

FITCH DOWNGRADES SEAT TO 'B+'; OUTLOOK REMAINS NEGATIVE

Fitch Ratings-London-02 December 2008: Fitch Ratings has today downgraded Seat Pagine Gialle S.p.A.'s (Seat) Long-Term Issuer Default Rating (IDR) to 'B+' from 'BB-'(BB minus). Seat's Outlook remains Negative.

The downgrade reflects Fitch's perception of increased business risk for Seat as it faces the challenge of switching its business model online against the backdrop of a severe economic downturn, a potential increase in competition and the first major debt repayment of its Senior Secured debt package due in 2012.

"It is now clear to Fitch that growth in internet sales is paramount to Seat maintaining revenue levels as print directory revenues are currently reducing faster than first anticipated," says Cecile Durand-Agbo, Associate Director in Fitch's Leveraged Finance group in London. "While Fitch recognises that Seat is still and should remain a very cash generative business, the challenge of switching the business model online in the context of an economic downturn, increased online competition, and more debt amortisation pressure puts the issuer's profile more in line with a 'B+' rating than a 'BB-'(BB minus)."

The Negative Outlook captures the risk of a potential deterioration in Seat's liquidity situation and ability to meet its financial covenants if its market position and profitability were to severely deteriorate. Fitch notes that Seat is taking appropriate steps to address this including entering into discussions with The Royal Bank of Scotland plc (RBS - 'AA-'(AA minus)/Outlook Stable) aimed at enhancing the financial flexibility of the company under its existing Senior Facility Agreement. Depending on the outcome of the discussions with RBS, as well as stabilising revenue and cash flow trends in 2009, the Outlook may be revised to Stable. If no agreement can be reached, then a downgrade, potentially of more than one notch, may occur.

Given the nature of the business, in case of default the going-concern recovery route is more likely than the liquidation scenario. Fitch has adjusted its assumptions in terms of recovery, mainly in terms of distressed enterprise value, with a distressed EBITDA multiple more in line with market multiples and recent directory sales. As a result, the recovery rating for the Senior Secured Debt remains at 'RR3', which leads to an instrument recovery rating of 'BB-'(BB minus) (downgraded from 'BB') and the Lighthouse Subordinated Debt recovery rating is downgraded to 'RR6' from 'RR5', leading to an instrument recovery rating of 'B-'(B minus) (downgraded from 'B+').

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