc Milan Branch's financing agreement, in the event that a change of control occurs, the commitment of The Royal Bank of Scotland Plc Milan Branch to provide new funds will be immediately cancelled and SEAT Pagine Gialle S.p.A. will immediately refund in advance all the financings withdrawn from it.

For additional information, in particular to identify the cases of "change of control", please see the document "Annual Corporate Governance Report" published at the same time of this report and available to the public on the website of the Company: www.seat.it

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Credit risk

The SEAT Pagine Gialle group, which operates in the market of multimedia profiled advertising, has a business featured by a high number of customers. At December 31, 2007, 87.7% of the Group trade account receivables belongs to the Parent Company, SEAT Pagine Gialle S.p.A., which has around 550,000 customers distributed throughout Italy and mainly represented by SMEs. Every year, only in the Parent Company, roughly 950,000 invoices are issued, each of which, on average, paid in 2.5 instalments amounting to € 590 each, and with over 2.3 million cash movements.

Therefore, in this situation, no concentration of credit risk is present.

The high volumes of transactions carried out generate a high number of overdue positions. Consequently an effective credit management system is required. Over time, in the Parent Company a very widespread structure has been created and constantly reinforced. It can effectively manage all the stages of the recovery process. The internal organisational structure, the phone collection agencies, the recovery agencies and the network of lawyers involve around 1,400 people overall.

In order to have all the information promptly available to manage efficiently the credit collection process, in the last two years new information systems have been introduced, structured by customers segment, depending on their risk and size: the approach is customer-oriented. In 2007, in particular, the credit scoring system for customers started running. It is based on IT systems used by banks for micro-credit and consumer credit and it provides a grading for every sales order determining, through the application of statistical analyses, the level of solvency and potential default of each customer.

The quality of the SEAT's credit portfolio allowed the launch of a securitisation program for trade account receivables in June 2006, with an initial sale of € 355 million. This program enables the Company to sell each month an average of new trade account receivables amounting to € 90 million overall, generated in the period.

The credit enhancement conditions of this securitisation, which are referred to at the end of each month to calculate the spread between the nominal value of the receivables sold and their purchase price, have gradually improved, reflecting the increasing quality in the portfolio.

The exposure to credit risk – represented in the balance sheet by the allowance for doubtful account receivables – is valued through a statistical model, based on customer segmentation by location and aging, which reflects SEAT Pagine Gialle S.p.A.'s historic experience in collecting receivables and project it into the future.

At December 31, 2007 the consolidated allowance for doubtful account receivables amounted to € 117,775 thousand (€ 116,795 thousand at December 31, 2006) covering 50% of SEAT's overdue accounts compared to 48.6% at the end of 2006.

The current trend in the economy (with reference to both the stagnation consumption and the difficulty in accessing credit) could rise the default rate of customers in 2008 in paying their debts to SEAT Pagine Gialle S.p.A., also as a consequence of the banks' increasing aversion to risk.

20. Non-current reserves to employees

The SEAT Pagine Gialle group recognises post-employment benefits to its current and former employees (such as for its Chief Executive Officers) both directly and by contributing to external funds. The ways these benefits are recognised depend on the legal, tax and economic conditions of each country where the Group operates. The benefits are usually based on the remuneration and years of employment.

The Group companies recognise post-employment benefits through defined contribution plans and/or defined benefit plans.

In the case of defined contribution plans, the Group pays contributions to public or private insurance institutes according to a legal or contractual obligation, or on a voluntary basis. With the contribution payments the Group performs all its obligations. The cost for the year is measured on the service provided for by the employee and is recognised in the income statement (€ 4,909 thousand in 2007).

The defined benefit plans can be unfunded or fully or partially funded by Company and its employees' contributions paid to a company or a fund legally separate from the company which provides the benefits to employees.

The following table shows the changes during the year in the various types of outstanding plans

	Year 2007				Year 2006	
	Net liabilities for defined benefit pension plans	Reserve for severance indemnities (as a company's obligation)	Reserve for defined contribution pension plans	Net liabilities for termination indemnities	Total	Total
Balance at beginning of the year	26,467	29,754	39	508	56,768	52,781
Provisions	4,382	866	4,909	515	10,672	9,301
Employer contributions/benefits paid to employees	(6,784)	(4,020)	(4,427)	(633)	(15,864)	(12,711)
Discounting losses	5,776	1,070	-	-	6,846	5,674
Expected return on plan assets	(6,202)	-	-	-	(6,202)	(5,060)
Actuarial losses (gains) recognised to equity	(758)	(1,981)	-	-	(2,739)	5,981
Curtailement	-	(1,188)	-	-	(1,188)	-
Foreign exchange adjustments and other adjustments	(1,987)	2	875	-	(1,110)	802
Balance at end of the year	20,894	24,503	1,396	390	47,183	56,768

a) Net liabilities for defined benefit pension plans

Net liabilities for defined benefit pension plans amounted to € 20,894 thousand at December 31, 2007 (€ 26,467 thousand at December 31, 2006), shown net of assets (€ 88,435 thousand) designated to finance these liabilities (€ 109,329 thousand). They refer almost entirely to the pension plan in force in the TDL Infomedia group.

The assets of the pension plans, the obligations to employees and the related costs were measured by an independent expert, using the projected unit method according to IAS 19.

(euro/thousand)	At 12.31.2007	At 12.31.2006
A. Change in benefit obligation		
1. Benefit obligation at the beginning of the year	113,617	92,078
2. Current service cost	4,382	4,138
3. Interest expense	5,776	4,485
4. Plan participants' contributions	1,244	1,336
5. Actuarial (gains) losses recognised to equity	(3,273)	11,455
6. Benefits paid from plan/company	(2,491)	(2,058)
7. Foreign exchange adjustments	(9,926)	2,183
Benefit obligation at the end of the year	(A) 109,329	113,617
B. Change in plan assets		
1. Fair value of plan assets at the beginning of the year	(87,150)	(72,781)
2. Expected return on plan assets	(6,202)	(5,060)
3. Actuarial (gains) losses recognised to equity	2,515	(2,356)
4. Employer contributions	(6,784)	(5,991)
5. Employee contributions	(1,244)	(1,336)
6. Benefits paid	2,491	2,058
7. Foreign exchange adjustments	7,939	(1,684)
Fair value of plan assets at the end of the year	(B) (88,435)	(87,150)
C. Account recognised in the balance sheet		
1. Present value of funded obligations at the end of the year	109,329	113,617
2. Fair value of plan assets at the end of the year	(88,435)	(87,150)
Net liability (asset) recognised in the balance sheet	(A+B) 20,894	26,467
D. Components of pension cost		
<i>Amounts recognised in the income statement</i>		
1. Current service cost	4,382	4,138
2.a Interest expense	5,776	4,485
2.b Expected return on plan assets	(6,202)	(5,060)
2. Interest expense (income)	(426)	(575)
<i>Actual return on plan assets</i>		
Actual return on plan assets	(3,687)	(7,416)
E. Principal actuarial assumptions		
<i>Weighted-average assumptions to determine benefit obligation</i>		
1. Discount rate	5.65%	5.10%
2. Rate of compensation increase	n.a.	4.30%
3. Rate of price inflation	3.15%	2.80%
4. Rate of pension increase	3.15%	-
<i>Weighted-average assumptions to determine net pension cost</i>		
1. Discount rate	5.10%	4.75%
2. Expected rate of return on plan assets	7.02%	6.67%
3. Expected rate of compensation increase	n.a.	4.13%
4. Rate of price inflation	2.80%	2.63%
5. Rate of pension increase	2.80%	-
F. Plan assets		
Asset categories (*)	% of plan asset categories on total	Expected rate of return on plan assets
1. Shares	75.5%	8.4%
2. Government securities	19.5%	4.9%
3. Bonds	4.8%	5.4%
4. Other	0.2%	5.8%
Total	100.0%	7.6%

(*) Figures referred to 2007.

b) Reserve for severance indemnities (as a company's obligation)

The reserve for severance indemnities (as a company's obligation), of € 24,503 thousand at December 31, 2007 (€ 29,754 thousand at December 31, 2006), has been valued (since it is considered a defined benefit plan) according to IAS 19.

As from January 1, 2007, this liability refers only to the portion of the reserve for severance indemnities that following the complementary pension reform (Legislative Decree No. 252 of December 5, 2005) keeps on being considered as a company's obligation. Further to the entry into force of this reform, the liability, since it refers to a service period that has already been completed, was restated without including the proportionate share of the past service cost. Moreover, the component relating to future salary increases is no longer considered in the actuarial valuation. The difference of € 1,188 thousand resulting from the restatement, compared to the balance sheet value at December 31, 2006, was recognised in the income statement, according to IAS 19 paragraph 109, as curtailment (non-recurring income). Actuarial gains, accounted for as equity at January 1, 2007 ("reserve for actuarial gains/losses") according to IAS 19 paragraph 93A, were reallocated as "retained earnings".

The amount of the reserve for severance indemnities paid to complementary pension funds was considered, as in the past, a *defined contribution plan*, because the company's obligation toward 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 INPS' Treasury Fund (Italian National Social Security Institute) were also accounted for as a defined contribution plan, because the company has no more obligation to make further payments than required ones by the Ministerial Decree of January 30, 2007, in case the fund has not sufficient assets to pay the benefits to the employees. The figures referred to the reserve for severance indemnities (as a company's obligation) are reported below

(euro/thousand)	At 12.31.2007	At 12.31.2006
A. Change in benefit obligation		
1. Benefit obligation at the beginning of the year	29,754	32,904
2. Current service cost	866	3,420
3. Interest expense	1,070	1,189
4. Actuarial (gains) losses recognised to equity	(1,981)	(3,118)
5. Benefits paid from plan/company	(4,020)	(4,599)
6. Curtailment	(1,188)	-
7. Other movements	2	(42)
Benefit obligation at the end of the year	24,503	29,754
B. Account recognised in the balance sheet		
<i>Plans that are wholly unfunded and plans that are wholly or partly funded</i>		
1. Present value of benefit obligation at the end of the year of unfunded plans	24,503	29,754
Net liability recognised in the balance sheet	24,503	29,754
<i>Amounts in the balance sheet:</i>		
1. Liabilities	24,503	29,754
2. Assets	-	-
C. Components of pension cost		
<i>Amounts recognised in the income statement:</i>		
1. Current service cost	866	3,420
2. Interest expense	1,070	1,189
Total pension cost recognised in the income statement	1,936	4,609
D. Principal actuarial assumptions		
<i>Weighted-average assumptions to determine benefit obligation</i>		
1. Discount rate	5.35%	4.25%
2. Rate of compensation increase	n.a.	4.00%
3. Rate of price inflation	2.00%	2.00%
4. Discount rate at the curtailment date	4.60%	n.a.
<i>Weighted-average assumptions to determine net pension cost</i>		
1. Discount rate	4.25%	4.00%
2. Expected rate of compensation increase	n.a.	4.00%
3. Rate of price inflation	2.00%	2.00%

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21. Share-based payments

The stock option plans outstanding at December 31, 2007, described in the section "Report on operations – Human resources", are accounted for in accordance with IFRS 2.

SEAT Pagine Gialle S.p.A.'s stock option plans have been determined by an independent expert, applying the binomial model (lattice model) recommended by the IASB and based on the following hypotheses:

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

The valuation of the stock option plan issued by Telegate AG is based on similar hypotheses to those set out above. They refer to the Telegate AG shares, which are listed on the German stock market.

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 12.31.2007	Number of outstanding options	Fair value	of which accrued in 2007
										(euro/thousand)
2004 stock option plans										
Employees of SEAT PG group	06.07.2004	59,265,000	(450,000)	09.30.2005	0.3341	(42,925,000)	(400,000)	15,490,000	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	(7,195,000)	(225,000)	1,955,000	922	-
Chief Executive Officer	11.25.2004	5,000,000	-	09.30.2005	0.3341	-	-	5,000,000	400	-
2005 stock option plans										
Employees of SEAT PG group	04.08.2005	67,400,000	(1,950,000)	09.30.2006	0.3221	(34,455,000)	(50,000)	30,945,000	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	(7,290,000)	-	1,370,000	745	-
Chief Executive Officer	04.08.2005	5,000,000	-	09.30.2006	0.3221	-	-	5,000,000	498	-
Key People plan	09.12.2006	20,000,000	-	04.15.2008	0.3724	-	-	20,000,000	1,595	1,003
Total		182,500,000	(4,500,000)			(93,765,000)	(675,000)	83,560,000	15,983	1,003
2005 Telegate's stock option plans										
Directors and employees	05.12.2005	293,000	(31,500)	05.12.2007	14.28	(240,500)	-	21,000	489	83
Directors and employees	07.29.2005	7,000	-	07.29.2007	17.22	(7,000)	-	-	16	3
Directors and employees	06.01.2006	400,000	(12,625)	06.01.2008	16.09	-	-	387,375	883	437
Total		700,000	(44,125)			(247,500)	-	408,375	1,388	523
Total for the SEAT PG group		183,200,000	(4,544,125)			(94,012,500)	(675,000)	83,968,375	17,371	1,526 (*)

(*) This amount does not include a reversal of contribution charges paid in previous years by Thomson Directories Ltd. (€ 29 thousand).

Stock option costs of € 1,497 thousand in 2007 (€ 4,768 thousand in 2006) are included in the income statement among non-recurring costs.

22. Other non-current liabilities

Other non-current liabilities at December 31, 2007 amounted to € 22,687 thousand (€ 21,814 thousand at December 31, 2006), as follows

	Year 2007				Total	Year 2006
	Reserve for sale agents' termination indemnities	Reserve for restructuring expenses	Reserve for operating risks and charges	Other non-operating liabilities		Total
(euro/thousand)						
Balance at beginning of the year	21,238	420	142	14	21,814	22,788
Provision	3,880	1,088	-	-	4,968	3,349
Utilisation/repayment	(2,898)	(193)	(114)	(14)	(3,219)	(2,811)
Reversal to the income statement	-	-	-	-	-	(1,953)
Discounting losses (gains)	(876)	-	-	-	(876)	441
Balance at end of the year	21,344	1,315	28	-	22,687	21,814

At December 31, 2007 non-current reserves have been discounted at the present value, taking into account the expected future cash flows and using the pre-tax discount rate which reflects the present market valuation of the cost of money over time. The increase due to the passage of time and to variations in the discount rate applied has been accounted for as financial income (€ 876 thousand).

The *reserve for sales agents' termination indemnities*, of € 21,344 thousand at December 31, 2007, represents the accrued liability at the end of the year toward sales agents for the indemnity due to them in case of disruption, according to current regulations.

23. Reserves for current risks and charges (operating and non-operating)

They are detailed as follows

	Year 2007			Total	Year 2006
	Reserve for commercial risks	Reserves for contractual and other operating risks	Non-operating reserves		Total
(euro/thousand)					
Balance at beginning of the year	15,697	20,805	2,757	39,259	50,366
Provisions	11,155	8,093	9,113	28,361	16,728
Utilisations	(11,908)	(3,994)	(1,889)	(17,791)	(21,996)
Reversal to the income statement	-	(6,253)	-	(6,253)	(5,883)
Other movements	-	589	-	589	44
Balance at end of the year	14,944	19,240	9,981	44,165	39,259

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In particular, the *reserves for current operating risks and charges* at December 31, 2007 amounted to € 34,184 thousand, decreased by € 2,384 thousand compared to December 31, 2006. They included:

- the *reserve for commercial risks*, of € 14,944 thousand at December 31, 2007, accrued to cover claims for publishing mistakes on PAGINEGIALLE®, PAGINEBIANCHE® and Annuari;
- the *reserves for contractual and other operating risks*, of € 19,240 thousand at December 31, 2007 (€ 20,805 thousand at December 31, 2006), of which € 12,720 thousand to cover risks on legal disputes and € 5,600 thousand on pending litigations against sales agents and employees.

The *current non-operating reserves* amounted to € 9,981 thousand at December 31, 2007.

The reserves at the beginning of the year had been used in the first months of 2007 and re-accrued in SEAT Pagine Gialle S.p.A. for € 5,113 thousand to cover the expected restructuring costs arising from the implementation of the corporate reorganisation plan 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 highly innovative IT systems. The non-current portion of the restructuring reserve has been valued taking into account the cash flows which are expected in the next months on the basis of the plan for managing redundant personnel and discounted at the present value at a pre-tax rate which reflects the present market valuation of the cost of money over time.

The increase for 2007 included also a provision of € 4,000 thousand to cover possible claims on indemnities to employees of SEAT Pagine Gialle S.p.A..

24. Trade account payables and other current liabilities

Trade account payables and other current liabilities are as follows

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change
Payables due to suppliers	185,184	197,375	(12,191)
Payables due to sales agents	52,845	55,043	(2,198)
Payables due to employees	25,906	26,175	(269)
Payables due to social security institutions	11,680	12,807	(1,127)
Payables due to directors and statutory auditors	1,199	1,519	(320)
Total trade account payables	276,814	292,919	(16,105)
Payables for services to be rendered	86,250	91,093	(4,843)
Advances from customers	5,749	4,115	1,634
Deferred income and other liabilities	33,602	9,158	24,444
Total payables for services to be rendered and other current liabilities	125,601	104,366	21,235

All trade account payables fell due within 12 months.

Payables for services to be rendered and other current liabilities included € 77 thousand falling due beyond 12 months (€ 86 thousand at December 31, 2006).

In particular:

- *payables due to suppliers*, of € 185,184 thousand at December 31, 2007 (€ 197,375 thousand at December 31, 2006), decreased by € 12,191 thousand compared to December 31, 2006. The change in the year reflects the purchase trends;
- *payables due to sales agents*, of € 52,845 thousand at December 31, 2007 (€ 55,043 thousand at December 31, 2006), should be read in conjunction with the item "advances on sales commissions", included in "Other current assets", which amounted to € 45,017 thousand at December 31, 2007 (€ 46,528 thousand at December 31, 2006). They decreased by € 2,198 thousand compared to December 31, 2006 mostly as a consequence of the different maturity and payment timing of some sales awards and commissions recognised to the sales force;

- *payables for services to be rendered*, of € 86,250 thousand at December 31, 2007 (€ 91,093 thousand at December 31, 2006), refer to advance billing of advertising services, of which € 15,646 thousand has already been paid by customers (€ 12,349 thousand at December 31, 2006). The decrease of € 4,843 thousand compared to December 31, 2006 is due to different invoicing and purchasing timing of advertising orders in print products.

25. Segment information

The primary segment information of the SEAT Pagine Gialle group is 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 offering different products and services to different markets.

Transfer prices between inter-company sectors 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 on the location of the Group's activities and are substantially equivalent to the legal entities operating in every Business Area.

Figures and disclosures by Business Area are detailed in the section "Economic and financial performance by Business Area", with a focus, in particular, on the operating revenue and cost trends which reference should be made to.

26. Revenues from sales and services

In 2007, revenues from sales and services amounted to € 1,453,592 thousand, down compared to the previous year (€ 1,460,183 thousand). Revenues by Business Area were as follows

(euro/thousand)	Year 2007	Year 2006	Change	
			Absolute	%
Italian Directories	1,090,217	1,077,495	12,722	1.2
UK Directories	158,941	173,499	(14,558)	(8.4)
Directory Assistance	185,793	188,696	(2,903)	(1.5)
Other activities	80,208	76,950	3,258	4.2
IC eliminations	(61,567)	(56,457)	(5,110)	(9.1)
Total revenues from sales and services	1,453,592	1,460,183	(6,591)	(0.5)

For a more detailed analysis of revenues, please refer to the section "Economic and financial performance by Business Area" in the report on operations.

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27. Other income and operating costs

27.1 Other income

In 2007, other income amounted to € 5,757 thousand (€ 8,596 thousand in 2006) and include *i*) € 3,700 thousand for the repayments by third parties of postal, legal and administrative costs (€ 4,441 thousand in 2006); and *ii*) € 539 thousand for royalties paid to the Telegate group in relation with the disposal of the subsidiary 1818 Auskunft AG carried out in 2006, with the recognition of an income of € 3,089 thousand.

27.2 Materials

Materials amounted to € 61,493 thousand in 2007 and decreased by € 3,369 thousand compared to 2006.

They referred for € 49,478 thousand to paper costs, down 7.2% compared to 2006 as a consequence of the lower number of printed signatures.

The item also includes consumption of products for resale for € 9,157 thousand (€ 9,968 thousand in 2006).

27.3 External services

External services amounted to € 446,365 thousand in 2007, down € 62,052 thousand compared to the previous year, of which € 42,728 thousand referred to lower advertising and promotion costs: 2006 was in fact significantly affected by the launch of new directory assistance services in Italy and France.

External services included in particular:

- *sales commissions and other costs for sales agents*, for € 115,265 thousand in 2007, with a decrease of € 6,004 thousand compared to 2006, mainly as a consequence of a different mix of revenues by sales channel, with in 2007 a sharp rise in revenues from telesales not subject to sales commissions;
- *production costs*, for € 139,702 thousand in 2007, down € 11,619 thousand compared to 2006, of which € 9,562 thousand arising from costs incurred in the past by the Telegate group in France to provide outsourcing services to the mobile telephone operators Bouygues Telecom and SFR. Starting from April 2006, the date of the market liberalisation, these services have not been provided anymore (for further information please refer to the section "Economic and financial performance by Business Area - Directory Assistance"). Net of this effect, production costs decreased by 1.5% reflecting, in particular, a contraction in the cost of purchase and updating the telephone subscriber database, which decreased by € 7,535 thousand in the Telegate group also thanks to the positive outcome of the legal disputes with Deutsche Telekom;
- *costs for consultancy and professional services*, for € 37,208 thousand in 2007, were substantially stable compared to the previous year (€ 36,367 thousand).

27.4 Salaries, wages and employee benefits

Salaries, wages and employee benefits amounted to € 246,390 thousand in 2007 (€ 231,921 thousand in 2006) and increased by € 14,469 thousand compared to the previous year, of which € 3,775 thousand due to the consolidation of Wer liefert was? GmbH as of October 2007. The increase, which would have been 4.6% on a like for like basis, was due in particular to *i*) the larger number of operators in the call centers and the different labor agreements with them in Italy, *ii*) the development of Internet department in Germany, *iii*) the creation of an owned sales network in the French market and the establishment of the new commercial unit in Germany by Europages and *iv*) the strengthening of Internet and Sales Departments in the Parent Company. A different trend was recorded in the Thomson group, with a decrease in the variable component of its labor costs.

The Group workforce, including directors, project workers and trainees, numbered 6,652 personnel at December 31, 2007 (6,661 personnel at December 31, 2006). The average workforce (FTE for non-Italian companies) was 5,365 units in 2007 (5,164 units in 2006).

27.5 Other operating expense

Other operating expense amounted to € 4,852 thousand in 2007 (€ 4,975 thousand in 2006) and included € 1,122 thousand for operating indirect taxes and duties and € 794 thousand for entertainment expenses.

27.6 Non-recurring costs, net

Non-recurring costs, net amounted to € 9,361 thousand in 2007 (€ 12,932 thousand in 2006), as follows

(euro/thousand)	Year 2007	Year 2006	Change	
			Absolute	%
Non-recurring costs	10,549	12,932	(2,383)	(18.4)
Non-recurring income	(1,188)	-	(1,188)	n.s.
Total non-recurring costs, net	9,361	12,932	(3,571)	(27.6)

Non-recurring costs included:

- € 4,000 thousand referred to possible claims on indemnities to employees in SEAT;
- € 1,962 thousand for costs incurred in Europages for the creation of an owned sales network in France and Germany;
- € 1,497 thousand for costs for stock options, described in the paragraph 21;
- € 818 thousand for costs incurred in Thomson to reorganise the sales and Internet departments.

Non-recurring income, of € 1,188 thousand, referred to the application of a different calculation method (compared to the one applied in 2006) for the valuation of the reserve for severance indemnities, following the entry into force of the complementary pension reform; this difference has been accounted for as curtailment, according to IAS 19 paragraph 109. For further details, please refer to the paragraph 20.

27.7 Restructuring costs, net

Restructuring costs, net amounted to € 7,519 thousand in 2007 (€ 1,038 thousand in 2006), as follows

(euro/thousand)	Year 2007	Year 2006	Change	
			Absolute	%
Provision to reserve for restructuring expenses	6,201	1,900	4,301	n.s.
Restructuring costs	1,318	58	1,260	n.s.
Reversal of reserve for restructuring expenses	-	(920)	920	100.0
Total restructuring costs, net	7,519	1,038	6,481	n.s.

This item included € 7,469 thousand referred to restructuring costs incurred as from the first half of 2007 and expected to incur in the next months by SEAT Pagine Gialle S.p.A. arising from the implementation of the reorganisation plan 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 highly innovative IT systems.

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28. Interest income and expense

28.1 Interest expense

Interest expense of € 258,190 thousand in 2007 (€ 257,583 thousand in 2006) was as follows

(euro/thousand)	Year 2007	Year 2006	Change	
			Absolute	%
Interest expense on the loan with The Royal Bank of Scotland Plc Milan Branch	124,056	131,273	(7,217)	(5.5)
Interest expense on the loan with Lighthouse International Company S.A.	109,902	109,902	-	-
Interest expense on asset backed securities	11,797	5,156	6,641	n.s.
Other financial expense	10,575	9,871	704	7.1
Foreign exchange losses	1,860	1,381	479	34.7
Total interest expense	258,190	257,583	607	0.2

Please refer to the paragraphs 17-18-19 for further information.

28.2 Interest income

Interest income of € 18,877 thousand in 2007 (€ 11,374 thousand in 2006) includes:

- € 8,064 thousand (€ 4,734 thousand in 2006) for interest income from the use of short-term liquidity on the banking system at market rates. The increase compared to the previous year was mainly due to the high increase in market rates recorded in the year, especially in the second half of 2007;
- € 8,181 thousand (€ 5,395 thousand in 2006) for other interest income, of which € 6,191 thousand referred to the assets designated to finance the pension fund of the Thomson group, valued at their fair value;
- € 2,632 thousand (€ 1,245 thousand in 2006) for exchange rate income mainly recorded following the changes in the euro/sterling exchange rate.

29. Losses on disposal and valuation of investments

Gains (losses) on the disposal and valuation of investments in 2007 were negative for € 3,314 thousand. They referred mainly to foreign exchange losses recognised in the income statement following the deconsolidation of Consodata Group Ltd. from January 1, 2007, following the closure of its liquidation process and the removal of the Company from the business register. Up to December 2006 these losses were recognised as equity in the reserve for foreign exchange adjustments, according to IAS 21.

30. Income taxes

Income taxes for 2007 amounted to € 80,209 thousand (€ 74,116 thousand in 2006), as follows

(euro/thousand)	Year 2007	Year 2006	Change	
			Absolute	%
Current income taxes	40,403	29,221	11,182	38.3
Reversal of deferred tax assets	101,787	2,606	99,181	n.s.
Provision (reversal) of deferred tax liabilities	(62,799)	43,116	(105,915)	n.s.
Income taxes referred to the previous years	818	(827)	1,645	n.s.
Total income taxes for the year	80,209	74,116	6,093	8.2

The reversal of deferred tax assets (€ 101,787 thousand) is due essentially to the use of tax losses of previous years.

The reversal of deferred tax liabilities (€ 62,799 thousand) is mainly due to the Customer DataBase which is amortised, for tax purposes, over a different period of time compared to the one used in the financial statements.

The 2008 Finance Law introduced important changes for the SEAT Pagine Gialle group in terms of taxable income as from the 2008 tax period, which affect also the 2007 result. The most important changes concern the reduction of the corporation tax (IRES) and regional manufacturing tax (IRAP) rates (from 33% to 27.50% and from 4.25% to 3.9%, respectively) and the limitation of the deductibility, for IRES purposes, of net interest expense to a maximum of 30% of the difference between revenues and operating costs, gross of amortisation and depreciation. Based on the initial estimates, the non-deductibility of interest expense should increase the taxable income substantially offsetting the benefit arising from the reduction of the IRES and IRAP tax rates.

With regard to the net deferred tax liabilities, the adjustment to the new rates generated an income of € 2.8 million in 2007.

The **reconciliation** between effective and theoretical income taxes, resulting from the application to the "income before income taxes" of the effective Italian tax rate for the accounting years ended December 31, 2007 and 2006, is as follows

(euro/thousand)	Year 2007	Year 2006
Income before income taxes	186,447	155,904
Current income taxes calculated with the theoretical tax rate (37.25%)	(69,452)	(58,074)
Fiscal effect on non-deductible expenses for IRAP purposes (personnel expenses, interest income and expense, etc.)	(16,200)	(15,637)
Benefits on non-recognised tax losses of previous years	7,449	9,075
Non-recognised tax losses for the year	(25)	(4,997)
Effects of different tax rates in foreign countries	1,724	2,307
(Higher) lower income taxes referred to previous years	(818)	827
Non-deductible goodwill amortisation	-	(221)
Permanent differences	(2,887)	(7,396)
Total income taxes for the year	(80,209)	(74,116)

Net deferred tax assets and liabilities

Net deferred tax assets and liabilities are detailed in the following table

(euro/thousand)	At 12.31.2006	Change during the year			At 12.31.2007
		Income taxes accounted for in the income statement	Income taxes accounted for to equity	Foreign exchange adjustments and other movements	
Deferred tax assets					
Tax losses	99,329	(98,443)	-	447	1,333
Allowance for doubtful trade account receivables	35,213	1,514	-	(63)	36,664
Reserves for contractual risks	9,205	3,046	-	-	12,251
Write-down of investments	6,729	(6,693)	-	-	36
Fair value of "cash flow hedge" instruments	383	-	(383)	-	-
Reserves to employees	6,696	(1,159)	(336)	154	5,355
Other	11,912	(51)	260	(109)	12,012
Deferred tax liabilities					
Customer DataBase	(95,586)	65,900	-	-	(29,686)
Goodwill amortisation	(18,772)	(1,561)	-	-	(20,333)
Fair value of "cash flow hedge" instruments	(1,139)	-	1,139	-	-
Reserves to employees	-	(153)	(545)	(761)	(1,459)
Other	(5,624)	(1,387)	239	(147)	(6,919)
Total	48,346	(38,987)	374	(479)	9,254
shown in the balance sheet as:					
- net deferred tax assets	48,346				14,343
- net deferred tax liabilities					(5,089)

Current tax assets

Current tax assets amounted to € 21,054 thousand at December 31, 2007 (€ 5,239 thousand at December 31, 2006) and were detailed as follows

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change
Income tax receivables	18,326	3,105	15,221
Other tax receivables	2,728	2,134	594
Total current tax assets	21,054	5,239	15,815

Current tax payables

Current tax payables amounted to € 54,413 thousand at December 31, 2007 (€ 23,533 thousand at December 31, 2006) and were detailed as follows

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change
Income tax payables	34,309	5,823	28,486
Other tax payables	20,104	17,710	2,394
Total current tax payables	54,413	23,533	30,880

31. Related party transactions

According to IAS 24 and to art. 2, paragraph h), of CONSOB Regulation for Issuers No. 11971/1999 (as amended), the table below summarises the economic and financial effects of transactions with the related parties on the financial statements of the SEAT Pagine Gialle group for 2007.

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

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

(euro/thousand)		Descriptions
External services	105	They refer to marketing consulting costs.
Salaries, wages and employee benefits	2,437	They refer to fees to the directors.
Non-recurring costs	100	They refer to legal advices provided by directors.
Interest expense	109,902	It refers to the "Subordinated" loan with Lighthouse International Company S.A..
Non-current reserves to employees	390	They refer to the termination indemnity due to the Chief Executive Officer, net of the award periodically paid for the insurance policy whose beneficiary - at the end of his office - will be the Chief Executive Officer himself.
Non-current financial debts	1,264,201	They refer to € 1,300,000 thousand for the "Subordinated" loan with Lighthouse International Company S.A., net of € 35,799 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 year on the "Subordinated" loan with Lighthouse International Company S.A..
Trade account payables	1,076	They refer to payables due to the directors for fees.
Investments	588	They refer to legal consulting costs provided by the directors related to company acquisitions.

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32. Other information

Audit fees and expenses for the Group

(euro/thousand)	Year 2007
Reconta Ernst & Young group	
SEAT Pagine Gialle S.p.A.	
- Audit	200
- Attest services	50
- Tax advice	3
- Other services	141
Total	394
Subsidiaries	
- Audit	609
- Tax advice	19
- Other services	22
Total	650

List of investments consolidated on a line-by-line basis
(CONSOB notice DEM/6064293 of July 28, 2006)

Annex 1

Company (business)	Registered office	Share capital		Ordinary shares held		% held by SEAT Pagine Gialle S.p.A.
				%	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; database 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
EUROPAGES Benelux SPRL (promotion and marketing of the "Europages" directory)	Brussels (Belgium)	Euro	20,000	99.00	Europages S.A.	92.626
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)	Sterling	139,525	100.00	SEAT Pagine Gialle S.p.A.	100.00
THOMSON DIRECTORIES Ltd. (publishing and distribution of directories)	Hampshire (United Kingdom)	Sterling	1,340,000	100.00	TDL Infomedia Ltd.	100.00
CALLS YOU CONTROL Ltd. (call routing services provider)	Hampshire (United Kingdom)	Sterling	1	100.00	Thomson Directories Ltd.	100.00
THOMSON DIRECTORIES PENSION COMPANY Ltd. (administration of Thomson Directories Pension Fund)	Hampshire (United Kingdom)	Sterling	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 AG (call center services)	Munich (Germany)	Euro	21,234,545	16.24 61.13	SEAT Pagine Gialle S.p.A. Telegate Holding GmbH	77.37
DATAGATE GmbH (call center services)	Munich (Germany)	Euro	60,000	100.00	Telegate AG	77.37
11880.COM GmbH (call center services)	Munich (Germany)	Euro	25,000	100.00	Datagate GmbH	77.37
MOBILSAFE AG (internet services)	Munich (Germany)	Euro	150,000	100.00	Datagate GmbH	77.37
TELEGATE AKADEMIE GmbH (training of call center personnel)	Rostock (Germany)	Euro	25,000	100.00	Telegate AG	77.37
TELEGATE AUSKUNFTDIENSTE GmbH (call center services)	Munich (Germany)	Euro	25,000	100.00	Telegate AG	77.37
11811 NUEVA INFORMACION TELEFONICA S.A.U. (call center services)	Madrid (Spain)	Euro	222,000	100.00	Telegate AG	77.37
11880 TELEGATE GmbH (call center services)	Vienna (Austria)	Euro	35,000	100.00	Telegate AG	77.37
TELEGATE ITALIA S.r.l. (call center services)	Turin (Italy)	Euro	129,000	100.00	Telegate AG	77.37
TELEGATE 118000 Sarl (call center services)	Paris (France)	Euro	118,000	100.00	Telegate AG	77.37

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UNO UNO OCHO CINCO CERO GUIAS S.L. (call center services)	Madrid (Spain)	Euro	3,100	100.00	Telegate AG	77.37
WER LIEFERT WAS? Holding GmbH (holding)	Hamburg (Germany)	Euro	25,000	100.00	SEAT Pagine Gialle S.p.A.	100.00
WER LIEFERT WAS? GmbH (promotion of online BtoB directories)	Hamburg (Germany)	Euro	1,278,230	100.00	Wer liefert was? Holding GmbH	100.00
WER LIEFERT WAS? Ges.m.b.H. (promotion of online BtoB directories)	Klosterneuburg (Austria)	Euro	381,532	100.00	Wer liefert was? GmbH	100.00
WER LIEFERT WAS GmbH (promotion of online BtoB directories)	Baar-Walterswil (Switzerland)	Swiss franc	750,000	100.00	Wer liefert was? GmbH	100.00
WER LIEFERT WAS? spol. S.r.o. (promotion of online BtoB directories)	Prague (Czech Republic)	Czech crown	42,000,000	100.00	Wer liefert was? GmbH	100.00
WER LIEFERT WAS? d.o.o. (promotion of online BtoB directories)	Zagreb (Croatia)	Kuna	20,000	100.00	Wer liefert was? GmbH	100.00
WLW Vermögensverwaltungs Gesellschaft mbH (promotion of online BtoB directories)	Hamburg (Germany)	Euro	25,565	100.00	Wer liefert was? GmbH	100.00
MELIADI FINANCE S.r.l. * (special purpose entity)	Milan (Italy)	Euro	10,000	-		-

(*Special purpose entity (SPE) set up *ad hoc* for the securitisation program of trade receivables 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.

Annex 2

Company (thousand)	Currency	Equity (1) (2)	Income (loss) (1)	% held by SEAT Pagine Gialle S.p.A.	Equity held by SEAT Pagine Gialle
CIPI S.p.A.	Euro	5,048	735	51.00	2,574
CONSODATA S.p.A.	Euro	12,606	2,035	100.00	12,606
EUROPAGES S.A. ⁽³⁾	Euro	5,315	(1,227)	93.562	4,973
PRONTOSEAT S.r.l.	Euro	774	(349)	100.00	774
SEAT CORPORATE UNIVERSITY S.c.a.r.l.	Euro	10	-	100.00	10
TDL INFOMEDIA Ltd. ⁽³⁾	Sterling	104,387	13,269		
	Euro	142,342	19,389	100.00	142,342
TELEGATE HOLDING GmbH	Euro	67,492	8,569	100.00	67,492
TELEGATE AG ⁽³⁾	Euro	86,571	33,609	77.37	66,980
WER LIEFERT WAS? HOLDING GmbH ⁽³⁾	Euro	149,381	1,137	100.00	149,381

(1) Amounts inferred from the last Financial Statements.

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

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

List of investments accounted for using the equity method
(CONSOB notice DEM/6064293 of July 28, 2006)

Annex 1

Company (business)	Registered office	Share capital	Ordinary shares held		% held by SEAT Pagine Gialle S.p.A.	
			%	by		
Associates						
LIGHTHOUSE INTERNATIONAL COMPANY S.A. (holding)	Luxembourg	Euro	31,000	25.00	SEAT Pagine Gialle S.p.A.	25.00
INDIRECT S.P.R.L. (in liquidation) (supply of services)	Brussels (Belgium)	Euro	148,736	27.00	TDL Infomedia Ltd.	27.00
TDL BELGIUM S.A. (in liquidation) (publishing and distribution of directories)	Brussels (Belgium)	Euro	18,594,176	49.60	TDL Infomedia Ltd.	49.60
Joint venture						
KATALOG YAYIN VE TANITIM HIZMETLERI A.S. (publishing and distribution of directories)	Istanbul (Turkey)	Turkish lira	9,600,000	50.00	SEAT Pagine Gialle S.p.A.	50.00

Annex 2

Company (thousand)	Currency	Equity (1) (2)	Income (loss) (1)	% held by SEAT Pagine Gialle S.p.A.	Equity held by SEAT Pagine Gialle
LIGHTHOUSE INTERNATIONAL COMPANY S.A. (holding)	Euro	414	84	25.00	104
INDIRECT S.P.R.L. (in liquidation) (supply of services)	Euro	9	(38)	27.00	3
TDL BELGIUM S.A. (in liquidation) (publishing and distribution of directories)	Euro	(9,616)	(12,286)	49.60	(4,769)
KATALOG YAYIN VE TANITIM HIZMETLERI A.S. (publishing and distribution of directories)	Turkish lira	9,451	(807)		
	Euro	5,504	(470)	50.00	2,752

(1) Amounts inferred from the last Financial Statements.

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

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➤ Certification of the Financial Statements of the Group pursuant to art. 81-ter of CONSOB Regulation No. 11971 of May 14, 1999, as amended

- The undersigned, Luca Majocchi, as Chief Executive Officer, and Maurizia Squinzi, as Manager responsible for preparing the SEAT Pagine Gialle S.p.A.'s financial reports, hereby certify, having also taken into consideration the provisions of art. 154 bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of February 24, 1998, that the administrative and accounting procedures to prepare the Financial Statements of the Group for the 2007 fiscal year are adequate with respect to the company structure and have been effectively applied.
- The administrative and accounting procedures applied for preparing the Financial Statements of the Group at December 31, 2007 were tested during the year to assess their adequacy and effective application. This process did not point out any anomalies.
- The undersigned also certify that the Financial Statements of the Group at December 31, 2007:
 - correspond to the results of book-keeping entries; and
 - have been prepared according to IAS/IFRS adopted by the European Union as well as to regulations issued pursuant to art. 9 of the Italian Legislative Decree No. 38/2005, and they present a fair and correct financial position and economic performance of the SEAT Pagine Gialle group as per their knowledge.

March 18, 2008

signed by

Chief Executive Officer
Luca Majocchi

signed by

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

➤ Report of the Board of Statutory Auditors on the Financial Statements of the SEAT Pagine Gialle group for the financial year ended December 31, 2007

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

this report relates to the consolidated financial statements of SEAT Pagine Gialle group. The report considers the duties assigned to the Board of Statutory Auditors under Legislative Decree No. 58 of February 24, 1998, for which reference is made to the Report on the Financial Statements of the Parent Company SEAT Pagine Gialle S.p.A. at December 31, 2007.

Based on these assumptions, the Board of Statutory Auditors:

- with regard to the matters falling within its competence, the Board of Statutory Auditors acquired knowledge of and supervised the adequacy of the organisational structure of the Company and the compliance with the principles of good management, through direct assessments, information gathered from managers responsible for administration and through meetings with the Independent Auditors Reconta Ernst & Young S.p.A., for the purposes of mutual exchange of significant data and information;
- received the 2007 financial statements of SEAT Pagine Gialle S.p.A., including the report on operations, and the 2007 consolidated financial statements, including the related disclosures, from the Board of Directors within the deadlines laid down by law;
- assessed compliance with the laws governing the consolidated financial statements and the report on operations;
- acquired knowledge of the Independent Auditors' Report of April 7, 2008, which does not contain observations;
- the financial statements of the main subsidiaries have been audited by their respective Boards of Statutory Auditors, by an independent auditor or by an accounting firm.

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

For a complete information, please refer to the Report prepared by this Board, with regard to the 2007 financial statements of SEAT Pagine Gialle S.p.A., which contain all the information required by the Supervisory Authority on the Italian stock exchange market.

In our opinion, the consolidated financial statements as a whole give a fair representation of the economic and financial performance of SEAT Pagine Gialle group and the consolidated income (equal to € 98,399 thousand) for the financial year ended December 31, 2007, in accordance with the laws governing the consolidated financial statements as previously referred to.

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

Milan, April 7, 2008

The Board of Statutory Auditors

Enrico Cervellera

Vincenzo Ciruzzi

Andrea Vasapolli

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■ Tel. (+39) 011 5161611
Fax (+39) 011 5612554
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INDEPENDENT AUDITORS' REPORT

Pursuant to article 156 of the Legislative Decree No. 58 of February 24, 1998
(Translation from the original Italian text)

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

1. We have audited the consolidated financial statements of SEAT Pagine Gialle S.p.A. and subsidiaries (the "SEAT Pagine Gialle Group") as of and for the year ended December 31, 2007, comprising the consolidated balance sheet, the consolidated statement of operations, changes in equity and cash flows and the related explanatory notes. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such consolidated financial statement, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For our opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 2, 2007.

3. In our opinion, the consolidated financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in equity and the cash flows of the SEAT Pagine Gialle Group as of December 31, 2007 and for the year then ended in accordance with IFRS as adopted by the European Union and the measures issued to implement art. 9 of Italian Legislative Decree n° 38/2005.

Turin, Italy
April 7, 2008

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

■ **Reconta Ernst & Young S.p.A.**
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Capitale Sociale € 1.303.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
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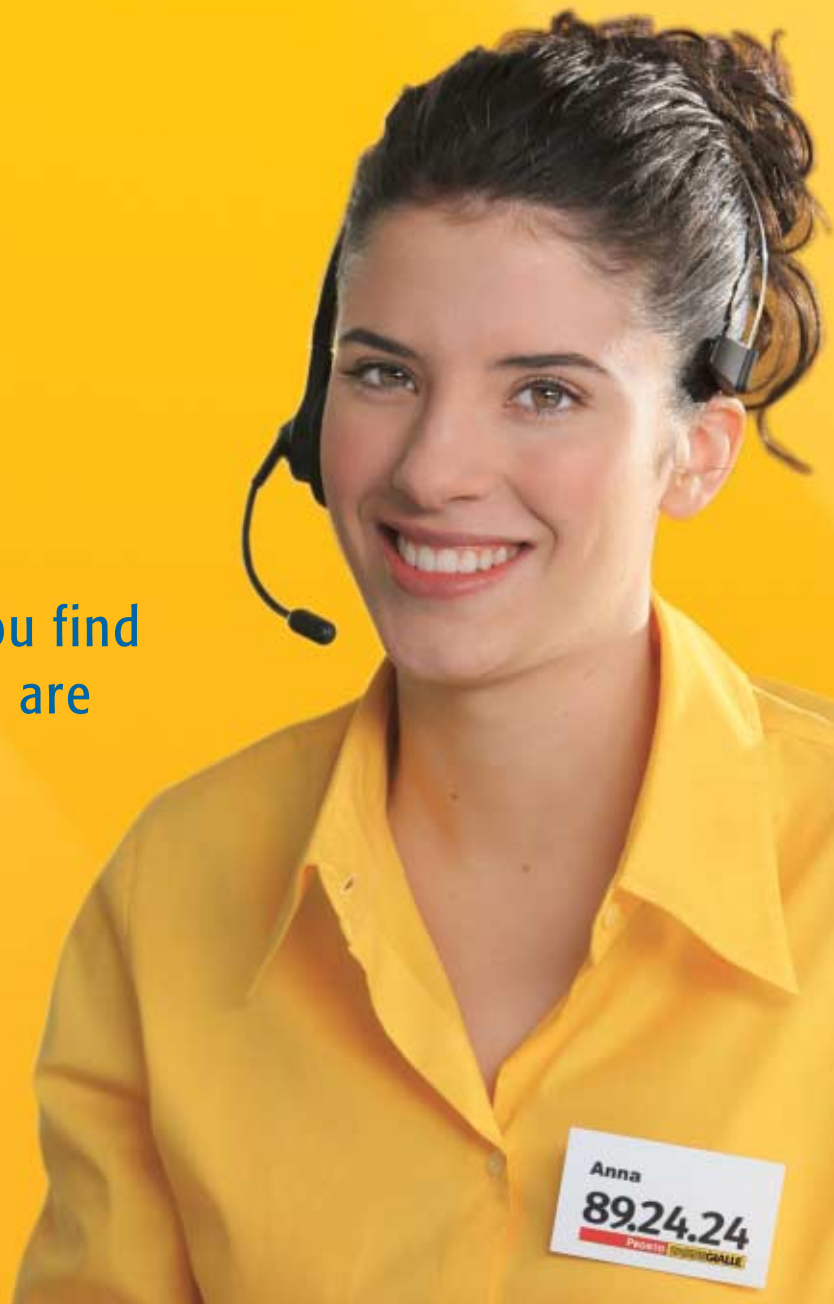
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Financial Statements of SEAT Pagine Gialle S.p.A.

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➤ Balance sheet of SEAT Pagine Gialle S.p.A. at December 31, 2007

Assets

	At 12.31.2007	At 12.31.2006	Change	Note
(euro/thousand)				
Non-current assets				
Intangible assets with indefinite useful life	3,187,161	3,187,161	-	(4)
Intangible assets with finite useful life	328,382	468,696	(140,314)	(6)
Property, plant and equipment	14,080	11,291	2,789	(7)
Investments	551,675	396,691	154,984	(8)
Other non-current financial assets from third parties	2,119	1,548	571	(9)
Deferred tax assets, net	-	27,924	(27,924)	(27)
Other non-current assets	97	482	(385)	(12)
Total non-current assets	(A) 4,083,514	4,093,793	(10,279)	
Current assets				
Inventories	11,573	7,376	4,197	(10)
Trade account receivables	604,531	587,131	17,400	(11)
Current tax assets	16,575	1,812	14,763	(27)
Other current assets	54,517	55,475	(958)	(12)
Current financial assets from third parties	13,043	1,310	11,733	(16)
Current financial assets from related parties	99,099	104,302	(5,203)	(16)
Cash and cash equivalents	90,932	171,519	(80,587)	(16)
Total current assets	(B) 890,270	928,925	(38,655)	
Total assets	(A+B) 4,973,784	5,022,718	(48,934)	

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Liabilities and equity

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change	Note
Equity				
Share capital	250,352	249,879	473	(13)
Additional paid-in capital	465,103	460,428	4,675	(13)
Reserve for transition to IAS/IFRS	161,750	161,750	-	
Retained earnings	73,475	47,114	26,361	(13)
Reserve for stock options	6,172	5,829	343	(13)
Reserve for "cash flow hedge" instruments	5,262	1,533	3,729	(13)
Reserve for actuarial gains (losses)	1,311	1,686	(375)	(13)
Other reserves	50,088	50,054	34	
Income for the year	88,310	83,395	4,915	
Total equity	(A) 1,101,823	1,061,668	40,155	(13)
Non-current liabilities				
Non-current financial debts to third parties	1,670,940	1,870,861	(199,921)	(16)
Non-current financial debts to related parties	1,432,713	1,419,154	13,559	(16)
Non-current reserves to employees	22,539	26,077	(3,538)	(19)
Deferred tax liabilities, net	4,142	-	4,142	(27)
Other non-current liabilities	22,428	21,238	1,190	(21)
Total non-current liabilities	(B) 3,152,762	3,337,330	(184,568)	
Current liabilities				
Current financial debts to third parties	197,067	209,611	(12,544)	(16)
Current financial debts to related parties	122,992	44,910	78,082	(16)
Trade account payables	230,926	231,319	(393)	(23)
Payables for services to be rendered and other current liabilities	84,704	90,106	(5,402)	(23)
Reserve for current risks and charges	39,260	29,402	9,858	(22)
Current tax payables	44,250	18,372	25,878	(27)
Total current liabilities	(C) 719,199	623,720	95,479	
Total liabilities	(B+C) 3,871,961	3,961,050	(89,089)	
Total liabilities and equity	(A+B+C) 4,973,784	5,022,718	(48,934)	

➤ Income statement of SEAT Pagine Gialle S.p.A. for 2007

(euro/thousand)	Year 2007	Year 2006	Change		Note
			Absolute	%	
Sales of goods	19,419	21,070	(1,651)	(7.8)	(24)
Rendering of services	1,070,798	1,056,425	14,373	1.4	(24)
Revenues from sales and services	1,090,217	1,077,495	12,722	1.2	(24)
Other income	6,483	5,865	618	10.5	(25)
Total revenues	1,096,700	1,083,360	13,340	1.2	
Materials	(52,466)	(54,780)	2,314	4.2	(25)
External services	(352,241)	(360,688)	8,447	2.3	(25)
Salaries, wages and employee benefits	(87,556)	(81,510)	(6,046)	(7.4)	(25)
Other valuation adjustments	(31,236)	(28,824)	(2,412)	(8.4)	(12)
Provisions to reserves for risks and charges, net	(16,659)	(11,999)	(4,660)	(38.8)	(22)
Other operating expense	(3,060)	(3,135)	75	2.4	(25)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net	553,482	542,424	11,058	2.0	
Amortisation, depreciation and write-down	(188,831)	(181,722)	(7,109)	(3.9)	(4-7)
Restructuring costs, net	(7,469)	(1,958)	(5,511)	n.s.	(25)
Non-recurring costs, net	(5,608)	(10,753)	5,145	47.8	(25)
Operating income	351,574	347,991	3,583	1.0	
Interest expense	(252,293)	(252,924)	631	0.2	(26)
Interest income	47,919	46,899	1,020	2.2	(26)
Gains (losses) on disposal/valuation of investments	192	(39)	231	n.a.	
Income before income taxes	147,392	141,927	5,465	3.9	
Income taxes for the year	(59,082)	(58,532)	(550)	(0.9)	(27)
Income for the year	88,310	83,395	4,915	5.9	

SEAT Pagine Gialle shares (number)	8,345,055,482	8,329,290,482	15,765,000	0.2
- ordinary (number)	8,208,980,696	8,193,215,696	15,765,000	0.2
- savings (number)	136,074,786	136,074,786	-	-
Earning per share (in euro)	0.01056	0.01004	0.00052	5.2
Diluted earning per share (in euro)	0.01054	0.01001	0.00053	5.3

Basic earning per share is calculated by dividing the income (loss) for the year by the average number of the shares outstanding during the year. Diluted earning per share is calculated by using the weighted average number of the shares outstanding during the year, adjusted by assuming the issue of all the potential shares deriving from the exercise of dilutive options pursuant to IAS 33.

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

(euro/thousand)		Year 2007	Year 2006	Change
Cash inflow from operating activities				
Income (loss) for the year		88,310	83,395	4,915
Amortisation, depreciation and write-down		188,831	181,722	7,109
Interest expense, net (*)		204,291	204,585	(294)
Costs for stock options		1,003	3,271	(2,268)
Income taxes for the year		59,082	58,532	550
(Gains) losses on disposal of non-current assets		(11)	(58)	47
(Gains) losses on disposal/valuation of investments		(192)	-	(192)
Change in working capital		(32,361)	(36,352)	3,991
Other changes		(528)	1,028	(1,556)
Cash inflow from operating activities	(A)	508,425	496,123	12,302
Cash outflow for investments				
Purchase of intangible assets with finite useful life		(42,272)	(29,368)	(12,904)
Purchase of property, plant and equipment		(9,119)	(5,731)	(3,388)
Other investments		(155,252)	(450)	(154,802)
Proceeds from disposal of non-current assets		544	595	(51)
Cash outflow for investments	(B)	(206,099)	(34,954)	(171,145)
Cash outflow for financing				
Repayment of non-current loans		(208,301)	(431,411)	223,110
Net flow from securitisation program		14,241	176,993	(162,752)
Payment of interest expense, net		(193,028)	(197,706)	4,678
Payment of securitisation costs		-	(1,525)	1,525
Change in financial assets and financial debts		57,844	27,848	29,996
Increase in share capital from exercised stock options		4,809	20,434	(15,625)
Payment of costs related to dividends distribution		-	(565)	565
Distribution of dividends		(58,478)	(42,121)	(16,357)
Cash outflow for financing	(C)	(382,913)	(448,053)	65,140
Increase (decrease) in cash and cash equivalents in the year	(A+B+C)	(80,587)	13,116	(93,703)
Cash and cash equivalents at beginning of the year		171,519	158,403	13,116
Cash and cash equivalents at end of the year		90,932	171,519	(80,587)

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

➤ Statement of changes in equity of SEAT Pagine Gialle S.p.A. for 2007

	Share capital	Additional paid-in capital	Other reserves	Income (loss) for the year	Total
<i>(euro/thousand)</i>					
At 12.31.2006	249,879	460,428	267,966	83,395	1,061,668
Allocation of previous year result			24,917	(83,395)	(58,478)
Exercise of stock options	473	4,675	(339)		4,809
<i>Income (loss) recognised directly to equity</i>					
- Change in the reserve for "cash flow hedge" instruments			3,729		3,729
- Actuarial gains (losses) for the year on the reserve for severance indemnities			1,311		1,311
Fair value of stock option plans and other changes			474		474
Income for the year				88,310	88,310
At 12.31.2007	250,352	465,103	298,058	88,310	1,101,823

➤ Statement of changes in equity of SEAT Pagine Gialle S.p.A. for 2006

	Share capital	Additional paid-in capital	Other reserves	Income (loss) for the year	Total
<i>(euro/thousand)</i>					
At 12.31.2005	248,012	441,893	204,592	84,715	979,212
Allocation of previous year result			42,594	(84,715)	(42,121)
Exercise of stock options	1,867	18,535	32		20,434
<i>Income (loss) recognised directly to equity</i>					
- Change in the reserve for "cash flow hedge" instruments			15,795		15,795
- Actuarial gains (losses) for the year on the reserve for severance indemnities			2,061		2,061
Fair value of stock option plans and other changes			2,892		2,892
Income for the year				83,395	83,395
At 12.31.2006	249,879	460,428	267,966	83,395	1,061,668

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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 multimedia and advertising sales activities are mainly focused on telephone directories and information services.

The Company has its registered office in Milan, via Grosio 10/4. The share capital is € 250,352 thousand.

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

2. Basis of presentation

The annual 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.

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 annual financial statements have been prepared on the basis of the historical cost principle, except for derivative 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 euro thousands unless otherwise indicated.

2.1 Accounting estimates and assumptions

In preparing the annual 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 the actual results may differ from such accounting estimates.

The estimates are used to recognise in the income statement provisions to face risks on doubtful receivables and claims for publishing mistakes, depreciation and amortisation, write-down of assets, employee benefits, taxes, restructuring reserves, other provisions and reserves. The estimates and assumptions are periodically reviewed and the effect of any change is immediately recognised in the income statement.

3. Accounting policies

For a summary of the accounting standards adopted, reference should be made to the corresponding section of the notes to the Financial Statements of the Group at December 31, 2007, except for the accounting policy related to "Investments", described below.

Investments

Investments in subsidiaries, associates and joint ventures are valued at purchase cost, pursuant to the provisions of IAS 27. The positive differences resulting from acquisition, between the carrying value of investment in these companies and the corresponding portion of equity at current values, are included in the value of the investments. These values are tested at least once a year for impairment. Impairment losses, if any, are recognised in the income statement under "write-up (write-down) of investments" at the time of occurrence.

If the SEAT's share of the loss of the investee (in case SEAT is required to cover it) is higher than the carrying value of the investment, the latter is reduced to zero and the difference is recognised in the balance sheet as "reserve for risks and charges on investments".

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

4. Intangible assets with indefinite useful life

Intangible assets with indefinite useful life amounted to € 3,187,161 thousand at December 31, 2007 and are referred to goodwill arising from mergers carried out in previous years.

5. Impairment test of intangible assets with indefinite useful life

Intangible assets with indefinite useful life were tested for impairment at the end of the year, with positive results. The procedures of impairment test are described in the paragraph 6 of the notes to the Financial Statements of the Group at December 31, 2007.

6. Intangible assets with finite useful life

	Year 2007					Year 2006
	Customer DataBase	Software	Work in progress	Other intangible assets	Total	Total
<i>(euro/thousand)</i>						
<i>Cost</i>	972,400	111,817	15,881	13,574	1,113,672	1,084,396
<i>Accumulated amortisation</i>	(553,729)	(82,086)	-	(9,161)	(644,976)	(468,614)
Balance at beginning of the year	418,671	29,731	15,881	4,413	468,696	615,782
- Investments	-	19,359	20,809	2,104	42,272	29,368
- Amortisation and write-down	(162,067)	(18,188)	-	(2,331)	(182,586)	(176,454)
- Other movements	-	6,699	(6,699)	-	-	-
<i>Cost</i>	972,400	136,925	29,991	14,247	1,153,563	1,113,672
<i>Accumulated amortisation</i>	(715,796)	(99,324)	-	(10,061)	(825,181)	(644,976)
Balance at end of the year	256,604	37,601	29,991	4,186	328,382	468,696

Intangible assets with finite useful life included:

- *software*, of € 37,601 thousand at December 31, 2007 (€ 29,731 thousand at December 31, 2006). The item includes costs for purchases from third parties and in-house production of proprietary and licensed software used in particular in the commercial, publishing and administrative departments;
- *work in progress*, of € 29,991 thousand at December 31, 2007 (€ 15,881 thousand at December 31, 2006). They refer primarily to software projects internally developed and still in progress at the end of the year;
- *other intangible assets*, of € 4,186 thousand at December 31, 2007 (€ 4,413 thousand at December 31, 2006), of which € 3,707 thousand referred to concessions, licenses, trademarks and similar rights.

Investments for 2007 amounted to € 42,272 thousand, an increase of € 12,904 thousand compared to 2006. A detailed description about the targets and features of the 2007 investments is provided in the Report on operations, section "Economic and financial performance by Business Area – Italian Directories".

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7. Property, plant and equipment

(euro/thousand)	Year 2007				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)
Balance at beginning of the year	1,072	1,163	9,056	11,291	10,864
- Investments	222	356	8,541	9,119	5,731
- Depreciation and write-down	(487)	(514)	(5,244)	(6,245)	(5,268)
- Disposals and other movements	6	-	(91)	(85)	(36)
<i>Cost</i>	2,298	6,113	53,879	62,290	55,577
<i>Accumulated depreciation</i>	(1,485)	(5,108)	(41,617)	(48,210)	(44,286)
Balance at end of the year	813	1,005	12,262	14,080	11,291

Property, plant and equipment amounted to € 14,080 thousand at December 31, 2007 (€ 11,291 thousand at December 31, 2006) and were accounted for net of accumulated depreciation of € 48,210 thousand (€ 44,286 thousand at December 31, 2006).

Other fixed assets amounted to € 12,262 thousand at December 31, 2007 (€ 9,056 thousand at December 31, 2006), of which € 10,129 thousand referred to EDP systems.

Investments for the year amounted to € 9,119 thousand (€ 5,731 thousand in 2006) and mainly referred to the purchase of servers and other IT equipment.

Accumulated depreciation amounted to 77% of the cost of property, plant and equipment (80% at December 31, 2006).

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

	Year 2007	Year 2006
Property	3%	3%
Machineries and equipment	10-25%	10-25%
Other fixed assets	10-40%	10-25%

Depreciation rates of property, plant and equipment are reduced by 50% in the first year of life, depending on effective technical use of these assets.

8. Investments

Investments in subsidiaries, associates and joint ventures amounted to € 551,675 thousand at December 31, 2007 (€ 396,691 thousand at December 31, 2006).

The following table sets out the detail of the investments and the changes during the year

	At 12.31.2006	Change during the year			Total	At 12.31.2007
		Capital contributions	Repayments	Gains on valuation of investments		
(euro/thousand)						
Subsidiaries	396,482	149,928	(450)	192	149,670	546,152
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
WER LIEFERT WAS? HOLDING GmbH	-	148,928			148,928	148,928
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 AG	21,563					21,563
TELEGATE HOLDING GmbH	104,410					104,410
Associates and joint ventures	209	5,314			5,314	5,523
LIGHTHOUSE INTERNATIONAL COMPANY S.A.	209					209
KATALOG YAYIN VE TANITIM HIZMETLERI A.S.	-	5,314			5,314	5,314
Total investments	396,691	155,242	(450)	192	154,984	551,675

This item increased by € 154,984 thousand in the year, as a consequence of:

- the acquisition of the 100% interest in Wer liefert was? GmbH (WLW) from Eniro AB on October 1, 2007 for € 148,928 thousand;
- the increase in the value of Prontoseat S.r.l. due to a capital contribution of € 1,000 thousand by SEAT Pagine Gialle S.p.A. in June 2007;
- the closing of the liquidation process related to the subsidiary Consodata Group Ltd. in June 2007 (€ 258 thousand);
- the acquisition of the 50% interest in Katalog Yayin ve Tanitim Hizmetleri A.S. in November 2007 for € 5,314 thousand.

9. Other non-current financial assets from third parties

Other non-current financial assets from third parties amounted to € 2,119 thousand at December 31, 2007 (€ 1,548 thousand at December 31, 2006) and included:

- loans and receivables from employees of € 1,994 thousand, lent at market rates for transactions of this type;
- assets held for sale of € 125 thousand, including € 110 thousand for the 2.2% interest in Emittenti Titoli S.p.A..

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10. Inventories

This item was detailed as follows

	At 12.31.2006	Change during the year			At 12.31.2007
		Increases (Decreases)	(Provision) Reversal of the allowance	Total	
(euro/thousand)					
Raw materials, suppliers and consumables	5,777	2,830	-	2,830	8,607
Work in progress and semi-finished goods	1,218	1,373	-	1,373	2,591
Finished goods	381	(138)	132	(6)	375
- <i>Finished goods (gross value)</i>	548	(138)	-	(138)	410
- <i>Allowance for finished goods</i>	(167)	-	132	132	(35)
Total inventories	7,376	4,065	132	4,197	11,573

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 detailed as follows

	Year 2007					Year 2006
	Trade account receivables	Allowance for doubtful trade account receivables	Trade account receivables from subsidiaries	Allowance for doubtful trade account receivables from subsidiaries	Net value	Net value
(euro/thousand)						
Balance at beginning of the year	674,477	(107,589)	20,243	-	587,131	588,480
Provision in the income statement	-	(29,413)	-	(1,673)	(31,086)	(28,517)
Utilisation	-	30,107	-	-	30,107	35,897
Other movements	17,222	-	1,157	-	18,379	(8,729)
Balance at end of the year	691,699	(106,895)	21,400	(1,673)	604,531	587,131
<i>of which securitised</i>	<i>307,828</i>	<i>(17,538)</i>	<i>7,832</i>	<i>-</i>	<i>298,122</i>	<i>285,021</i>

Trade account receivables amounted to € 604,531 thousand at December 31, 2007 (net of € 108,568 thousand for the allowance for doubtful accounts) and included receivables arising from services to be rendered for € 82,395 thousand, gross of VAT.

The *allowance for doubtful trade account receivables* of € 106,895 thousand at December 31, 2007 is considered adequate to cover expected losses. During the year it has been utilised for € 30,107 thousand (€ 35,897 thousand in 2006) and supplemented by a provision of € 29,413 thousand (€ 28,517 thousand in 2006).

All trade receivables fall due within 5 years.

Trade account receivables from subsidiaries, of € 21,400 thousand at December 31, 2007, included € 19,848 thousand for receivables from Telegate Italia S.r.l. related to the amount due to SEAT Pagine Gialle S.p.A. for telephone traffic generated by the 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE services.

It should be noted that, until the end of 2006, SEAT Pagine Gialle S.p.A.'s revenues performed from telephone traffic through the subsidiary Telegate Italia S.r.l. have been accounted for net of a certain percentage to cover bad debts. The recovery process of the relevant receivables was carried out directly by Telecom Italia S.p.A.. As the latter could decide to no longer offer such collection service, and in the absence of a signed agreement between the parties, revenues from telephone traffic were accounted for gross of the previously agreed percentage to cover bad debts.

Consequently, a provision of € 1,673 thousand was recognised in the income statement to cover the default risk related to the receivables from Telegate Italia S.r.l. for traffic revenues.

Pursuant to law No. 130/1999, securitised receivables continue being recognised as "trade account receivables" in accordance with IAS 39, as 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 € 315,660 thousand at December 31, 2007, of which € 7,832 thousand from the subsidiary Telegate Italia S.r.l..

Information concerning the securitisation transactions pursuant to law No. 130/1999 (CONSOB resolution No. 97003369)

It should be noted that the trade account receivables transferred to the SPE Meliadi Finance S.r.l. during 2007 amounted to € 1,087,677 thousand (turnover). The total collection during the year amounted to € 1,037,367 thousand and trade account receivables outstanding at December 31, 2007 amounted to € 315,660 thousand.

12. Other assets (current and non-current)

This item was detailed as follows

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change
Advances on sales commissions and other receivables from agents	45,003	46,523	(1,520)
Advances to suppliers	3,395	4,162	(767)
Other receivables from subsidiaries	2,447	2,057	390
Prepaid expenses	1,870	889	981
Other receivables	1,802	1,844	(42)
Total other current assets	54,517	55,475	(958)
Other non-current assets	97	482	(385)

In detail:

- *advances on sales commissions and other receivables from agents*, of € 45,003 thousand at December 31, 2007 (€ 46,523 thousand at December 31, 2006), were shown net of the related allowance for doubtful accounts of € 2,077 thousand (€ 2,957 thousand at December 31, 2006). The item included € 1,522 thousand of receivables falling due after more than 12 months, classified among other current assets since they fell within the normal business operating cycle. These receivables were discounted at the present value using the average market interest rate for receivables of this due date;
- *advances to suppliers*, of € 3,395 thousand at December 31, 2007 (€ 4,162 thousand at December 31, 2006), included € 3,347 thousand for advances paid to the printer Ilte S.p.A. (€ 4,113 thousand at December 31, 2006);
- *other receivables from subsidiaries*, of € 2,447 thousand at December 31, 2007, included € 1,651 thousand of receivables arising from the repayment of expenses incurred by SEAT Pagine Gialle S.p.A. on behalf of its subsidiaries and € 716 thousand of receivables arising from the tax consolidation agreement that the Italian subsidiaries had joined.

Other non-current assets amounted to € 97 thousand at December 31, 2007 (€ 482 thousand at December 31, 2006) and decreased by € 385 thousand following the utilisation of the tax receivable arising from tax advances on the reserve for severance indemnities (as provided for by Law No. 662 of December 23, 1996, as amended).

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13. Equity

Equity was detailed as follows

	At 12.31.2006		Change during the year				At 12.31.2007
			Resolutions of Shareholders' Meeting	Exercise of stock options	Other changes	Total	
(euro/thousand)							
Share capital		249,879		473		473	250,352
- ordinary shares		245,797		473		473	246,270
- savings shares		4,082					4,082
Shareholders' contributions to future share capital increases	A,B,C	339		(339)		(339)	
Additional paid-in capital	A,B,C	460,428		4,675		4,675	465,103
Other reserves							
- Legal reserve	B	49,603	373			373	49,976
- Reserve for grants related to research	A,B,C	80					80 ⁽¹⁾
- Reserve for grants related to assets	A,B,C	32					32 ⁽¹⁾
- Retained earnings	A,B,C	47,114	24,544	660	1,157	26,361	73,475
- Reserve for transition to IAS/IFRS	A,B,C	161,750					161,750
Reserves for income (loss) directly recognised to equity							
- Reserve for cash flow hedge instruments	B	1,533			3,729	3,729	5,262
- Reserve for actuarial gains (losses)	B	1,686			(375)	(375)	1,311
Reserve for stock options	B	5,829		(660)	1,003	343	6,172
Income for the year		83,395	(83,395)		88,310	4,915	88,310
Total equity		1,061,668	(58,478)	4,809	93,824	40,155	1,101,823 (*)

A: Reserve available for share capital increase.

B: Reserve available for covering losses.

C: Reserve available for distribution to Shareholders.

(1) Reserve subject to tax imposition in case of distribution.

(*) Of which € 119,823 thousand subject to tax imposition in case of distribution (see art. 109 of TUIR as modified by Legislative Decree No. 344/2003).

Share capital

Share capital amounted to € 250,352 thousand at December 31, 2007 (€ 249,879 thousand at December 31, 2006).

Share capital was composed of No. 8,208,980,696 ordinary shares and No. 136,074,786 savings shares, of a par value of € 0.03 each. Share capital increased by € 473 thousand during the year further to the issue of No. 15,765,000 ordinary shares, with a par value of € 0.03, following the exercise of the same number of options by the beneficiaries of the "2004 Stock Option Plan for Employees" and the "2005 Stock Option Plan for Employees".

€ 13,741 thousand of the 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 € 465,103 thousand at December 31, 2007 (€ 460,428 thousand at December 31, 2006). It increased by € 4,675 thousand further to the issue of ordinary shares during the year, as described above.

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

Retained earnings

Retained earnings amounted to € 73,475 thousand at December 31, 2007 (€ 47,114 thousand at December 31, 2006). The reserve increased by € 26,361 thousand during the year, mainly due to:

- the allocation of € 24,544 thousand of the 2006 result, as resolved by the Shareholders' Meeting on April 19, 2007;
- the transfer of the actuarial gains on the reserve for severance indemnities recognised in the reserve for actuarial gains (losses) at January 1, 2007 (€ 1,686 thousand), following the entry into force of the complementary pension reform. For further information, please refer to the paragraph 19;
- the transfer of € 662 thousand from the reserve for stock options following the exercise of stock options during the year.

Reserve for income (loss) directly recognised to equity

- The *Reserve for cash flow hedge instruments* showed a positive balance of € 5,262 thousand at December 31, 2007, an increase of € 3,729 thousand compared to December 31, 2006 (€ 1,533 thousand). The reserve represents the fair value of cash flow hedge instruments. Please refer to the paragraph 19 of the notes to the Financial Statements of the Group at December 31, 2007 for further information on hedging instruments.
- The *Reserve for actuarial gains (losses)* showed a positive balance of € 1,311 thousand at December 31, 2007 (positive of € 1,686 thousand at December 31, 2006) and included the net cumulative gains/losses on the reserve for severance indemnities pursuant to IAS 19, paragraph 93A. After the entry into force of the complementary pension reform (Legislative Decree No. 252 of December 5, 2005), actuarial gains on the reserve for severance indemnities recognised at January 1, 2007 were transferred to "retained earnings". Additional details on the impact of the aforementioned reform on the financial statements are provided in the paragraph 19.

Reserve for stock options

The *Reserve for stock options* amounted to € 6,172 thousand at December 31, 2007 (€ 5,829 thousand at December 31, 2006). The change for the year was due to:

- a decrease of € 660 thousand allocated to the reserve for retained earnings following the exercise of stock options during the year;
- an increase of € 1,003 thousand due to costs for stock options not yet vested at the end of the year, in accordance with IFRS 2.

14. Dividends distributed to Shareholders

On April 19, 2007, the Ordinary Shareholders' Meeting of SEAT Pagine Gialle S.p.A. resolved to distribute the following dividend:

- € 0.0070, gross of withholding tax, for each of the No. 8,206,320,696 ordinary shares outstanding at the ex-dividend date (May 21, 2007);
 - € 0.0076, gross of withholding tax, for each of the No. 136,074,786 savings shares;
- for an overall amount of € 58,478 thousand. Dividend payment started on May 24, 2007. It was subject to tax regulations as per articles 44 and 89 of Italian Presidential Decree No. 917 of December 22, 1986.

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15. Earning per share

Earning per share was calculated on the basis of the following data

		At 12.31.2007	At 12.31.2006
Number of shares of SEAT Pagine Gialle S.p.A.		8,345,055,482	8,329,290,482
- ordinary		8,208,980,696	8,193,215,696
- savings		136,074,786	136,074,786
Par value per share	€	0.030	0.030
Income for the year of SEAT Pagine Gialle S.p.A.	€/thousand	88,310	83,395
Earning per share	€	0.01056	0.01004
Diluted earning per share	€	0.01054	0.01001

The difference between earning per share and diluted earning 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 € 3,306,698 thousand at December 31, 2007 (€ 3,369,306 thousand at December 31, 2006), with a decrease of € 62,608 thousand in 2007.

Net financial debt is different from the net financial debt - "book value" since it is presented "gross" of:

- transaction costs for the incurring and refinancing of the medium and long-term "Senior" loan with The Royal Bank of Scotland Plc Milan Branch and the "Subordinated" loan with Lighthouse International Company S.A., and the launch of the securitisation program for trade receivables. These costs amounted to € 82,792 thousand at December 31, 2007, net of accumulated amortisation;
- net assets for the market value of cash flow hedge instruments, which amounted to € 5,262 thousand at December 31, 2007 (€ 999 thousand at December 31, 2006).

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change	Note
Net financial debt	3,306,698	3,369,306	(62,608)	
Transaction costs on loans and securitisation program not yet amortised	(82,792)	(102,326)	19,534	
Net market value of "cash flow hedge" instruments	(5,262)	(999)	(4,263)	
Net financial debt - "book value"	3,218,644	3,265,981	(47,337)	
<i>of which:</i>				
- Non-current financial debts to third parties	1,670,940	1,870,861	(199,921)	(a)
- Non-current financial debts to related parties	1,432,713	1,419,154	13,559	(a)
- Current financial debts to third parties	197,067	209,611	(12,544)	(b)
- Current financial debts to related parties	122,992	44,910	78,082	(c)
- Non-current financial assets from third parties (*)	(1,994)	(1,424)	(570)	(d)
- Current financial assets from third parties	(13,043)	(1,310)	(11,733)	(e)
- Current financial assets from related parties	(99,099)	(104,302)	5,203	(f)
- Cash and cash equivalents	(90,932)	(171,519)	80,587	(g)

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

a) Non-current financial debts

They are detailed as follows

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change
<i>Debts due to The Royal Bank of Scotland Plc Milan Branch (gross value)</i>	1,716,898	1,930,389	(213,491)
<i>less transaction costs</i>	(45,958)	(59,528)	13,570
Debts due to The Royal Bank of Scotland Plc Milan Branch (net value)	1,670,940	1,870,861	(199,921)
Total non-current financial debts to third parties	1,670,940	1,870,861	(199,921)
<i>Debts due to Lighthouse International Company S.A. (gross value)</i>	1,300,000	1,300,000	-
<i>less transaction costs</i>	(35,799)	(41,451)	5,652
Debts due to Lighthouse International Company S.A. (net value)	1,264,201	1,258,549	5,652
<i>Debts due to Meliadi Finance S.r.l. (gross value)</i>	169,547	161,952	7,595
<i>less securitisation costs</i>	(1,035)	(1,347)	312
Debts due to Meliadi Finance S.r.l. (net value)	168,512	160,605	7,907
Total non-current financial debts to related parties	1,432,713	1,419,154	13,559
Total non-current financial debts	3,103,653	3,290,015	(186,362)

A short description of this item is reported below. Further information is provided in the paragraph 17 of the notes to the Financial Statements of the Group at December 31, 2007.

Non-current financial debts to third parties

Debts due to The Royal Bank of Scotland Plc Milan Branch amounted to € 1,670,940 thousand at December 31, 2007 (€ 1,870,861 thousand at December 31, 2006), net of transaction costs not yet amortised at the end of the year of € 45,958 thousand (€ 59,528 thousand at December 31, 2006).

Non-current financial debts to related parties

Debts due to Lighthouse International Company S.A. amounted to € 1,264,201 thousand at December 31, 2007 (€ 1,258,549 thousand at December 31, 2006), net of € 35,799 thousand for transaction costs not yet amortised at the end of the year (€ 41,451 thousand at December 31, 2006).

Debts due to Meliadi Finance S.r.l. amounted to € 168,512 thousand at December 31, 2007 (€ 160,605 thousand at December 31, 2006). Meliadi Finance S.r.l. is the special purpose vehicle specifically set up for the five-year securitisation program of the trade receivables launched in June 2006 pursuant to Italian Law No. 130/1999. The debt was recognised net of the securitisation costs not yet amortised at the end of the year, amounting to € 1,035 thousand (€ 1,347 thousand at December 31, 2006). They represent the balance between the value of the securitised receivables, the amount already collected, the deferred purchase price (DPP) and the amount paid to the special purpose vehicle as a discount.

b) Current financial debts to third parties

Current financial debts to third parties amounted to € 197,067 thousand at December 31, 2007 (€ 209,611 thousand at December 31, 2006) and included

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change
Current portion of the debt to The Royal Bank of Scotland Plc Milan Branch	163,491	158,301	5,190
Debts due to Shareholders for dividends	30,579	20,774	9,805
Debts for accrued interest expense not yet paid	986	30,384	(29,398)
Other financial debts	2,011	1	2,010
Liabilities relating to hedging instruments on exchange rate risks	-	151	(151)
Total current financial debts to third parties	197,067	209,611	(12,544)

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- € 163,491 thousand for the *current portion of the debt to The Royal Bank of Scotland Plc Milan Branch*, due in June and December 2008;
- *debts due to Shareholders for dividends*, of € 30,579 thousand at December 31, 2007, referred to the dividends resolved but not yet withdrawn at the end of the year;
- *debts for accrued interest expense not yet paid*, of € 986 thousand at December 31, 2007, referred to the interest expense accrued on the loan with The Royal Bank of Scotland Plc Milan Branch. The decrease of € 29,398 thousand compared to 2006 was due to the change in the maturity date fixed for interest payments;
- *other financial debts*, amounting to € 2,011 thousand at December 31, 2007, referred mainly to proceeds to be repaid to Meliadi.

c) Current financial debts to related parties

Current financial debts to related parties amounted to € 122,992 thousand at December 31, 2007 (€ 44,910 thousand at December 31, 2006) and included

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change
Debts due to subsidiaries	105,617	27,535	78,082
Debts due to associates	17,375	17,375	-
Total current financial debts to related parties	122,992	44,910	78,082

- *Debts due to subsidiaries* amounted to € 105,617 thousand at December 31, 2007 and included mainly short-term financial debts to Telegate AG (€ 60,237 thousand), WLW group (€ 22,366 thousand), TDL Infomedia Limited (€ 20,454 thousand) and cash deposits from Consodata S.p.A. (€ 2,319 thousand). These financial debts are regulated at market rates;
- *debts due to associates* of € 17,375 thousand at December 31, 2007, which refer to the interest expense accrued but not yet paid on the "Subordinated" loan with Lighthouse International Company S.A.

d) Non-current financial assets from third parties

Non-current financial assets from third parties are included in the net financial position of the Company with reference to receivables and loans to employees amounting to € 1,994 thousand at December 31, 2007, as described in the paragraph 9.

e) Current financial assets from third parties

Current financial assets from third parties amounted to € 13,043 thousand at December 31, 2007 (€ 1,310 thousand at December 31, 2006) and included:

- € 8,989 thousand for payments to SNOS S.p.A., in accordance with the Company's commitments to purchase the so named "ex Officine Savigliano" real estate complex in Turin, which will house the new headquarters of SEAT Pagine Gialle S.p.A.;
- € 5,262 thousand for the market value of cash flow hedge instruments (€ 999 thousand at December 31, 2006).

Current financial assets from third parties also included € 1,764 thousand as deferred income on the unwinding of a certain number of hedging instruments.

Further details on hedging transactions are provided in the paragraph 19 of the notes to the Financial Statements of the Group at December 31, 2007.

f) Current financial assets from related parties

At December 31, 2007, current financial assets from related parties amounted to € 99,099 thousand (€ 104,302 thousand at December 31, 2006) and included:

- € 93,407 thousand for financial assets from TDL Infomedia Ltd, in the form of a revolving credit line;
 - € 5,692 thousand for cash deposits, of which € 2,757 thousand related to Europages S.A. and € 2,387 thousand related to Cipi S.p.A.
- These financial assets are regulated at market rates.

g) Cash and cash equivalents

This item decreased by € 80,587 thousand compared to December 31, 2006 and included

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change
Bank deposits	90,689	168,863	(78,174)
Postal deposits	224	2,637	(2,413)
Cash on hand	19	19	-
Total cash and cash equivalents	90,932	171,519	(80,587)

17. Guarantees provided, main commitments and contractual rights

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

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

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

The following table describes briefly the repayment plan for the loans outstanding at the end of the year

(euro/thousand)	Due date - by						Total
	12.31.2008	12.31.2009	12.31.2010	12.31.2011	12.31.2012	beyond five years	
Debts due to The Royal Bank of Scotland Plc Milan Branch	163,491	219,240	231,768	245,191	556,155	464,544	1,880,389
Debts due to Lighthouse International Company S.A.	-	-	-	-	-	1,300,000	1,300,000
Debts due to Meliadi Finance S.r.l.	-	-	-	169,547 (*)	-	-	169,547
Total non-current financial debts (gross value)	163,491	219,240	231,768	414,738	556,155	1,764,544	3,349,936

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

The loan agreements require SEAT Pagine Gialle S.p.A. to comply with specific *covenants*, checked on a quarterly basis. These covenants refer to the observance of specific ratios between: *i*) net debt and EBITDA; *ii*) EBITDA and interest on the debt; *iii*) cash flow and service on the debt (inclusive of interest and principal investments payable in each reference period).

The check on the above mentioned covenants and the compliance with all loan obligations at December 31, 2007 (the reference date of this report) were positive. Therefore SEAT Pagine Gialle S.p.A. was allowed to benefit from two progressive reductions of the spreads applied to the Euribor rate (with regard to the "Senior" debt) and their maintenance over time, thanks to the very low value of the ratio of net debt/EBITDA.

Furthermore, as standard for transactions of this type, the loan agreements fix limits and operational conditions with regard to other aspects, such as capital expenditure, withdrawal of additional loans, performance of new acquisitions, distribution of dividends and resolution of share capital transactions.

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It should be noted that these restrictions – with reference to the operational ones directly impacting the business – have not limited or conditioned the operations of SEAT Pagine Gialle S.p.A. at all. The Company's management ensures the constant monitoring of the compliance with all the obligations of the above mentioned conditions.

18. Information on financial risks

A more detailed description of the Company's risks are provided in the paragraph 19 of the notes to the Financial Statements of the Group at December 31, 2007.

19. Non-current reserves to employees

This item was detailed as follows

	Year 2007				Year 2006
	Reserve for severance indemnities	Reserve for defined contribution pension plans	Net liabilities for termination indemnities	Total	Total
(euro/thousand)					
Balance at beginning of the year	25,530	39	508	26,077	29,853
Provisions	457	3,658	515	4,630	3,972
Employer contributions/benefits paid to employees	(3,385)	(4,304)	(633)	(8,322)	(6,092)
Contributions paid by employees	-	846	-	846	-
Discounting losses	991	-	-	991	1,117
Curtailement	(1,162)	-	-	(1,162)	-
Actuarial losses (gains) recognised to equity	(1,808)	-	-	(1,808)	(3,076)
Other adjustments	412	875	-	1,287	303
Balance at end of the year	21,035	1,114	390	22,539	26,077

The *reserve for severance indemnities*, of € 21,035 thousand at December 31, 2007 (€ 25,530 thousand at December 31, 2006), was accounted for in accordance with IAS 19 (since it is considered as a defined benefit plan).

Starting from January 1, 2007, this liability refers only to the portion of the reserve for severance indemnities that following the complementary pension reform (Italian Legislative Decree No. 252 of December 5, 2005) keeps on being considered as a company's obligation. However, further to the entry into force of this reform, the liability, since it refers to a service period that has already been completed, it was restated without including the proportionate share of the past service cost. Furthermore, the component relating to future salary increases has no longer been considered in the actuarial calculation. The difference resulting from the restatement, compared to the balance sheet value at December 31, 2006, was recognised in the income statement, according to IAS 19 paragraph 109, as curtailement (non-recurring income). Actuarial gains, which on January 1, 2007 were accounted for in the relevant equity reserve (paragraph 93A of IAS 19), were reallocated as "retained earnings".

The amount of the reserve for severance indemnities paid to complementary pension funds was considered, as in the past, a *defined contribution plan*, as the company's obligation toward 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 INPS' Treasury Fund (Italian National Social Security Institute) were also accounted for as a defined contribution plan, because the company has no more obligation to make further payments than required ones by the Italian Ministerial Decree of January 30, 2007, in case the fund has not sufficient assets to pay the benefits to the employees.

(euro/thousand)	At 12.31.2007	At 12.31.2006
A. Change in benefit obligation		
1. Benefit obligation at the beginning of the year	25,530	29,273
2. Current service cost	457	2,302
3. Interest expense	991	1,117
4. Actuarial (gains) losses recognised to equity	(1,808)	(3,076)
5. Benefits paid from plan/company	(3,385)	(4,044)
6. Curtailment	(1,162)	-
7. Other movements	412	(42)
Benefit obligation at the end of the year	21,035	25,530
B. Account recognised in the balance sheet		
<i>Plans that are wholly unfunded and plans that are wholly or partly funded</i>		
1. Present value of benefit obligation at the end of the year of unfunded plans	21,035	25,530
Net liability (asset) recognised in the balance sheet	21,035	25,530
<i>Amounts in the balance sheet:</i>		
1. Liabilities	21,035	25,530
2. Assets	-	-
C. Components of pension cost		
<i>Amounts recognised in the income statement:</i>		
1. Current service cost	457	2,302
2. Interest expense	991	1,117
Total pension cost recognised in the income statement	1,448	3,419
D. Principal actuarial assumptions		
<i>Weighted-average assumptions to determine benefit obligation</i>		
1. Discount rate	5.35%	4.25%
2. Rate of compensation increase	n.a.	4.00%
3. Rate of price inflation	2.00%	2.00%
<i>Weighted-average assumptions to determine net pension cost</i>		
1. Discount rate	4.25%	4.00%
2. Expected rate of compensation increase	n.a.	4.00%
3. Rate of price inflation	2.00%	2.00%

The *net liabilities for termination indemnities* represents the amount due to the Chief Executive Officer net of the award periodically paid for the insurance policy whose beneficiary – at the end of his office – will be the Chief Executive Officer himself. Payments to this insurance policy may refer to contributions for termination indemnities, as well as part of the Chief Executive Officer's variable compensation.

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20. Share-based payments

The stock option plans in force at December 31, 2007 are described in the section "Report on operations – Human resources".

These plans are stated in the financial statements in accordance with IFRS 2.

A more detailed description of the method used to evaluate these plans is provided in the paragraph 21 of the notes to the Financial Statements of the Group at December 31, 2007.

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 12.31.2007	Fair value	of which accrued in 2007
(euro/thousand)										
2004 stock option plans										
SEAT PG employees	06.07.2004	59,265,000	(450,000)	09.30.2005	0.3341	(42,925,000)	(400,000)	15,490,000	5,590	-
Chief Executive Officer	11.25.2004	5,000,000	-	09.30.2005	0.3341	-	-	5,000,000	400	-
2005 stock option plans										
SEAT PG employees	04.08.2005	62,500,000	(1,950,000)	09.30.2006	0.3221	(33,345,000)	(50,000)	27,155,000	5,211	-
SEAT PG employees	11.04.2005	1,600,000	-	09.30.2006	0.3915	-	-	1,600,000	200	-
Chief Executive Officer	04.08.2005	5,000,000	-	09.30.2006	0.3221	-	-	5,000,000	498	-
Key People plan	09.12.2006	20,000,000	-	04.15.2008	0.3724	-	-	20,000,000	1,595	1,003
Total		153,365,000	(2,400,000)			(76,270,000)	(450,000)	74,245,000	13,495	1,003

Costs for stock options, of € 1,003 thousand in 2007 (€ 3,271 thousand in 2006), are included in the income statement among non-recurring costs.

21. Other non-current liabilities

Other non-current liabilities amounted to € 22,428 thousand at December 31, 2007 and were as follows

(euro/thousand)	Year 2007			Year 2006
	Reserve for sales agents' termination indemnities	Reserve for restructuring expenses	Total	Total
Balance at beginning of the year	21,238	-	21,238	19,465
Provision	3,880	1,084	4,964	3,349
Utilisation	(2,898)	-	(2,898)	(2,017)
Discounting losses (gains)	(876)	-	(876)	441
Balance at end of the year	21,344	1,084	22,428	21,238

The *reserve for sales agents' termination indemnities* increased by € 106 thousand in 2007. This item represents the accrued liability at the end of the year toward sales agents in force for the indemnity due to them in case of disruption, according to current regulations.

The reserve has been discounted at the present value, taking into account the expected future cash flows and using the pre-tax discount rate which reflects the current market valuation of the cost of money over time. The decrease due to the passage of time and to variations in the discount rate applied has been accounted for as financial income (€ 876 thousand).

22. Reserves for current risks and charges (operating and non-operating)

This item was detailed as follows

(euro/thousand)	Year 2007				Year 2006
	Reserve for commercial risks	Reserves for contractual and other operating risks	Non-operating reserves	Total	Total
Balance at beginning of the year	15,697	11,816	1,889	29,402	35,644
Provisions	11,155	5,968	9,113	26,236	15,094
Utilisations	(11,908)	(2,138)	(1,868)	(15,914)	(20,141)
Reversal to the income statement	-	(464)	-	(464)	(1,195)
Balance at end of the year	14,944	15,182	9,134	39,260	29,402

In detail:

- the *reserve for commercial risks* amounted to € 14,944 thousand at December 31, 2007. It is accrued to cover claims for publishing mistakes on PAGINEGIALLE®, PAGINEBIANCHE® and Annuari;
- the *reserves for contractual and other operating risks* amounted to € 15,182 thousand at December 31, 2007 and included € 11,620 thousand to cover risks on legal disputes and € 3,562 thousand on pending litigations against sales agents and employees;
- the *non-operating reserves* amounted to € 9,134 thousand at December 31, 2007.

They included € 5,113 thousand for the current portion of the reserve accrued to cover the expected restructuring costs arising from the implementation of the corporate reorganisation plan 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 of the reserve (€ 1,084 thousand) has been valued taking into account the cash flows which are expected in the next months on the basis of the plan for managing redundant personnel and discounted at the present value using a pre-tax rate which reflects the present market valuation of the cost of money over time.

The increase for 2007 included also a provision of € 4,000 thousand to cover possible claims on indemnities to employees.

23. Trade account payables and other current liabilities

Trade account payables and other current liabilities were detailed as follows

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change
Payables due to suppliers	140,325	138,360	1,965
Payables due to sales agents	52,758	55,040	(2,282)
Payables due to subsidiaries	15,653	13,711	1,942
Payables due to employees	12,481	13,033	(552)
Payables due to social security institutions	8,512	9,663	(1,151)
Payables due to directors and statutory auditors	1,197	1,512	(315)
Total trade account payables	230,926	231,319	(393)
Payables for services to be rendered	80,592	83,790	(3,198)
Advances from customers	2,874	4,097	(1,223)
Other current liabilities	1,238	2,219	(981)
Total payables for services to be rendered and other current liabilities	84,704	90,106	(5,402)

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All trade account payables fell due within 12 months.

Payables for services to be rendered and other current liabilities at December 31, 2007 included € 77 thousand falling due beyond 12 months (€ 86 thousand at December 31, 2006).

Payables due to sales agents amounted to € 52,758 thousand at December 31, 2007. They should be read in conjunction with the item "advances on sales commissions", included in "Other current assets", which amounted to € 45,003 thousand at December 31, 2007 (€ 46,523 thousand at December 31, 2006). They decreased by € 2,282 thousand compared to December 31, 2006 mostly as a consequence of the different maturity and payment timing of some sales awards and commissions recognised to the sales force.

Payables for services to be rendered amounted to € 80,592 thousand at December 31, 2007. They referred to advance billing of advertising services, of which € 9,834 thousand has already been paid by customers (€ 12,349 thousand at December 31, 2006).

24. Revenues from sales and services

SEAT Pagine Gialle S.p.A.'s revenues from sales and services amounted to € 1,090,217 thousand in 2007, up 1.2% compared to the previous year (€ 1,077,495 thousand). The growth was substantially in line with 2006 (+1.5%). Revenues for 2007 were driven by the upturn in print products and the good results achieved in voice and online services benefiting from the success of multimedia offers (voice: MMSs; online: promotional videos). These results reflect the positive effects of reorganisation and requalification actions in the sales area and the strengthening of the range of products and services carried out in the past few years.

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

- *"Print"*: revenues from directories and local products amounted to € 755,261 thousand in 2007, down 1.3% compared to the previous year, but nonetheless improving compared to the decrease reported in 2006 (-3.7%). These results were driven in particular by the turnaround of directories, which - though decreasing by 1.2% compared to 2006 - improved compared to the trend recorded in 2006 (when the decrease had been 3.6%).
- *"Business to Business"*: revenues amounted to € 38,388 thousand in 2007, down 12.1% compared to the previous year, as they were impacted by the sales force's focus on turning around print directories.
- *"Online"*: revenues amounted to € 137,088 thousand in 2007, up 11.0% compared to 2006, arising mainly from PAGINEGIALLE.it and the new service PAGINEGIALLE VISUAL. Online orders booked increased by 13.2% compared to 2006. Their growth was higher than the growth in revenues as a certain number of PG VISUAL contracts have not been available on the website by the end of 2007 due to the complexity of such contracts, which typically require more time for online publication. These orders will consequently be recognised as revenues in the first quarter of 2008.
- *"Voice"*: revenues amounted to € 123,756 thousand in 2007, sharply increasing compared to 2006 (+20.0%), thanks to the ongoing development of the 89.24.24 Pronto PAGINEGIALLE® service and the success of the 12.40 Pronto PAGINEBIANCHE service.
- *"Other products"*: revenues amounted to € 25,527 thousand in 2007, down € 3,431 thousand compared to 2006. The decrease was due to the performance of merchandising (€ 15,404 thousand) and direct marketing products (€ 10,123 thousand), partially impacted by the sales force's focus on core products.

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

25. Other income and operating costs

25.1 Other income

This item amounted to € 6,483 thousand in 2007 (€ 5,865 thousand in 2006) and included € 5,462 thousand for the repayments of costs, mainly referred to postal costs, refunds of damages and costs incurred by SEAT Pagine Gialle S.p.A. and subsequently recharged to the subsidiaries.

25.2 Materials

Materials amounted to € 52,466 thousand in 2007 and decreased by € 2,314 thousand compared to the previous year. In detail:

- *paper costs* amounted to € 40,190 thousand in 2007 and decreased by € 2,061 thousand due to the reduction in the number of printed signatures. In 2007, 59,087 tons of paper (62,682 tons in 2006) and 17.82 million sheets (16.2 million in 2006) were used. The increase in the number of sheets used is mainly due to the use of a different format (4 covers instead of 8 on each sheet) which involves an increase in the number of sheets for the same volumes;
- *purchase of merchandise and products for resale*, amounting to € 11,225 thousand in 2007 (€ 10,829 thousand in 2006), refers to the purchase of customised items used for merchandising activities.

25.3 External services

External services amounted to € 352,241 thousand in 2007, a decrease of € 8,447 thousand compared to 2006.

Advertising and promotion costs amounted to € 20,067 thousand in 2007 and decreased by € 14,576 thousand compared to 2006, when they were impacted by the launch of subscriber information service 12.40 Pronto PAGINEBIANCHE.

Sales commissions and other costs for sales agents, amounting to € 114,643 thousand in 2007 (€ 121,037 thousand in 2006), decreased by € 6,394 thousand, mainly as a consequence of a different mix of revenues, with in 2007 a sharp rise in revenues from telesales not subject to sales commissions. *Costs for outbound call center services* increased by € 4,317 thousand becoming telesales channel fully operational.

Production and print costs amounted to € 70,921 thousand in 2007, in line with 2006 (€ 70,580 thousand). They are incurred for composing, printing and binding the PAGINEGIALLE®, PAGINEBIANCHE® and Annuari.

Costs for inbound call center services amounted to € 29,951 thousand in 2007 (€ 23,740 thousand in 2006), an increase of € 6,211 thousand compared to the previous year arising from the increase in the handling time of 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE (+11.0%) services.

25.4 Salaries, wages and employee benefits

Salaries, wages and employee benefits amounted to € 87,556 thousand in 2007 (€ 81,510 thousand in 2006). The increase of 7.4% compared to the previous year was due to a growth in the average workforce from 1,345 units in 2006 to 1,379 units in 2007.

This item includes € 4,241 thousand of capitalised costs in accordance with IAS 38. These costs referred to investment projects carried out in the year (€ 3,658 thousand in 2006).

The workforce – including directors, project workers and trainees – numbered 1,449 personnel at December 31, 2007 (1,393 personnel at December 31, 2006).

25.5 Other operating expense

Other operating expense amounted to € 3,060 thousand in 2007 (€ 3,135 thousand in 2006) and included € 884 thousand for entertainment expenses and € 695 thousand for operating indirect taxes and duties.

25.6 Non-recurring costs, net

Non-recurring costs, net amounted to € 5,608 thousand in 2007 (€ 10,753 thousand in 2006). This item included:

- *non-recurring income* amounting to € 1,162 thousand, referred to the curtailment due to the restatement of the reserve for severance indemnities, following the entry into force of the complementary pension reform (for further details please refer to the paragraph 19);
- *non-recurring costs* amounted to € 6,770 thousand, of which € 4,000 thousand referred to possible claims on indemnities to employees and € 1,003 thousand related to the stock option plans (as described in the paragraph 20).

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25.7 Restructuring costs, net

Restructuring costs, net amounted to € 7,469 thousand in 2007 (€ 1,958 thousand in 2006) and referred to costs incurred as from the first half of 2007 and expected to incur in the next months arising from the implementation of the reorganisation plan 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 highly innovative IT systems.

26. Interest income and expense

26.1 Interest expense

In 2007, interest expense amounted to € 252,293 thousand (€ 252,924 thousand in 2006). This item includes € 124,056 thousand for the "Senior Credit Agreement" loan with The Royal Bank of Scotland Plc Milan Branch, € 109,902 thousand for the "Subordinated" loan with Lighthouse International Company S.A. and € 9,960 thousand for interest and charges paid to Meliadi Finance S.r.l.

More detailed information is provided in the paragraphs 17-18-19 of the notes to the Financial Statements of the Group at December 31, 2007.

26.2 Interest income

Interest income amounted to € 47,919 thousand in 2007 (€ 46,899 thousand in 2006) and included:

- € 32,873 thousand for *dividends from subsidiaries* (€ 35,376 thousand in 2006), received from TDL Infomedia Ltd. (€ 17,292 thousand), Telegate Holding GmbH (€ 8,400 thousand), Europages S.A. (€ 2,783 thousand), Telegate AG (€ 2,241 thousand), Consodata S.p.A. (€ 2,005 thousand) and Cipi S.p.A. (€ 612 thousand). The dividend amount was partially adjusted for the uncollected tax credit of € 460 thousand on the dividend from Europages;
- € 7,862 thousand for *income from financial receivables from subsidiaries* (€ 7,636 thousand in 2006), of which € 7,784 thousand from TDL Infomedia Ltd.;
- € 4,602 thousand for *other interest income* (€ 2,739 thousand in 2006);
- € 2,582 thousand for *foreign exchange gains* (€ 1,148 thousand in 2006) mainly attributable to the change in the euro/sterling exchange rate.

27. Income taxes

Income taxes for 2007 were detailed as follows

(euro/thousand)	Year 2007	Year 2006	Change	
			Absolute	%
Current income taxes	26,844	15,285	11,559	75.6
Reversal of deferred tax assets	95,452	882	94,570	n.s.
Provision (reversal) of deferred tax liabilities	(63,519)	42,570	(106,089)	n.s.
Income taxes referred to the previous years	305	(205)	510	n.s.
Total income taxes for the year	59,082	58,532	550	0.9

The reversal of deferred tax assets (€ 95,452 thousand) is due essentially to the use of tax losses of previous years.

The reversal of deferred tax liabilities (€ 63,519 thousand) is mainly due to the Customer DataBase which is amortised, for tax purposes, over a different period of time compared to the one used in the financial statements.

The 2008 Finance Law introduced important changes for the SEAT group in terms of taxable income as from the 2008 tax period, which affect also the 2007 result. The most important changes concern the reduction of the corporation tax (IRES) and regional manufacturing tax (IRAP) rates (from 33% to 27.50% and from 4.25% to 3.9%, respectively) and the limitation of the deductibility, for IRES purposes, of net interest expense to a maximum of 30% of the difference between revenues and operating costs, gross of amortisation and depreciation. Based on the initial estimates, the non-deductibility of interest expense should increase the taxable income substantially offsetting the benefit arising from the reduction of the IRES and IRAP tax rates.

With regard to the net deferred tax liabilities, the adjustment to the new rates generated an income of € 2.8 million in 2007.

The **reconciliation** between effective and theoretical income taxes, resulting from the application to the "income before income taxes" of the effective Italian tax rate for the accounting years ended December 31, 2007 and 2006, is as follows

(euro/thousand)	Year 2007	Year 2006
Income before income taxes	147,392	141,927
Current income taxes calculated with the theoretical tax rate (37.25%)	(54,903)	(52,868)
Fiscal effect on non-deductible expenses for IRAP purposes	(13,351)	(12,792)
Adjustment due to the change of tax rate on deferred taxes previously recorded	2,776	-
Income taxes referred to previous years	(305)	-
Reversal of income taxes referred to previous years	-	205
Permanent differences and other adjustments	6,701	6,923
Total income taxes for the year	(59,082)	(58,532)

Permanent differences mainly related to dividends received from subsidiaries.

Net deferred tax liabilities

Net deferred taxes showed a negative balance of € 4,142 thousand at December 31, 2007 (a positive balance of € 27,924 thousand at December 31, 2006).

The composition and changes during the year were detailed in the table below

	At 12.31.2006	Change during the year			At 12.31.2007		
		Income taxes accounted for in the income statement	Income taxes accounted for to equity	Tax consolidation agreement and other movements	Total	of which IRES	of which IRAP
(euro/thousand)							
Deferred tax assets							
Allowance for doubtful trade account receivables	34,989	(5,768)	-	-	29,221	29,221	-
Reserves for contractual risks	11,812	4,122	-	-	15,934	14,230	1,704
Reserve for severance indemnities	(770)	-	-	770	-	-	-
Write-down of investments	6,693	(6,693)	-	-	-	-	-
Tax losses	87,611	(86,960)	-	(651)	-	-	-
Fair value of "cash flow hedge" instruments	383	-	(383)	-	-	-	-
Other	5,264	(153)	260	-	5,371	5,058	313
Total deferred tax assets	145,982	(95,452)	(123)	119	50,526	48,509	2,017
Deferred tax liabilities							
Customer DataBase	(95,586)	65,900	-	-	(29,686)	(25,999)	(3,687)
Goodwill amortisation	(18,295)	(1,584)	-	-	(19,879)	(17,410)	(2,469)
Fair value of "cash flow hedge" instruments	(1,138)	-	1,138	-	-	-	-
Reserve for severance indemnities	-	(152)	(497)	(770)	(1,419)	(1,419)	-
Other	(3,039)	(645)	-	-	(3,684)	(3,231)	(453)
Total deferred tax liabilities	(118,058)	63,519	641	(770)	(54,668)	(48,059)	(6,609)
Total net deferred taxes	27,924	(31,933)	518	(651)	(4,142)	450	(4,592)

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Current tax assets

Current tax assets amounted to € 16,575 thousand at December 31, 2007 (€ 1,812 thousand at December 31, 2006) and were detailed as follows

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change
Income tax receivables	16,307	1,798	14,509
Other tax receivables	268	14	254
Total current tax assets	16,575	1,812	14,763

Current tax payables

Current tax payables amounted to € 44,250 thousand at December 31, 2007 (€ 18,372 thousand at December 31, 2006) and were detailed as follows

(euro/thousand)	At 12.31.2007	At 12.31.2006	Change
Income tax payables	27,632	2,574	25,058
Other tax payables	16,618	15,798	820
Total current tax payables	44,250	18,372	25,878

28. Related party transactions

According to IAS 24 and to art. 2, paragraph h), of CONSOB Regulation for Issuers No. 11971/1999 (as amended), the table below summarises the economic and financial effects of transactions with the related parties on the financial statements of SEAT Pagine Gialle S.p.A. for 2007.

All the transactions entered into by the Company with the related parties are ordinary operations regulated at market conditions or on 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	80,521	They include € 73,707 thousand for revenues on call rebate from Telegate Italia S.r.l. and € 6,565 thousand for royalties from Europages S.A..
Other income	1,965	They mainly refer to repayments of cost for seconded personnel (€ 690 thousand) and other costs. They include also € 606 thousand related to the rental from Prontoseat S.r.l..
Materials and external services	57,819	They refer to € 32,013 thousand for call center services provided by Telegate Italia S.r.l.; to € 11,201 thousand for the purchase of goods and products for resale from Cipi S.p.A.; to € 8,966 thousand for direct marketing services provided by Consodata S.p.A. and to € 4,120 thousand for call center services provided by Prontoseat S.r.l..
Salaries, wages and employee benefits	2,817	They refer to € 2,437 thousand for fees to the directors and to € 380 thousand for costs for seconded personnel from Consodata S.p.A. and Prontoseat S.r.l..
Other valuation adjustments	1,673	They refer to the provision accrued in the year to the allowance for doubtful account receivables toward Telegate Italia S.r.l. for telephone traffic.
Provisions to reserves for risks and charges, net	5,968	They refer to the provision to the reserve for contractual risks to cover possible increases in the cost of interconnection from mobile telephone networks to non-geographical numbers for the period September 2006 – June 2007, not yet reflected in net revenues from telephone traffic toward Telegate Italia S.r.l..
Other operating expense	287	They mainly refer to entertainment goods and services purchased from Cipi S.p.A..
Non-recurring costs	100	They refer to legal advices provided by Studio Giliberti Pappalettera Triscornia e Associati.
Interest income	41,194	This item includes € 33,333 thousand for dividends recognised from subsidiaries (of which € 17,292 thousand from TDL Infomedia Ltd., € 8,400 thousand from Telegate Holding GmbH, € 2,783 thousand from Europages S.A., € 2,241 thousand from Telegate AG, € 2,005 thousand from Consodata S.p.A. and € 612 thousand from Cipi S.p.A.) and € 7,783 thousand for interest income on the loan toward TDL Infomedia Ltd..
Interest expense	122,557	It refers to € 104,250 thousand for interest on the long-term "Subordinated" loan to Lighthouse International Company S.A. and to € 9,659 thousand for interest on the debt to Meliadi Finance S.r.l.. Moreover, it includes € 5,953 thousand for the amortisation of transaction costs on these two mentioned debts and € 2,695 thousand for interest on short-term current accounts toward subsidiaries.
Income taxes	1,900	This item refers to income taxes for the year of Italian subsidiaries which entered into the tax consolidation agreement.

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Current financial assets	99,099	They include € 93,407 thousand for the revolving credit line facility granted to TDL Infomedia Ltd.; € 5,144 thousand for current accounts toward Cipi S.p.A. and Europages S.A..
Trade account receivables	19,727	They include € 18,175 thousand for receivables from Telegate Italia S.r.l., net of the relevant allowance for doubtful account receivables, and € 1,401 thousand for receivables from Europages S.A..
Other current assets	2,446	They include receivables from Europages S.A. mainly due to the repayment of costs for seconded personnel (€ 326 thousand), € 649 thousand for receivables relating to services provided to the subsidiary Consodata S.p.A. and € 716 thousand for receivables toward Cipi S.p.A., Telegate Italia S.r.l. and Prontoseat S.r.l., related to the tax consolidation agreement.
Non-current reserves to employees	390	They refer to the termination indemnity due to the Chief Executive Officer, net of the award periodically paid for the insurance policy whose beneficiary - at the end of his office - will be the Chief Executive Officer himself.
Non-current financial debts	1,432,714	They refer to € 1,264,202 thousand for the "Subordinated" loan with Lighthouse International Company S.A. and to € 168,512 thousand for the debt toward Meliadi Finance S.r.l. and they are both net of transaction costs not yet amortised.
Current financial debts	125,001	They refer to € 60,237 thousand for payables toward Telegate AG for cash deposits, € 17,375 thousand for debts toward Lighthouse International Company S.A. for accrued interest expense not yet paid. Moreover, they include € 47,389 thousand for current accounts, of which € 20,454 thousand due to TDL Infomedia Ltd., € 16,137 thousand due to Wer liefert was? Holding GmbH and € 4,567 thousand due to Wer liefert was? Ges.m.b.H.
Reserves for current risks and charges	5,968	This item refers to the 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	16,729	This item refers to payables for services provided by the subsidiaries. In particular, they include € 6,342 thousand due to Telegate Italia S.r.l., € 3,416 thousand to Europages S.A., € 2,942 thousand to Consodata S.p.A. and € 1,999 thousand to Cipi S.p.A. Moreover, this item includes € 1,076 thousand for payables due to the directors for fees.
Payables for services to be rendered and other current liabilities	363	They refer to debts due to subsidiaries related to services provided during the year.
Investments	1,653	They mainly refer to € 1,064 thousand for capitalised costs for geomarketing incurred toward Consodata S.p.A. and to € 281 thousand for legal advices provided by Studio Giliberti Pappalettera Triscornia e Associati for the acquisition of the investments in Wer liefert was? Holding GmbH and Katalog Yayin Ve Tanitim Hizmetleri A.S..

29. Other information

Stock options granted to the Directors

With regard to the "2004 Stock Option Plan for Chief Executive Officer" and the "2005 Stock Option Plan for Chief Executive Officer", 5,000,000 options for each of these plans were granted to the Company's Chief Executive Officer Luca Majocchi, entitling him to subscribe the corresponding number of ordinary shares at a strike price of € 0.3341 and € 0.3221, respectively. The options are personal rights and may not be transferred *inter vivos*.

Pursuant to art. 79 of the Regulation implementing Italian Legislative Decree No. 58 of February 24, 1998, adopted through CONSOB Resolution No. 11971 of May 14, 1999 and subsequent amendments, detailed information about such rewards is provided in the paragraph 20.

No options were granted to other Directors.

Shares held by the Directors and Statutory Auditors

Pursuant to art. 79 of the Regulation implementing Legislative Decree No. 58 of February 24, 1998, adopted through CONSOB Resolution No. 11971 of May 14, 1999 and subsequent amendments, the following table shows the shares held by the Directors in SEAT Pagine Gialle S.p.A. and in its subsidiaries.

Surname and Name	Company	Shares owned at the end of 2006	Purchased shares	Sold shares	Shares owned at the end of 2007
BENASSI Lino	SEAT Pagine Gialle S.p.A.	-	148,300 ordinary shares	-	148,300 ordinary shares
GILIBERTI Enrico	SEAT Pagine Gialle S.p.A.	6,144 savings shares	-	-	6,144 savings shares
GROS PIETRO Gian Maria	SEAT Pagine Gialle S.p.A.	60,000 ordinary shares	-	-	60,000 ordinary shares
MAJOCCHI Luca	SEAT Pagine Gialle S.p.A.	5,458,000 ordinary shares	1,575,000 ordinary shares	-	7,033,000 ordinary shares

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Fees paid to the Directors and Statutory Auditors

Listed below is the information required by Article 78 of the CONSOB Regulation adopted through Resolution No. 11971 of May 14, 1999 and subsequent amendments.

Person Surname and Name	Description of Office		Emoluments (figures in €)			
	Office	Office period	Fees	Non-monetary benefits	Bonuses and other incentives	Other fees
GILIBERTI Enrico	Director	01.01.2007 - 12.31.2007	10,000			
	Chairman	01.01.2007 - 12.31.2007 ⁽¹⁾	90,000			675,500 ⁽²⁾
MAJOCCHI Luca	Director	01.01.2007 - 12.31.2007 ⁽³⁾	10,000			
	Chief Executive Officer	01.01.2007 - 12.31.2007 ⁽¹⁾	880,000	3,574	679,822 ⁽⁴⁾	514,741 ⁽⁵⁾
BELLONI Antonio	Director	01.01.2007 - 12.31.2007	10,000			
	Member of Compensation Committee	01.01.2007 - 12.31.2007 ⁽⁶⁾ ⁽⁷⁾	30,000			
BENASSI Lino	Director	01.01.2007 - 12.31.2007	10,000			
	Chairman of Internal Audit Committee	01.01.2007 - 12.31.2007	40,000			
COSSUTTA Dario	Director	01.01.2007 - 12.31.2007	10,000			
	Member of Compensation Committee	01.01.2007 - 12.31.2007 ⁽⁶⁾	30,000			
DI PALO Carmine	Director	01.01.2007 - 12.31.2007 ⁽⁷⁾	10,000			
GROS PIETRO Gian Maria	Director	01.01.2007 - 12.31.2007	10,000			
	Chairman of Compensation Committee	01.01.2007 - 12.31.2007	40,000			
LANARI Luigi	Director	01.01.2007 - 12.31.2007 ⁽⁷⁾	10,000			
LUCCHINI Marco	Director	01.01.2007 - 12.31.2007	10,000			
	Member of Internal Audit Committee	01.01.2007 - 12.31.2007 ⁽⁶⁾	30,000			
MARINI Michele	Director	01.01.2007 - 12.31.2007	10,000			
MASERA Pietro Giovanni	Director	01.01.2007 - 12.31.2007 ⁽⁷⁾	10,000			
REBOA Marco	Director	01.01.2007 - 12.31.2007	10,000			
	Member of Internal Audit Committee	01.01.2007 - 12.31.2007	30,000			
	Chairman of Supervisory Body	01.01.2007 - 12.31.2007	10,000			
VOLPI Nicola	Director	01.01.2007 - 12.31.2007 ⁽⁷⁾	10,000			
CERVELLERA Enrico	Chairman of Board of Statutory Auditors	01.01.2007 - 12.31.2007	61,975			
VASAPOLLI Andrea	Acting Auditor	01.01.2007 - 12.31.2007	41,317			6,772 ⁽⁸⁾
CIRUZZI Vincenzo	Acting Auditor	01.01.2007 - 12.31.2007	41,317			9,296 ⁽⁹⁾

(1) Fees for the year 2007 according to art. 2389, 3rd comma of the Italian Civil Code.

(2) "Other fees" attributed to Mr. Giliberti refer to fees recognised to Studio Giliberti Pappalettera Triscornia e Associati, for consulting activities performed for SEAT Pagine Gialle S.p.A. during 2007.

(3) Fees for the year 2007 according to art. 2389, 1st comma of the Italian Civil Code: this amount was waived.

(4) Of which 40% will be paid only if he holds the office until December 1, 2008 (20%) and then until December 1, 2009 (20%).

(5) "Other fees" attributed to Mr. Majocchi refer to the amount of termination indemnity accrued in 2007.

(6) The following members have partially waived fees paid as members of:

a) Compensation Committee: Antonio Belloni (€ 25,000); Dario Cossutta (€ 25,000);

b) Internal Audit Committee: Marco Lucchini (€ 25,000).

(7) Luigi Lanari and Pietro Giovanni Masera repaid their fees to CVC Capital Partners S.r.l.; Antonio Belloni (net of the amount indicated in footnote (6)) and Carmine Di Palo to BC Partners S.r.l.; Nicola Volpi to Permira Associati S.p.A.

(8) Fees for the year 2007 received for the office of Chairman of the Board of Statutory Auditors in the subsidiary Prontoseat S.r.l.

(9) Fees for the year 2007 received for the office of Chairman of the Board of Statutory Auditors in the subsidiary Consodata S.p.A. (€ 5,784) and for the office of Acting Auditor in the subsidiary Cipi S.p.A. (€ 3,512).

Audit fees and expenses

The 2007 Financial Statements of SEAT Pagine Gialle S.p.A. have been audited by Reconta Ernst & Young S.p.A. based on the assignment resolved by the Shareholders' Meeting held on April 27, 2006 for the financial years 2006-2011, in compliance with the requirements of the Consolidation Act concerning financial brokerage (Legislative Decree No. 58 of February 24, 1998).

The fees for auditing the 2007 Financial Statements of SEAT Pagine Gialle S.p.A. and verifying the adequacy of the accounting procedures and the correctness and completeness of the book entries were € 135 thousand. The fees for auditing the 2007 Financial Statements of the Group were € 29 thousand. The total cost for the limited review of the 2007 separate and consolidated first half report of SEAT Pagine Gialle was € 36 thousand.

The expenses for other services include € 65 thousand for auditing the control procedures for securitisation data and € 58 thousand for auditing the balance sheet of Wer liefert was? GmbH and Katalog Yayın ve Tanıtım Hizmetleri A.S. at the acquisition date.

(euro/thousand)	Year 2007
Reconta Ernst & Young group	
Audit	200
Attest services	50
Tax advice	3
Other services	141
Total	394

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Major interests in investments

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
EUROPAGES Benelux SPRL	Brussels (Belgium)	Euro	20,000	Europages S.A.	99.00
KATALOG YAYIN VE TANITIM HIZMETLERI A.S.	Istanbul (Turkey)	Turkish lira	9,600,000	SEAT Pagine Gialle S.p.A.	50.00
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.ar.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 AG	Munich (Germany)	Euro	21,234,545	Telegate Holding GmbH	61.13
				SEAT Pagine Gialle S.p.A.	16.24
11811 NUEVA INFORMACION TELEFONICA S.A.U.	Madrid (Spain)	Euro	222,000	Telegate AG	100.00
11880 TELEGATE GmbH	Vienna (Austria)	Euro	35,000	Telegate AG	100.00
DATAGATE GmbH	Munich (Germany)	Euro	60,000	Telegate AG	100.00
11880.COM GmbH	Munich (Germany)	Euro	25,000	Datagate GmbH	100.00
MOBILSAFE AG	Munich (Germany)	Euro	150,000	Datagate GmbH	100.00
TELEGATE 118 000 Sarl	Paris (France)	Euro	118,000	Telegate AG	100.00
TELEGATE AKADEMIE GmbH	Rostock (Germany)	Euro	25,000	Telegate AG	100.00
TELEGATE AUSKUNFTDIENSTE GmbH	Munich (Germany)	Euro	25,000	Telegate AG	100.00
TELEGATE ITALIA S.r.l.	Turin (Italy)	Euro	129,000	Telegate AG	100.00
UNO UNO OCHO CINCO CERO GUIAS S.L.	Madrid (Spain)	Euro	3.100	Telegate AG	100.00
TDL INFOMEDIA Ltd.	Hampshire (United Kingdom)	Sterling	139,524.78	SEAT Pagine Gialle S.p.A.	100.00
INDIRECT SPRL in liquidation	Brussels (Belgium)	Euro	148,736	TDL Infomedia Ltd.	27.00
MOBILE COMMERCE Ltd.	Cirencester (United Kingdom)	Sterling	497	TDL Infomedia Ltd.	10.00
TDL BELGIUM S.A. in liquidation	Brussels (Belgium)	Euro	18,594,176	TDL Infomedia Ltd.	49.60
THOMSON DIRECTORIES Ltd.	Hampshire (United Kingdom)	Sterling	1,340,000	TDL Infomedia Ltd.	100.00
THOMSON DIRECTORIES PENSION COMPANY Ltd.	Hampshire (United Kingdom)	Sterling	2	Thomson Directories Ltd.	100.00
CALLS YOU CONTROL Ltd.	Hampshire (United Kingdom)	Sterling	1	Thomson Directories Ltd.	100.00
WER LIEFERT WAS? HOLDING GmbH	Hamburg (Germany)	Euro	25,000	SEAT Pagine Gialle S.p.A.	100.00
WER LIEFERT WAS? GmbH	Hamburg (Germany)	Euro	1,278,230	Wer Liefert Was? Holding GmbH	100.00
WER LIEFERT WAS? Ges.m.b.H.	Klosterneuburg (Austria)	Euro	381,532	Wer Liefert Was? GmbH	100.00
WER LIEFERT WAS? GmbH	Baar-Walterswil (Switzerland)	Swiss franc	750,000	Wer Liefert Was? GmbH	100.00
WER LIEFERT WAS? spol. S.r.o.	Prague (Czech Republic)	Czech crown	42,000,000	Wer Liefert Was? GmbH	100.00
WER LIEFERT WAS? d.o.o.	Zagreb (Croatia)	Kuna	20,000	Wer Liefert Was? GmbH	100.00
WLW Vermögensverwaltungs Gesellschaft mbH	Hamburg (Germany)	Euro	25,565	Wer Liefert Was? GmbH	100.00

➤ Certification of the Financial Statements of SEAT Pagine Gialle S.p.A. pursuant to art. 81-ter of CONSOB Regulation No. 11971 of May 14, 1999, as amended

- The undersigned, Luca Majocchi, as Chief Executive Officer, and Maurizia Squinzi, as Manager responsible for preparing the SEAT Pagine Gialle S.p.A.'s financial reports, hereby certify, having also taken into consideration the provisions of art. 154 bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of February 24, 1998, that the administrative and accounting procedures to prepare the Financial Statements of SEAT Pagine Gialle S.p.A. for the 2007 fiscal year are adequate with respect to the company structure and have been effectively applied.
- The administrative and accounting procedures applied for preparing the Financial Statements of SEAT Pagine Gialle S.p.A. at December 31, 2007 were tested during the year to assess their adequacy and effective application. This process did not point out any anomalies.
- The undersigned also certify that the Financial Statements of SEAT Pagine Gialle S.p.A. at December 31, 2007:
 - correspond to the results of book-keeping entries; and
 - have been prepared according to IAS/IFRS adopted by the European Union as well as to regulations issued pursuant to Article 9 of the Italian Legislative Decree No. 38/2005, and they present a fair and correct financial position and economic performance of SEAT Pagine Gialle S.p.A. as per their knowledge.

March 18, 2008

signed by

Chief Executive Officer
Luca Majocchi

signed by

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

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➤ Report of the Board of Statutory Auditors to the Shareholders' Meeting of SEAT Pagine Gialle S.p.A. pursuant to Article 2429 of the Italian Civil Code and Article 153 of Legislative Decree No. 58/98

Dear Shareholders,

in this report the Board of Statutory Auditors discloses its activities, as required by Article 2429 of the Italian Civil Code and Article 153 of Legislative Decree No. 58/98 and in compliance with the recommendations issued by the National Boards of Certified Accountants (*Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri*) and CONSOB resolutions of April 6, 2001, as amended by notice DEM/3021582 dated April 4, 2003 and then by notice DEM/6031329 dated April 7, 2006.

1. Notes on the most important economic and financial transactions carried out by the Company and their compliance with the law and the memorandum of association.

The Board of Statutory Auditors points out the following transactions, considered the most significant ones in 2007.

- a) Acquisition of the 100% interest in the German company Wer liefert was?, carried out on the basis of an enterprise value of € 118 million, paid through the operational cash flow.
The Company operates in the online Business-to-Business market in Europe, and in particular in Germany, where SEAT already operates through Telegate and Europages.
- b) Real estate complex for the new headquarters of SEAT Pagine Gialle S.p.A.
In 2007, SEAT Pagine Gialle S.p.A. carried out a certain number of transactions concerning the acquisition process (started in December 2006) of the real estate complex named "ex Officine Savigliano" in Turin, made up of six newly constructed buildings and a large portion of the so named "Manica Storica" covering a gross floor space of about 26,600 square meters overall. The complex is currently under construction and it will house the new headquarters of SEAT Pagine Gialle S.p.A..
The total value of the investment is currently estimated at about € 70 million, funded through a finance lease transaction with Intesa Leasing S.p.A..
- c) Acquisition of the 50% interest in Turkish company Katalog Yayin ve Tanitim Hizmetleri A.S. (through a specific reserved capital increase), with a cash outflow of € 5.3 million; the transaction is a joint venture with the Turkish group Doğan and aims at developing the directories business in Turkey.

The Board of Statutory Auditors considers the above mentioned transactions in compliance with the law and the memorandum of association, made in the interest of the Company, not notoriously imprudent or risky or against the resolutions of the Shareholders' Meeting, and not compromising the integrity of the Company's assets.

2. Related party transactions.

The Company adopted an in-house procedure to provide information pursuant to Article 150, paragraph 1, of Legislative Decree No. 58/1998, on related party transactions, business activities, as well as significant, atypical or unusual transactions.

2.1. The Board of Statutory Auditors has not met any atypical and/or unusual transactions carried out by the Company with related parties.

2.2. The Board of Statutory Auditors has not met any atypical and/or unusual transactions carried out by the Company with third parties or Group companies, nor extraordinary transactions with related parties (subject to approval of the Board of Directors).

2.3. With regard to ordinary and financial transactions with related parties, the Company has economic and financial relationships with Group companies; these transactions are carried at market values.

With reference to the ordinary transactions between Group companies and with related parties described above, the Board of Statutory Auditors deems the performed transactions to be in the interest of the Company and their amounts appropriate.

3. The Board of Statutory Auditors believes that the information provided by the Directors in the Financial Statements with reference to transactions between Group companies and with related parties is adequate.

4. On April 7, 2008, the Independent Auditors Reconta Ernst & Young S.p.A. issued their report pursuant to Article 156 of Legislative Decree No. 58/98, without raising any objections.

5. Complaints pursuant to Article 2408 of the Italian Civil Code.

The Board of Statutory Auditors confirms that no anomalies were found.

6. No briefs were filed.

7. Additional assignments given to Reconta Ernst & Young S.p.A. for a total of € 133 thousand, as follows:

- annual report on the report prepared for Lighthouse Bondholders;
- comfort letters on covenants on the "Senior" debt;
- quarterly assessments required by the contracts related to the securitisation program.

8. Additional assignments given to entities which are related to Reconta Ernst & Young S.p.A. for a total of € 61 thousand, as follows:

- limited audit referred to the acquisition of investments carried out in the year;
- tax advice.

9. The Board of Statutory Auditors issued favourable opinions pursuant to Article 2389, No. 3, of the Italian Civil Code and on the appointment of the Manager responsible for preparing the Company's financial reports; moreover, verified that the criteria and the procedures adopted by the Board of Directors for the assessment of the independence of its members had been correctly applied pursuant to Article 3-c-5 of the Company Governance Code.

10. The following meetings were held:

- 14 meetings of the Board of Directors;
- 7 meetings of the Board of Statutory Auditors;
- 7 meetings of the Internal Audit Committee.

The Board of Statutory Auditors, or some of its members, attended all the aforesaid meetings.

Furthermore, 3 meetings of the Compensation Committee were held.

11. With regard to the matters falling within its competence, the Board of Statutory Auditors has acquired knowledge of and supervised the compliance with the principles of good management through direct assessments, information gathered from the managers of departments and through meetings with the Independent Auditors, for the purposes of mutual exchange of significant data and information.

With regard to this point, no issues are to be disclosed.

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12. Furthermore, with regard to the matters falling within its competence, the Board of Statutory Auditors has acquired knowledge of and supervised the adequacy of the organisational structure of the Company and has no objections to make.

13. The Board of Statutory Auditors has supervised the adequacy of the Company's Internal Control System and the Company's administrative and accounting system, and the reliability of the latter for a correct and true representation of operations, through: *i)* assessment of the reports about Administrative and Accounting System and Internal Control System on Corporate Information; *ii)* information gathered from the managers of departments; *iii)* relationship with the supervisory bodies of the subsidiaries pursuant to Art. 151, paragraph 1 and 2, of Legislative Decree No. 58/1998; *iv)* attendance to activities carried out by the Internal Audit Committee. No anomalies were pointed out with reference to the adequacy of the Internal Control System.

14. The Board of Statutory Auditors believes that the administrative and accounting system is both adequate and reliable for a correct and true representation of operations.

15. The Company has provided subsidiaries with the necessary instructions to fulfil disclosure obligations under Article 114, paragraph 2, of Legislative Decree No. 58/98.

16. During the meetings held with the Independent Auditors, pursuant to Article 150, paragraph 2, of Legislative Decree No. 58/98, no significant issues emerged.

17. With regard to Corporate Governance and the procedures to actually implement the relevant rules under the Company Governance Code issued by Italian Stock Exchange (Borsa Italiana), the compliance procedures by the Company are detailed in the appropriate report submitted to the Shareholders' Meeting, whose contents are shared by the Board of Statutory Auditors.

18. During the course of our supervisory activities, no significant issues emerged that needed to be reported to the supervisory bodies or be mentioned in this report.

19. As the Financial Statements of SEAT Pagine Gialle S.p.A. for the year ended December 31, 2007 show a net income of € 88,310 thousand, the Board of Statutory Auditors has no objections to raise against the resolution proposed by the Board of Directors about the allocation of this profit.

Milan, April 7, 2008

Enrico Cervellera

Vincenzo Ciruzzi

Andrea Vasapolli

INDEPENDENT AUDITORS' REPORT

pursuant to Article 156 of Legislative Decree No. 58 of February 24, 1998
(Translation from the original Italian text)

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

1. We have audited the financial statements of SEAT Pagine Gialle S.p.A., as of and for the year ended December 31, 2007, comprising the balance sheet, the statement of operations, changes in equity and cash flows and the related explanatory notes. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statement, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For our opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 2, 2007.

3. In our opinion, the financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in equity and the cash flows of SEAT Pagine Gialle S.p.A. as of December 31, 2007 and for the year then ended in accordance with IFRS as adopted by the European Union and with the measures issued to implement art. 9 of Italian Legislative Decree n° 38/2005.

Turin, Italy
April 7, 2008

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

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1

adults

2

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0

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➤ Proposed resolutions

Dear Shareholders,

the Financial Statements of SEAT Pagine Gialle S.p.A. at December 31, 2007, submitted to You by the Board of Directors for Your approval, show a net income for the year of € 88,309,849.59.

We invite You to allocate the net income for the year to the "Retained earnings" reserve in order to i) give the necessary financial resources to the Company for supporting the capital expenditure plan aimed at developing the online business in Italy and ii) further consolidate the financial position of the Company in the current credit market environment, devoting available financial resources to debt repayment.

Given that, We invite You to resolve as follows:

"The Shareholders' Meeting of SEAT PAGINE GIALLE S.p.A.

- a) *having examined the Financial Statements of the Company for the year ended December 31, 2007;*
- b) *having viewed the Report on operations attached to the Financial Statements;*
- c) *having acknowledged the Reports of the Board of Statutory Auditors and of the Independent Auditors Reconta Ernst & Young S.p.A.*

hereby resolves

1. *to approve the Report on operations and the Financial Statements of SEAT Pagine Gialle S.p.A., which show a net income for the year of € 88,309,849.59;*
- 2.a. *to allocate the income for the year as follows:*
 - *€ 94,590.01 to the "Legal reserve", given that, with such allocation, this reserve will amount to € 50,070,332.89 equal to 20% of the share capital existing at December 31, 2007;*
 - *to the distribution to the savings shares of a dividend equal to € 0.0015 per share (5% of its par value), gross of withholding tax, for an overall amount of € 204,112.18.*
Such dividend is subject to the taxation prescribed for profits under articles 44 and 89 of Presidential Decree No. 917 of December 22, 1986;
 - *the remaining income of € 88,011,147.40 to the "Retained earnings" reserve;*
- 2.b. *to pay the dividend as of May 22, 2008, with ex-dividend date fixed on May 19, 2008."*

➤ Shareholders' Meeting resolutions

On April 23, 2008, in Turin, Via Aurelio Saffi 18, at the secondary office of the Company, the Ordinary Shareholders' Meeting of SEAT Pagine Gialle S.p.A. was held in first convocation. The Ordinary Shareholders' Meeting resolved:

1. to approve the Report on operations of the Board of Directors and the Financial Statements of SEAT Pagine Gialle S.p.A., which show a net income of € 88,309,849.59;
- 2.a. to allocate the income for the year as follows:
 - € 94,590.01 to the "Legal reserve", given that, with such allocation, this reserve will amount to € 50,070,332.89 equal to 20% of the share capital existing at December 31, 2007;
 - to the distribution to the savings shares of a dividend equal to € 0.0015 per share (5% of its par value), gross of withholding tax, for an overall amount of € 204,112.18. Such dividend is subject to the taxation prescribed for profits under articles 44 and 89 of Presidential Decree No. 917 of December 22, 1986;
 - the remaining income of € 88,011,147.40 to the "Retained earnings" reserve;
- 2.b. to pay the dividend as of May 22, 2008, with ex-dividend date fixed on May 19, 2008.

To contact SEAT Pagine Gialle S.p.A.

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A copy of official documents
may be requested to:

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SEAT Pagine Gialle S.p.A.

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