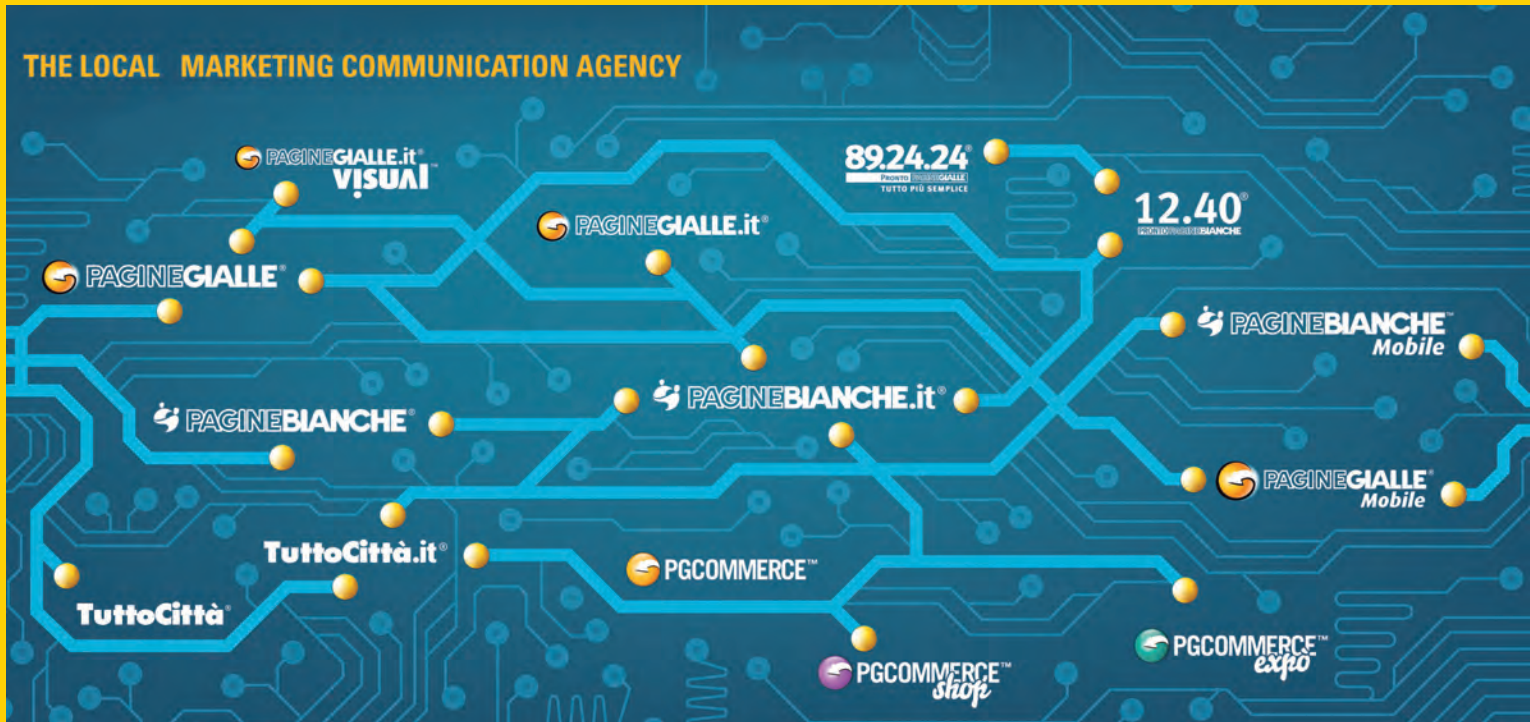


THE LOCAL MARKETING COMMUNICATION AGENCY

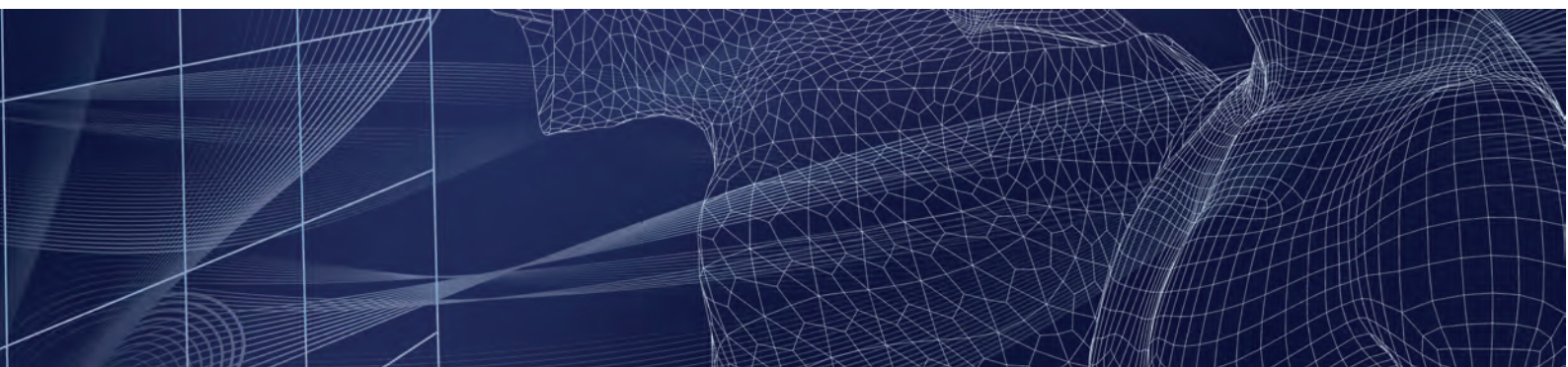


2010 Annual Report



➔ Consolidated financial statements and separate financial statements at 31 December 2010

Registered office: Via Grosio, 10/4 - 20151 Milan (Italy)
Secondary office: Corso Mortara, 22 - 10149 Turin (Italy)
Fully paid-up share capital: € 450,265,793.58
Tax Code and VAT Code: 03970540963
Milan Register of Companies No.: 03970540963



SeatPG. Network of relations, driver of development.

Multiplying opportunities for companies starting with their relations. This is what SeatPG has been doing for 85 years. A leader in local marketing communication services, it creates networks of qualified contacts and gets business started for Italian companies.

The SEAT Pagine Gialle group is a major multimedia platform that provides detailed information and sophisticated search tools to tens of millions of users and offers its advertisers a wide range of multiplatform advertising methods (print-online&mobile-voice). The Group specialises in highly innovative online products, print directories and directory assistance services, as well as providing a large selection of complementary advertising services.

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Reggio Emilia e provincia 2011

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Highlights and general information



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➤ Company Boards

(Information updated on 16 March 2011)

Board of Directors	Chairman	Enrico Giliberti
	Chief Executive Officer	Alberto Cappellini (*)
	Directors	Lino Benassi (l) Dario Cossutta Maurizio Dallochio (l) Alberto Giussani (l) Luigi Lanari Pietro Masera Antonio Tazartes Marco Tugnolo (**) Nicola Volpi
	Secretary to the Board of Directors	Marco Beatrice
Remuneration Committee	Chairman	Lino Benassi Dario Cossutta Luigi Lanari
Internal Audit Committee	Chairman	Alberto Giussani Maurizio Dallochio Marco Tugnolo (**)
Board of Statutory Auditors	Chairman	Enrico Cervellera
	Acting Auditors	Vincenzo Ciruzzi Andrea Vasapoli
	Alternate Auditors	Guido Costa Guido Vasapoli
Common representative of savings shareholders		Stella D'Atri (***)
Manager responsible for preparation of the financial statements		Massimo Cristofori
Independent Auditors		Reconta Ernst & Young S.p.A.

(*) Appointed by the Ordinary Shareholders' Meeting on 21 April 2010. Mr Cappellini was co-opted by the Board of Directors in 2009 following the resignation of Mr Majocchi. The meeting of the Board of Directors held after the Shareholders' Meeting on 21 April 2010 confirmed Mr Cappellini's appointment as CEO.

(**) Appointed by the Ordinary Shareholders' Meeting on 21 April 2010. Mr Tugnolo was co-opted by the Board of Directors in 2009 following the resignation of Mr Lucchini. The meeting of the Board of Directors held after the Shareholders' Meeting on 21 April 2010 confirmed Mr Tugnolo's appointment as a member of the Internal Audit Committee.

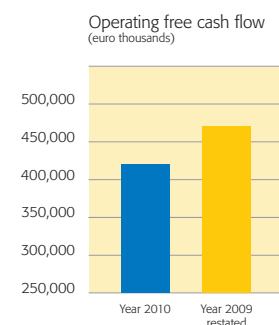
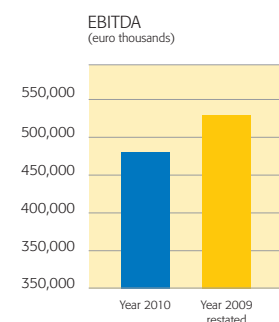
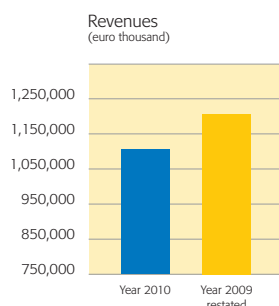
(***) Appointed by the Special Savings Shareholders' Meeting held on 20 April 2010.

(l) Meets the requirements set forth in Article 148, paragraph 3 of Legislative Decree no. 58/98 and in the Self-Regulation Code for Listed Companies in order to qualify as independent.

➤ Economic and financial highlights of the Group

The economic and financial results of the SEAT Pagine Gialle group for 2010 and for the previous year have been prepared in accordance with the International Accounting Standards issued by the International Accounting Standards Board and approved by the European Union (IFRS).

- Consolidated revenues were € 1,110.6 million, in line with guidance and down by 8.2% on 2009, supported by growth of around 37% in online revenues in Italy coming from traditional advertising and online marketing services;
- Consolidated EBITDA totalled € 483.5 million, in line with guidance and with the strong margin remaining stable compared with 2009 at 43.5%, owing mainly to low operating costs;
- Operating free cash flow totalled € 414.3 million, boosted by lower capital expenditure, while net financial debt stood at € 2,731.0 million, a reduction of around € 32 million despite higher financial expense and the costs incurred due to bond issues and the outcome of the tax audit.
- The net result pertaining to the Group was negative for € 667.4 million. It was affected by the € 673.8 million goodwill write-down recognized by SEAT Pagine Gialle S.p.A. and some of its subsidiaries following an impairment test. Net of these write-downs, the result was positive € 6.4 million.



(euro/thousand)	Year 2010	Year 2009 restated (**)
Economic and financial data		
Revenues from sales and services	1,110,649	1,209,821
GOP (*)	523,105	588,635
EBITDA (*)	483,490	527,601
EBIT (*)	(307,851)	245,728
Pre-tax profit (loss)	(561,775)	30,881
Profit (loss) on continuing operations	(665,782)	(23,292)
Profit (loss) pertaining to the Group	(667,366)	(38,041)
FCF (*)	414,305	456,304
Investment in the Turin property complex	-	1,091
Capital expenditure	40,344	51,943
Net invested capital (*)	3,058,696	3,768,127
<i>of which goodwill and customer database</i>	2,651,255	3,335,257
<i>of which net operating working capital (*)</i>	345,448	326,222
Equity of the Group	357,840	1,017,352
Net financial debt (*)	2,731,032	2,762,782
Economic and financial ratios		
EBITDA/Revenues	43.5%	43.6%
EBIT/Revenues	(27.7%)	20.3%
EBIT/Net invested capital	(10.1%)	6.5%
Profit (loss) pertaining of the Group/Equity of the Group	(186.5%)	(3.7%)
FCF/Revenues	37.3%	37.7%
Operating working capital/Revenues	31.1%	27.0%
Workforce		
Workforce at the end of the year (units)	4,810	6,088
Average workforce for the year	4,493	4,947
Revenues/Average workforce	247	245

(*) See "Non-GAAP measures" below for details of items.

(**) See "Report on Operations, paragraph Introduction" for further details of 2009 restated.

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Non-GAAP measures

In addition to the conventional IFRS indicators, the “Report on operations” in the consolidated financial statements of the SEAT Pagine Gialle group and the separate financial statements of SEAT Pagine Gialle S.p.A. for the years ended 31 December 2010 and 2009 include some non-GAAP measures with a view to providing a better assessment of economic and financial performance.

These indicators are not identified as accounting measures within the IFRS framework, and therefore must not be considered an alternative standard by which to assess the economic and financial performance of the Group or its capital or financial position. Since these measures are not governed by the benchmark accounting standards, the calculation methods used by the Company may not be consistent with those implemented by others, meaning that the measures may not be comparable. These indicators are as follows:

- **GOP** (gross operating profit) refers to EBITDA before other operating income and expense, valuation adjustments and provisions to reserves for risks and charges.
- **EBITDA** (operating income before amortization, depreciation, other non-recurring and restructuring costs, net) refers to EBIT (operating result) before non-recurring and restructuring costs, net, and operating amortization, depreciation and write-down (relating to intangible assets with a finite useful life and tangible assets) and non-operating amortization and write-down (relating to goodwill and customer databases).
- **Operating working capital and non-operating working capital** are calculated respectively as operating current assets (relating to operating revenues) net of operating current liabilities (relating to operating costs) and as non-operating current assets net of non-operating current liabilities, neither item includes current financial assets or liabilities.
- **Net invested capital** is the sum of operating working capital, non-operating working capital, goodwill and customer databases, and other operating and non-operating non-current assets and liabilities.
- **Net Financial Debt (Book Value)** is the sum of cash and cash equivalents and current and non-current financial assets and liabilities.
- **Net Financial Debt** refers to net financial debt (book value) gross of net adjustments relating to cash flow hedge instruments and transaction costs on loans and securitisations not yet amortised.
- **FCF** (free cash flow) is the EBITDA, adjusted to take into account the effect of capital expenditure and the change in operating working capital and operating non-current liabilities on the net financial position.

➤ Information for Shareholders

Shares

		At 31.12.2010	At 31.12.2009
Share capital	euro	450,265,793.58	450,265,793.58
Number of ordinary shares	No.	1,927,027,333	1,927,027,333
Number of savings shares	No.	680,373	680,373
Market capitalisation (based on average market price)	euro/mln	170	316
SEAT Pagine Gialle S.p.A. share weighting (SPG ordinary shares) - Ftse Italia All Share (ex Mibtel)		0.027%	0.048%
Equity par share	euro	0.186	0.740
Profit (loss) par share	euro	(0.3460)	(0.0280)

Ratings for SEAT Pagine Gialle S.p.A.

(Information updated on 29 March 2011)

Rating agency	Corporate	Outlook
S&P's	CCC+	Negative
Moody's	Caa1	Negative

→ **Highlights and general information**

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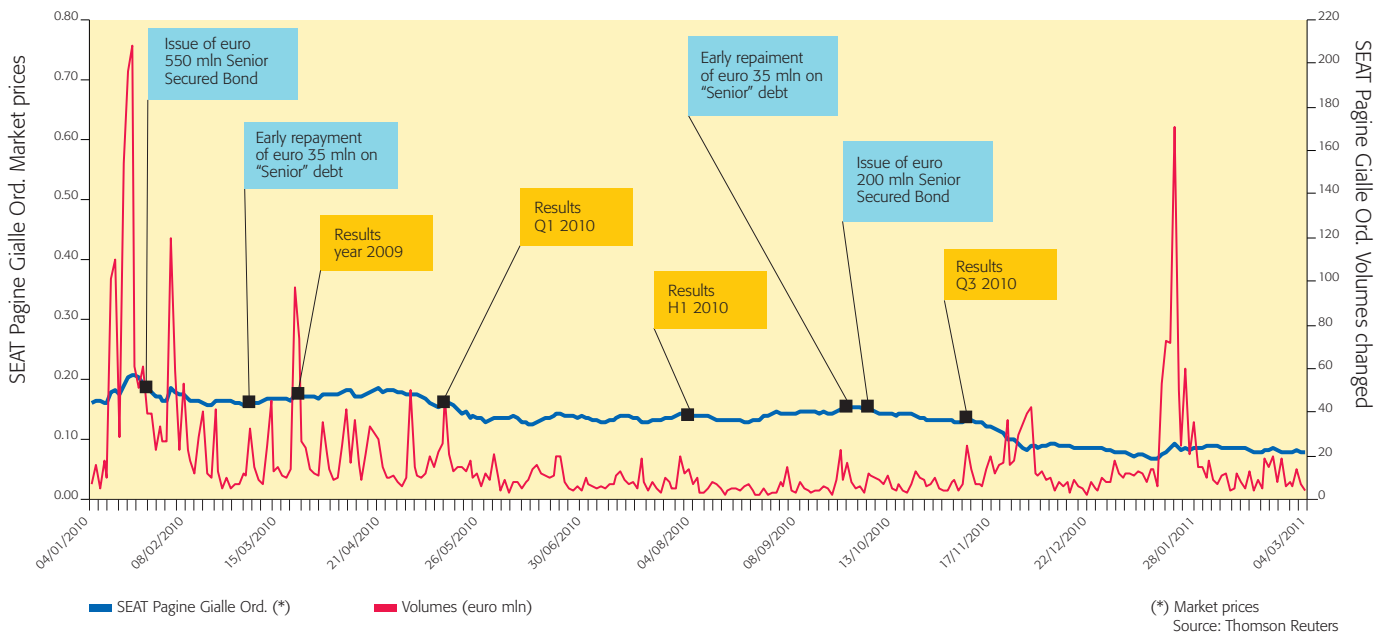
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Market performance of ordinary shares in 2010 and traded volumes

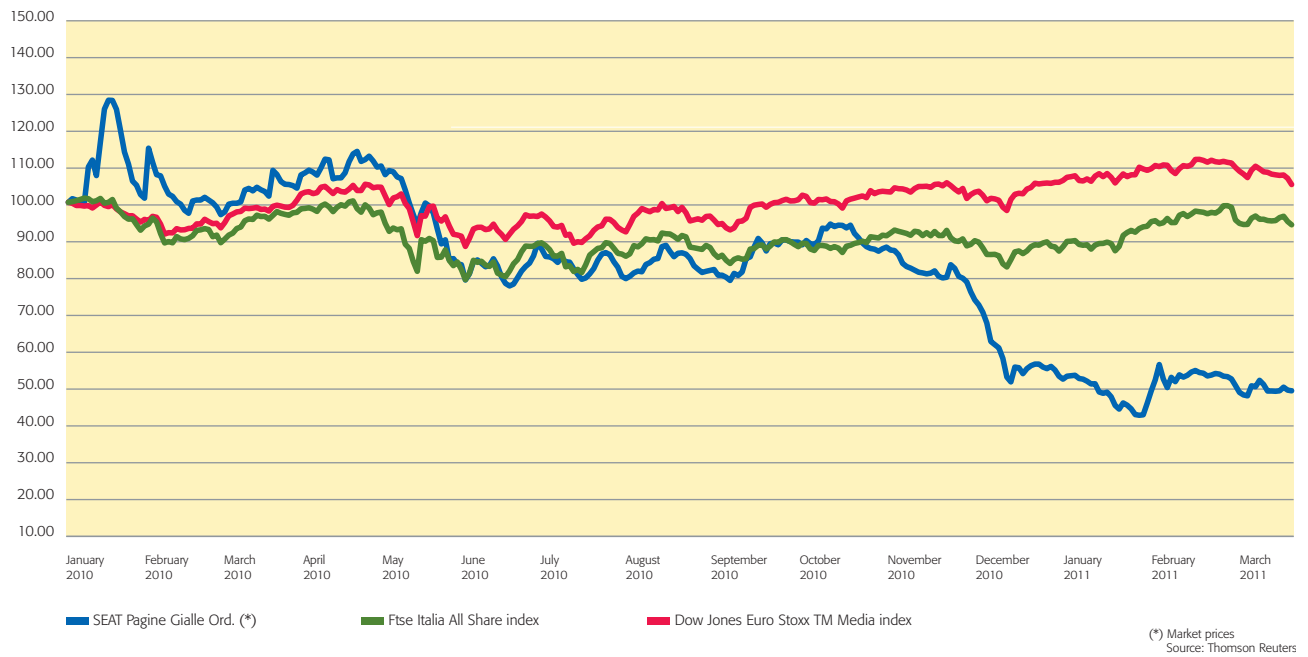
On 31 December 2010, shares in SEAT Pagine Gialle closed at € 0.08, down by 49.1% compared with the price of € 0.16 recorded on 31 December 2009.

The negative performance of the shares was influenced by the structure of the Company's enterprise value, which consists predominantly of debt. Slight drops in the Company's enterprise value, which fell by 6.4% in 2010, resulted in ever-greater reductions in its market value, represented by its share price.

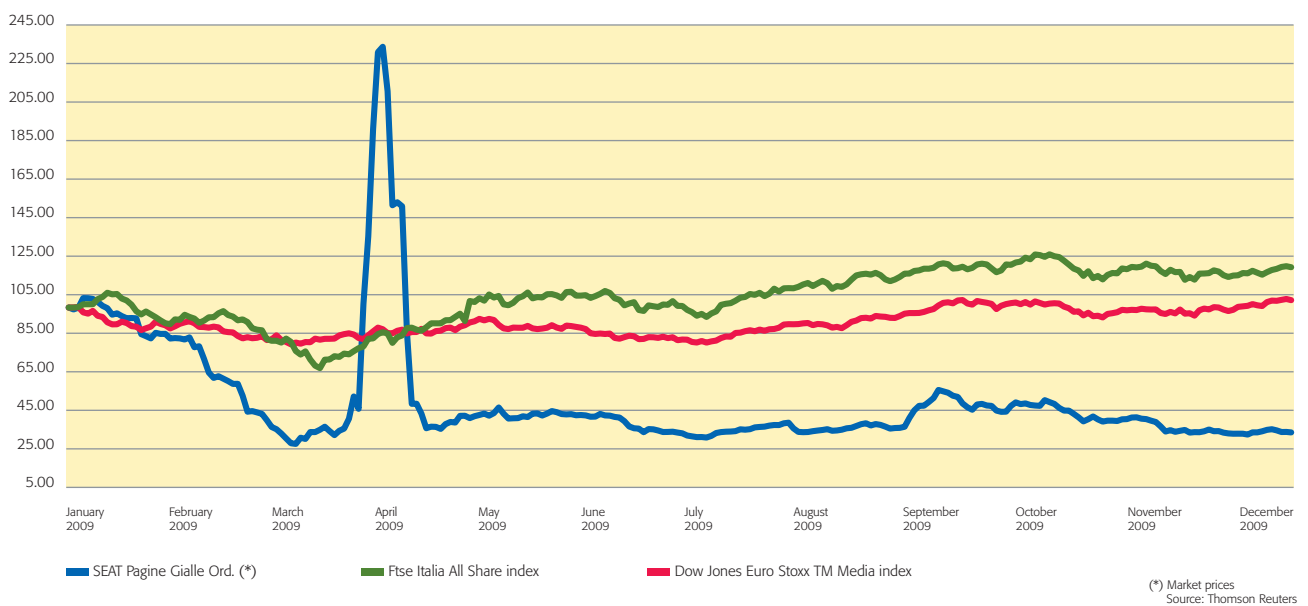
Towards the end of the year, shares in heavily indebted companies suffered as a result of the sovereign-debt crisis, which forced some eurozone countries (Ireland, Greece and Portugal) to ask for help from other member countries of the International Monetary Fund. Other directory services providers are among the most indebted companies in Europe. There were sharp drops in share price, for example, at Eniro (−92.2%), Yell (−63.1%) and Pages Jaunes (−12.8%). Shares in other Italian media companies, such as Mediaset (−20.6%) and Mondadori (−14.2%), also fell.



Performance of SEAT Pagine Gialle S.p.A. shares in 2010 vs. FTSE Italia All Share Index and Dow Jones Euro Stoxx Media Index (Information correct as at 16 March 2011)



Performance of SEAT Pagine Gialle S.p.A. shares in 2009 vs. FTSE Italia All Share Index and Dow Jones Euro Stoxx Media Index



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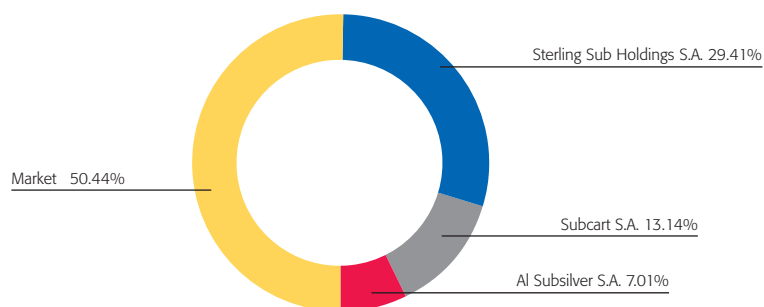
Shareholders

The table below lists the ordinary Shareholders of SEAT Pagine Gialle S.p.A., which hold more than 2% of the Company's share capital as at 31 December 2010

Shareholders at 31 December 2010	Ordinary shares held	% ordinary share capital
Sterling Sub Holdings S.A.	566,683,788 (*)	29.41
Subcart S.A.	253,219,895 (*)	13.14
AI Subsilver S.A.	135,113,995 (*)	7.01

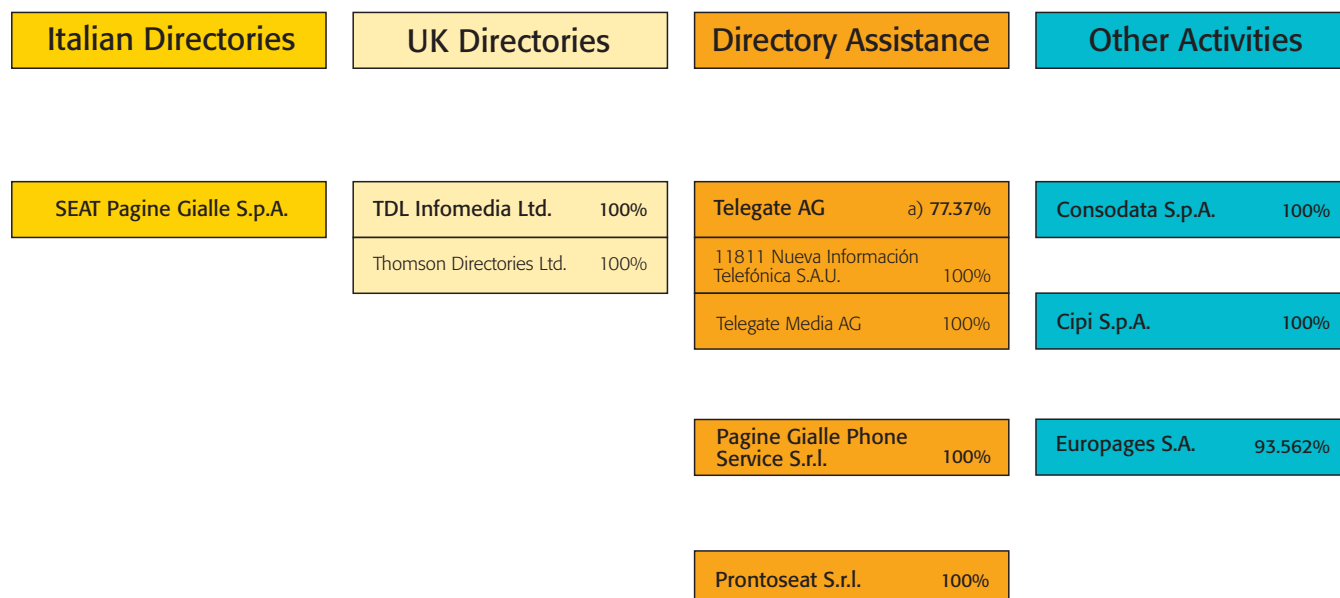
(*) On 8 October 2010, the Company was party to the drawing up of a deed of pledge which the Shareholders listed in the table (the "Leading Shareholders") created over the shares held by each of them which were already the object of a pledge pursuant to the Deed of Pledge drawn up on 22 April 2004 (as subsequently confirmed and extended) and pursuant to the deed of pledge drawn up on 28 January 2010 (which covers all the obligations of the Company arising from the bond drawn up on the same date and named "€ 550,000,000 10 1/2 Senior Secured Notes Due 2017"). The pledge created on 8 October 2010, which is subordinate to the pledges created pursuant to the aforementioned deeds of pledge, guarantees that the Company will fulfil all its obligations in connection with the issue, on the same date, of the bond named "€ 200,000,000 10.5% Senior Secured Notes Due 2017".

SEAT Pagine Gialle S.p.A. shareholder structure as at 31 December 2010



➤ Organisational structure of the Group

(Information updated on 16 March 2011)



Legenda

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

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➤ Market situation and strategic positioning

The SEAT Pagine Gialle group is a “local marketing communication agency” with strong Italian roots which operates through a network of around 180 multimedia agencies (web points) and a specialist sales channel for high-end customers and customers who need national coverage.

Alongside its traditional visibility services – which use a major multimedia platform to provide detailed information and sophisticated search tools to tens of millions of users and offer advertisers a wide range of multiplatform advertising methods (print-online&mobile-voice) - since the second half of 2009, the Company has gradually introduced innovative online marketing services, including website construction, multimedia content creation, online visibility services and a wide range of complementary advertising tools.

In Italy in 2010, SEAT Pagine Gialle S.p.A. continued to help small and medium-sized businesses be online by selling around 112,000 multimedia packages, ahead of the target of around 90,000, and creating around 80,000 new customised websites.

This strategy in particular engendered strong growth in online revenues, supported by the launch of new products and services and by an increase in new customers, and enabled the Company, in the midst of a tentative economic recovery, to restrict the decline in overall turnover compared with the previous year.

SEAT Pagine Gialle S.p.A. also attempted to protect its operating margins by implementing structural measures to reduce operating costs, based on restricting short-term expense and reorganising the major operating processes, which enabled the Company to meet its preset EBITDA targets.

Italian directories

The results for 2010 were achieved in a climate of moderate economic recovery.

In March, the European Commission confirmed its forecasts of the previous September by predicting annual GDP growth for Italy in 2010 of 1.1%, less than the European average. This recovery, however, which over the course of the year was driven above all by the industrial sector, and in particular by a recovery in exports after the sharp fall of 2009, resulted only partially in an increase in household consumption, which was affected by a still-fragile employment market.

According to the most recent Nielsen data, advertising investment in Italy rose by 4.7% in 2010, with online confirming its status as the fastest-growing medium. According to forecasts by the International Advertising Bureau (IAB) Europe, the online advertising market in Italy was expected to grow by 11.5% in 2010 and 17.5% in 2011.

This growth confirms the validity of the strategy followed by SEAT Pagine Gialle S.p.A., which from the second half of 2009 has adjusted its view of its reference market to include, as well as the traditional segment (both offline and online), customised e-commerce and online marketing services for small and medium-sized businesses, which are increasingly becoming an important form of communication.

During 2010, SEAT Pagine Gialle S.p.A. was able to improve its position in the local advertising market for online media and in the online marketing services market, the latter owing in particular to continual product development and new service launches. These were well received in a still-immature and competitively fragmented Italian market, where relatively few small and medium-sized companies have a website and a broadband internet connection, and for which growth is expected to be in line with other European countries over the coming years.

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Foreign subsidiaries

Notwithstanding the non-core nature of their business, SEAT Pagine Gialle S.p.A. continued to oversee its foreign subsidiaries in 2010 with a view to preserving their value, including by way of measures to restrict operating costs.

To this end, on 31 May 2010, Pagine Gialle Phone Service S.r.l. (which previously belonged to the Telegate group and is now directly owned by SEAT Pagine Gialle S.p.A.) completed the sale of the call centre business units at its Livorno and Turin offices to People Care S.r.l. and Voice Care S.r.l., which are part of the Contacta group, involving the subsequent transfer of the call centre employees.

The **TDL Infomedia** group – present in the UK directories market since 1980 with TDL Infomedia Ltd and Thomson directories Ltd – continued to operate in a particularly tough market climate, despite the UK economy posted slight growth of 1.4% during the year (source: Eurostat) having seen GDP fall sharply in 2009.

Thomson dealt with problems in the market by continuing its policy of streamlining and restructuring its organisational model, and also by strengthening its commercial offering through the launch of web-driven multimedia packages and the release, in partnership with Mobile Commerce, of a new iPhone application, which will be followed up in the first quarter of 2011 by a new Android application. With innovation in mind, the Company also redesigned and rebranded its website in October, introducing new functionalities and focusing on getting the site more visibility on search engines.

With regard to the **Telegate** group, the German economy recovered through GDP growth of 3.5% after the sharp fall of 5% in 2009 (source: Eurostat). However, the directory assistance services market continued to shrink, with a year-on-year decline in call volumes. The Telegate group, which is second only to former monopoly company Deutsche Telekom in the German market through its online 11880 services, continued to pursue the process that began last year of transforming its business model by focusing activities on the local search market via an increasingly varied product range and by positioning itself as a marketing partner for small and medium-sized businesses. To this end, it strengthened its online offering on its own websites and forged strategic partnerships with Vodafone (for mobile local search), Nokia and Freenet during the first few months of the year.

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The first Network of
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in Italy



Report on Operations



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➤ Economic and financial performance of the Group

Introduction

It is to be noted that the amount relating to the transaction costs on the loan with Lighthouse International Company S.A. has been adjusted with reference to the amount not yet amortised as at 31 December 2008. The figures in the statement of financial position as at 31 December 2009 has therefore been restated in accordance with the provisions of IAS 8, with a view to applying the amortised cost method provided for by IAS 39 more accurately thanks to the use of more reliable calculation methods than those used a year earlier.

Since the amounts recorded in the statement of operations differ slightly from the aforementioned recalculation, the adjustment has had an impact mainly on the balance sheet, and in particular has affected shareholders' equity (an increase of € 5,185 thousand) and non-current financial debts to third parties (a reduction of € 5,185 thousand), as described in more detail in point 5 of the explanatory notes to the consolidated financial statements.

➤ Reclassified consolidated statement of operations for 2010

Revenues from sales and services totalled € 1,110,649 thousand in 2010, down by 8.2% on the previous year.

Including inter-segment eliminations, revenues from sales and services were as follows:

- revenues from the *"Italian directories"* Business Area (SEAT Pagine Gialle S.p.A.) totalled € 875,543 thousand in 2010, down by 8.1% compared with the previous year (€ 952,225 thousand). Revenues from core products (print-online&mobile-voice) fell by 7.0% compared with 2009, with organic growth of 36.7% in online revenues, driven by the traditional advertising offering and by online marketing services. The growth of these two segments, together with a new way of accounting for the online component of PAGINEBIANCHE® revenues, which were previously included among print revenues, boosted the weighting of online revenues to 41% of total core revenues. As in the previous quarters, the overall drop in revenue growth was caused by a fall in revenues from voice traffic generated by the 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE® services and some minor products (particularly promotional items), which were affected by the sales network's greater focus on core products, particularly online activities;

- revenues from the "UK directories" Business Area (*TDL Infomedia group*) totalled € 70,625 thousand in 2010, down by 13.3% (16.4% at constant exchange rates) compared with 2009. Despite the UK economy growing slightly, TDL Group revenues were still impacted by the effects of the global economic crisis. The TDL group dealt with this situation by continuing to develop its commercial offering and restructure its sales area, which was necessary for effectively bringing to market new products with innovative content. Print directories suffered a bigger drop in revenues as they were more severely affected by the difficult economic and market conditions. Online revenues bucked the trend with growth of 7.7% (in sterling) compared with the previous year, owing mainly to the launch of web-driven multimedia packages;
- revenues from the "Directory Assistance" Business Area (*Telegate group, Pagine Gialle Phone Service and Prontoseat*) totalled € 142,278 thousand in 2010, down by 14.0% compared with 2009 (€ 165,439 thousand). This reduction was due mainly to the Pagine Gialle Phone Service subsidiary, which recorded revenues of € 6,959 thousand in 2010 (€ 20,829 thousand in 2009). The decrease compared with the previous year is attributable to the May 2010 sale of call centre business units in Livorno and Turin to People Care S.r.l. and Voice Care S.r.l., which are part of the Contacta group. The Telegate group generated revenues of € 124,648 thousand (-6.4% compared with 2009). More specifically, revenues from Germany totalled € 113,641 thousand, a fall of 6.7% compared with 2009 (€ 121,683 thousand) due to the structural difficulties of the directory assistance services market, where there was a decline in call volumes. In terms of turnover, this fall was partially mitigated by an increase in call duration and tariffs. Revenues from Prontoseat amounted to € 10,675 thousand in 2010, down by € 1,019 thousand compared with the previous year. The increase in revenues from telephone sales (+18.5% compared with 2009) offset the reduction in inbound revenues, which was attributable mainly to the 89.24.24 Pronto PagineGialle® service and to a drop in call volumes to this service;
- revenues from the "Other activities" Business Area (*Europages, Consodata and Cipi*) totalled € 54,818 thousand in 2010, down by 14.2% compared with the previous year (€ 63,853 thousand). Cipi in particular suffered a drop in revenues (-33.2% compared with 2009) owing to lower revenues from "Special" product lines, sales of directly imported custom items to large customers, and to a reduction in sales through the network of SEAT Pagine Gialle S.p.A. agents. This reduction was partly offset by an increase in revenues for Consodata owing to the implementation of a new product mix with higher margins.

Materials and external services, net of costs debited to third parties but included in the IFRS financial statements under the item "Other revenues and income", totalled € 388,026 thousand in 2010, down by € 15,507 thousand compared with the previous year (€ 403,533 thousand). In more detail, materials and external services for the period were as follows:

- *industrial costs*: these totalled € 138,910 thousand, down by € 7,136 thousand compared with 2009, due mainly to lower revenue volume. The fall in print revenues led to a drop in the number of pages printed and volumes distributed, which resulted in a decline in paper consumption (down by € 6,468 thousand), production costs (down by € 8,308 thousand) and distribution and storage costs (down by € 1,918 thousand). Data transmission costs related to online services rose by € 5,841 thousand to € 15,252 thousand;

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- *commercial costs*: these totalled € 159,874 thousand in 2010, compared with € 154,482 thousand in the previous year. The increase was due essentially to expenditure on commissions and other sales costs, which rose by € 11,249 thousand compared with 2009 as a result of higher commissions paid to agents and publishers as part of the new online ranges designed to increase web traffic. Advertising expenditure, however, was down by € 6,710 thousand compared with 2009;
- *overhead*: these totalled € 89,242 thousand in 2010, down by € 16,396 thousand compared with the previous year (€ 105,638 thousand) owing mainly to the impact of corporate cost-cutting measures carried out in 2010.

Salaries, wages and employee benefits, net of recovered costs included in the IFRS financial statements under the item "Other revenues and income" totalled € 199,518 thousand in 2010, down by € 18,135 thousand compared with the previous year (€ 217,653 thousand). This change is attributable mainly to the Parent Company (-11.5%) as a result of a smaller average workforce, falling from 1,336 employees in 2009 to 1,129 employees in 2010, and of savings in relation to portions of variable compensation commensurate with managerial targets that were not met. Salaries, wages and employee benefits also benefited from cost savings at the Pagine Gialle Phone Service subsidiary (€ 8,617 thousand) as a result of selling the call centre business units in Livorno and Turin, with the subsequent transfer of the employees affected.

The Group's workforce, including directors, project workers and trainees, consisted of 4,810 employees as at 31 December 2010 (against 6,088 employees as at 31 December 2009). The average workforce (FTE) in 2010 was 4,493 employees (4,947 employees in 2009).

Gross operating profit (GOP) totalled € 523,105 thousand in 2010, down by € 65,530 thousand compared with 2009 (€ 588,635 thousand). The operating margin (47.1%) fell slightly from the previous year (48.7%). This result reflects the reduction in revenues, which was partly offset by the operating-cost savings as a result of the cost-cutting measures taken during the year.

Other valuation adjustments and provisions for reserves for risks and charges, net totalled € 38,271 thousand in 2010 (€58,002 in 2009). Net valuation adjustments (€ 35,605 thousand in 2010) refer to an amount of € 34,758 thousand in provisions for doubtful trade receivables. This item fell by € 13,654 thousand compared with the previous year, but still enabled adequate coverage of overdue receivables. The item also includes net provisions to reserves for operating risks and charges of € 2,666 thousand (€ 9,257 thousand in 2009), which fell by € 6,591 thousand following the release of the reserves for contractual risks (provision of € 4,500 thousand made in 2007) due to the expiration of risks with telephone operators in relation to mobile network call origination charges, which arose following an AGCOM resolution and subsequent litigation.

Other operating income and expenses showed net expenses of € 1,344 thousand in 2010 (compared with net expenses of € 3,032 thousand in 2009).

The operating result before amortization, depreciation, non-recurring and restructuring costs, net (EBITDA) totalled € 483,490 thousand in 2010, down by 8.4% compared with 2009 (€ 527,601 thousand), with an operating margin of 43.5%, broadly in line with 2009 (43.6%) thanks to the impact of the many cost-cutting measures and lower provisions which mitigated the reduction in revenues.

Operating amortisation, depreciation and write-downs totalled € 65,058 thousand in 2010 (€ 63,196 thousand in 2009), of which € 50,483 thousand related to intangible assets with a finite useful life (€ 47,245 thousand in 2009) and € 14,575 thousand to property, plant and equipment (€ 15,951 thousand in 2009).

Non operating amortisation, depreciation and write-downs totalled € 685,579 thousand (€ 188,964 thousand in 2009). As a result of valuations carried out in 2010, impairment tests determined goodwill write-downs for SEAT Pagine Gialle S.p.A. (€ 650,447 thousand), the TDL Infomedia group (€ 15,173 thousand), the Telegate group (€ 8,095 thousand) and Prontoseat (€ 101 thousand). More information can be found in point 7 of the notes to the consolidated financial statements. The item also includes € 3,130 thousand of amortization of the customer databases recognized among the Group's assets and an € 8,633 thousand write-down of the customer database operated by the Telegate group in relation to subsidiary Telegate Media AG.

Non-recurring and restructuring costs, net, totalled € 40,704 thousand in 2010 (€ 29,713 thousand in 2009). These include a provision of € 26,169 thousand to the SEAT Pagine Gialle S.p.A. restructuring reserve to supplement the corporate restructuring plan started in 2009, extending it to 2013. With regard to the other Group companies, additional restructuring costs of € 3,158 thousand were recognized for the organisational structure review carried out by Pagine Gialle Phone Service and the Telegate group.

Non-recurring costs, net, totalled € 9,187 thousand in 2010, of which € 6,832 thousand related to the Parent Company for new business development strategies, the new reporting system, the sale of the data centre division to Engineering.it S.p.A. and tax consultancy. This item also includes € 643 thousand of costs related to the TDL Infomedia group for the enhanced transfer value programme started at the end of 2009. These costs were partly offset by non-recurring income of € 387 thousand, of which € 382 thousand related to the defined-benefit pension fund for TDL Infomedia group employees.

The **operating result (EBIT)** in 2010 showed a loss of € 307,851 thousand (compared with a profit of € 245,728 thousand in 2009). As well as the negative business trends already seen at GOP and EBITDA levels, EBIT reflects the impact of the aforementioned goodwill write-downs.

Interest expense, net totalled € 253,959 thousand in 2010, an increase of € 39,076 thousand (+18.2%) on 2009. It represents the difference between financial expense of € 270,527 thousand (€ 241,306 thousand in 2009) and financial income of € 16,568 thousand (€ 26,423 thousand in 2009). The increase on 2009 was due mainly to higher interest expense on the two *Senior Secured Bond* issues compared with the cost of the senior bank debt, which was repaid in the amount of € 679,582 thousand through the use of funds generated by said bond issues.

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Interest expense increased by € 29,221 thousand compared with 2009, and it includes:

- € 110,221 thousand of interest expense (€ 110,017 thousand in 2009) on the Subordinated loan with associate Lighthouse International Company S.A. This amount includes € 5,971 thousand in relation to the amortization of transaction costs for the year;
- € 68,467 thousand of interest expense (€ 96,588 thousand in 2009) on the Senior Credit Agreement between SEAT Pagine Gialle S.p.A. and The Royal Bank of Scotland Plc Milan Branch (hereinafter The Royal Bank of Scotland);
- this amount includes € 13,923 thousand relating to transaction and refinancing costs for the year (€ 22,716 thousand in 2009) and € 19,332 thousand relating to the negative impact of derivatives hedging interest rate risk (€ 22,233 thousand in 2009).

Both these items include a non-recurring component (€ 5,692 thousand) as a result of early repayments in January and October 2010 of the Senior Bank Debt totalling € 679,582 thousand, using the net proceeds from the two Senior Secured Bond issues. These issues changed the repayment schedule for the senior debt. As a result of this change, there was an increase of € 3,767 thousand in transaction and refinancing costs for the year. Moreover, as a consequence of the reduction of the amount of the floating rate debt following the above mentioned Senior Secured Bond issues, certain existing derivative hedge instruments were reclassified so as to no longer qualify for using hedge accounting method, with a corresponding charge of € 1,925 thousand allocated to the statement of operations;

- € 61,863 thousand of interest expense on the Senior Secured Bond issued in January and October 2010. This amount includes € 1,814 thousand in relation to the amortization of transaction costs for the year and € 1,788 thousand in relation to the issue discount;
- € 5,283 thousand (€ 6,184 thousand in 2009) of interest expense on asset-backed securities issued by special-purpose entity Seat Servizi per le Aziende S.r.l. (formerly Meliadi Finance S.r.l.) as part of an ongoing five-year trade receivables securitisation programme started by SEAT Pagine Gialle S.p.A. in June 2006. This amount includes € 429 thousand in relation to the amortization of transaction costs for the year and € 779 thousand relating to the negative impact of derivatives hedging interest rate risk;
- € 2,289 thousand of interest expense (€ 1,974 thousand in 2009) on debts due to Leasint S.p.A. in relation to seven financial leases raised for the purchase of the Turin property complex. This amount includes € 868 thousand in relation to the negative impact of derivatives hedging interest rate risk;
- € 11,474 thousand of interest and other financial expense (€ 10,500 thousand in 2009), of which € 4,723 thousand relates to discounting non-current assets and liabilities (€ 6,211 thousand in 2009) and € 5,693 thousand to other interest and financial expense (€ 2,933 thousand in 2009);
- € 10,930 thousand of foreign-exchange losses (€ 16,043 thousand in 2009), which is broadly in line with the € 11,137 thousand of foreign-exchange gains posted under financial income.

Interest income decreased by € 9,855 thousand compared with 2009, and it includes:

- € 1,279 thousand of interest income (€ 2,676 thousand in 2009) from the investment of short-term liquidity in the banking system at market rates, down on 2009 due to the fall in average deposits and the reduction in the average investment rate;
- € 4,091 thousand of other financial income (€ 4,434 thousand in 2009), of which € 2,426 thousand relates to the capital gain on the sale to third parties of receivables with Lehman Brothers Special Financing (USA) in relation to derivatives hedging interest rate risk outstanding with said counterparty when it entered Chapter 11 bankruptcy proceedings and terminated early as a result thereof, and € 1,560 thousand relates to assets held to service the TDL Infomedia group pension fund (€ 4,266 thousand in 2009);
- € 11,137 thousand of foreign-exchange gains (€ 19,268 thousand in 2009) calculated primarily on the euro/sterling exchange rate risk.

The overall average cost of financial debt in 2010 (net of the cost of amortising transaction and refinancing costs for existing loans) was approximately 7.6% (5.8% in 2009). The increase in the average cost of financial debt compared with 2009 was due to the different structure of the debt following the issue of € 750,000 thousand of Senior Secured Bond at a fixed rate of 10.5% in January and October 2010 and the concomitant early repayment of € 679,582 thousand of the senior bank debt, which had a significantly lower floating rate, as well as the advance of costs relating to derivatives for 2011 that are no longer classified as hedging instruments.

Hedging interest rates allows us to restrict fluctuations in the cost of financial debt. The table below shows the estimated impact of a hypothetical shift of the Euribor rate curves by +50/-50 basis points compared with the actual rates applied in 2010, with regard to sensitivity analysis of costs on the statement of operations, and of the forward rates curve from 2010 to 2012, with regard to the estimated value of derivatives outstanding at the end of the year. The values shown below do not include any presently non-quantifiable tax effects.

(euro/millions)	Estimated change in 2010 interest expense	Estimated change in net liabilities arising from the evaluation of cash-flow hedge contracts at fair value
+50 bps	2.4	(1.56)
-50 bps	(2.4)	1.56

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Income taxes for the year were € 104,007 thousand (€ 54,173 thousand in 2009) and break down as follows

(euro/thousand)	Year		Change	
	2010	2009	Absolute	%
Current income taxes	77,887	78,509	(622)	(0.8)
Reversal (provision) of deferred tax assets	(94)	2,519	(2,613)	n.s.
Provision (reversal) of deferred tax liabilities	177	(26,681)	26,858	n.s.
Income taxes referred to the previous years	26,037	(174)	26,211	n.s.
Total income taxes for the year	104,007	54,173	49,834	92.0

Current income taxes totalled € 77,887 thousand in 2010, down by € 622 thousand compared with 2009 (€ 78,509 thousand).

Income taxes for previous years showed an increase of € 26,211 thousand compared to 2009, with approximately € 26,034 thousand referring to the Parent Company as the result of the decision to resolve the tax potential claims which emerged during the fiscal year with a settlement agreement: for more details refer to point 32 of the Notes to the consolidated financial statements.

Profit (loss) on continuing operations showed a loss of € 665,782 thousand, against a loss of € 23,292 thousand in 2009. As well as a difficult economic climate, 2010 also saw the goodwill write-downs (€ 673,816 thousand) following the impairment tests carried out during the year (more information can be found in point 7 of the Notes to the consolidated financial statements).

Profit (loss) from non-current assets held for sale and discontinued operations showed a net loss of € 240 thousand in 2010 (compared with € 12,337 thousand in 2009), which refers to additional costs relating to the sale of the French subsidiary Telegate 118 000 SAS, which took place in November 2009.

Profit (loss) pertaining to minority interests showed a profit of € 1,344 thousand (€ 2,412 thousand in 2009) and relates mainly to minority interests of the Telegate group.

Profit (loss) pertaining to the Group showed a loss of € 667,366 thousand (negative of € 38,041 thousand in 2009).

→ Reclassified consolidated statement of financial position as at 31 December 2010

Introduction

For its loan agreement with The Royal Bank of Scotland, the indenture with Lighthouse International Company S.A. and the January and October 2010 bond issues, SEAT Pagine Gialle S.p.A. provided the usual security, the most significant being:

- pledge over its main trademarks;
- pledge over shares in its main subsidiaries;
- pledge over part of the Company's shares held by Sterling Sub Holdings S.A., Subcart S.A. and Al Subsilver S.A.

SEAT Pagine Gialle S.p.A. also created a special lien in favour of The Royal Bank of Scotland, in connection with the Senior loan agreement, on its fixed assets with a net book value greater than or equal to € 25 thousand.

Net invested capital

Net invested capital, at € 3,058,696 thousand as at 31 December 2010, fell by € 709,431 thousand compared to 31 December 2009.

Net invested capital was as follows:

- **goodwill and customer databases**, which totalled € 2,651,255 thousand at 31 December 2010, of which € 2,637,197 thousand relates to goodwill recorded in the Group assets following purchase transactions. The item fell by € 684,002 thousand compared with 31 December 2009, as a result of:
 - write-downs following impairment tests carried out during the year (more detail can be found in point 7 of the Notes to the consolidated financial statements). More specifically, the write-downs relate to SEAT Pagine Gialle S.p.A. (€ 650,447 thousand), the TDL Infomedia group (€ 15,173 thousand), the Telegate group (€ 8,095 thousand) and Prontoseat (€ 101 thousand);
 - amortization (€ 3,130 thousand) of the customer databases recorded under the Group's assets when acquisitions were carried out, as an allocation of part of the difference between the price paid and the portion of equity acquired, in accordance with the provisions of IFRS 3 and based on internal and/or expert valuations;
 - write-down (€ 8,633 thousand) of the customer database operated by the Telegate group in relation to subsidiary Telegate Media AG;
 - recognition of positive exchange rate differences on the goodwill recorded under TDL Infomedia group assets (€ 1,577 thousand) as a result of the appreciation of sterling in relation to the euro;

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- **other non-current assets** totalled € 203,750 thousand as at 31 December 2010, down by € 28,991 thousand compared to 31 December 2009 (€ 232,741 thousand). These assets include:
 - *capital assets and equipment*, which totalled € 165,844 thousand as at 31 December 2010, down by € 24,884 thousand compared with a year earlier (€ 190,728 thousand). This change reflects an increase in assets further to capital expenditure of € 40,344 thousand (€ 51,943 thousand in 2009), which was partly offset by operating amortization, depreciation and write-downs of € 65,058 thousand.

Capital expenditure covered the following business areas:

- € 31,256 thousand were spent by SEAT Pagine Gialle S.p.A. (€ 41,866 thousand in 2009), on:
 - consolidation of the new SAP/front-end CRM system now on stream;
 - a review of the main software processes with a view to developing products from a “customer-centric” perspective by using the release of the new management platforms (SAP/front-end CRM) to adopt a “single-contract” approach;
 - updating the IT systems following the introduction of the “Prodotto MIX” to enable acquisition of pre-defined and multimedia packages on the same order form;
 - improvements to IT systems to meet the new requirements of marketing plans, with the launch of new products and improvements made to SEAT’s existing print-online&mobile-voice platforms. More specifically, SEAT has launched a special application for the iPad, featuring photos, audio and video that provide a quicker search for services;
 - a review of administrative processes and managerial reporting through the use of a single Corporate Performance Management application interfaced with the Company’s data warehouse (DWH);
 - the acquisition of centralised hardware (data center) to replace obsolete machines with new ones that perform better and use less energy;
- the Telegate group (€ 2,457 thousand, compared with € 5,331 thousand in 2009), for the development of software and IT infrastructure in order to expand systems in Germany;
- Consodata S.p.A. (€ 3,808 thousand, compared with € 2,866 thousand in 2009):
 - implementing the Lifestyle Database, the MF Honyvem database and other databases with information sourced from chambers of commerce;
 - the internal creation of geomarketing software and development of forecasting and production programs, as well as the implementation of projects relating to Lineaffari, Kompass and Alberghieturismo;
- *accounted for at equity investments*, totalling € 378 thousand as at 31 December 2010 (compared with € 343 thousand a year earlier), related to associate Lighthouse International Company S.A.;
- *net deferred tax assets* totalled € 36,666 thousand as at 31 December 2010 (€ 40,562 thousand as at 31 December 2009), of which € 19,772 thousand related to SEAT Pagine Gialle S.p.A., € 7,122 thousand to the TDL Infomedia group and € 6,938 thousand to the Telegate group;

- **operating non-current liabilities** totalled € 62,346 thousand as at 31 December 2010 (€ 66,880 thousand as at 31 December 2009). The item includes:
 - *the defined-benefit pension plans*, which totalled € 20,821 thousand as at 31 December 2010 (€ 20,213 thousand as at 31 December 2009), net of assets designed to finance these plans, totalling € 35,863 thousand as at 31 December 2010 (€ 34,879 thousand as at 31 December 2009). Both the liabilities and the respective assets were valued by an independent actuary using the projected unit credit method. During 2010, € 3,050 thousand was paid out to increase the assets servicing the plan. The net actuarial losses generated in 2010, which totalled € 1,542 thousand, were recognized directly in Group equity, net of tax effects (actuarial gains were € 20,532 thousand as at 31 December 2009). In 2009, several measures were implemented to reduce the risk of future costs related to managing the pension fund. In particular, the enhanced transfer value programme was launched to encourage employee members of the Thomson Pension Fund to switch to pension funds of their choice outside the TDL Infomedia group. This programme was followed through in 2010, offering its members an incentive which, at the choice of the individual member, may be either added to the sum transferred to another pension fund or paid out immediately when the transfer is made. These incentive payments totalled € 643 thousand in 2010 (€ 5,709 thousand in 2009);
 - *the reserve for severance indemnities* totalled € 15,968 thousand at 31 December 2010, compared with € 20,742 thousand at 31 December 2009;
 - *the reserve for sales agents' termination indemnities* totalled € 22,975 thousand as at 31 December 2010, down by € 211 thousand compared with 31 December 2009 (€ 23,186 thousand). This reserve represents the accrued debt at the end of the year to sales agents for the indemnities due to them in the event of termination of the agency contract, as provided for by current regulations. Taking expected future cash flows into consideration, the reserve was discounted at an average market rate, for debts of equal duration, by estimating its probable future use over time based on the average duration of agency contracts;

- **non-operating non-current liabilities** totalled € 23,242 thousand as at 31 December 2010 (€ 19,871 thousand a year earlier), of which € 10,368 thousand relates to deferred tax liabilities, mainly to the Telegate group, and € 12,121 thousand relates to the long-term portion of the corporate restructuring reserve, which increased by € 12,103 thousand in 2010 following the extension until 2013 of the corporate restructuring programme begun in 2009 at SEAT Pagine Gialle S.p.A.. This plan was agreed with the trade unions and approved at the end of December 2008 by the Board of Directors. A trade union agreement was then formalised in February 2011 at the Ministry of Labour and Social Policies and ratified by the Company's Board of Directors, authorising the corporate restructuring process, which had originally been scheduled for 2009-2011, to continue until 2013 through the compulsory management of redundant employees using the special wage guarantee fund and early retirement; this fund should be considered together with the short-term corporate restructuring fund, which amounted to € 17,753 thousand as at 31 December 2010, having increased during the year by € 17,206 thousand, of which € 14,066 thousand relates to the SEAT Pagine Gialle S.p.A. restructuring programme;

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- **operating working capital** was positive for € 345,448 thousand as at 31 December 2010 (positive for € 326,222 thousand as at 31 December 2009).
The increase of € 19,226 thousand in net operating working capital is due primarily to:
 - a reduction of € 4,621 thousand in trade payables (€ 224,326 thousand as at 31 December 2010), relating mainly to a reduction in purchase volumes at SEAT Pagine Gialle S.p.A.;
 - a reduction of € 10,874 thousand in *payables for services to be rendered and other current operating liabilities* (€ 74,460 thousand as at 31 December 2010), attributable mainly to SEAT Pagine Gialle S.p.A. as a result of acquisition and billing schedules for print advertising services;
 - a reduction of € 11,669 thousand in the reserve for *current risks and charges* (€ 23,806 thousand as at 31 December 2010), attributable mainly to the Parent Company following the release of the reserve for contractual risks (a provision of € 4,500 thousand made in 2007) due to the expiration of risks with telephone operators in relation to mobile network call origination charges;
 - a reduction of € 8,513 thousand in *trade receivables* (€ 613,088 thousand as at 31 December 2010), related to the Parent Company and TDL Infomedia Group.

- **non-operating working capital** was negative for € 55,919 thousand as at 31 December 2010 (negative for € 39,416 thousand as at 31 December 2009). This difference of € 16,503 compared with 31 December 2009 is mainly due to:
 - *income tax payables* of € 32,277 thousand as at 31 December 2010, up by € 15,068 thousand on 31 December 2009 (€ 17,209 thousand);
 - *current tax assets* of € 3,759 thousand as at 31 December 2010, down by € 3,628 thousand compared with 31 December 2009 (€ 7,387 thousand).
 - *reserves for current non-operating risks and charges* of € 21,831 thousand (€ 14,453 thousand as at 31 December 2009). The current restructuring reserve amounted to € 17,753 thousand as at 31 December 2010; during the year it had € 13,955 thousand withdrawn and € 17,206 thousand refunded.

Equity

Equity totalled € 374,707 thousand as at 31 December 2010 (€ 1,039,263 thousand as at 31 December 2009 *restated*), of which € 357,840 thousand pertained to the Parent Company (€ 1,017,352 thousand as at 31 December 2009 *restated*), and € 16,867 thousand to non-controlling interests (€ 21,911 thousand as at 31 December 2009).

The reduction of € 659,512 thousand in the portion pertaining to the Parent Company is attributable to the net loss of € 667,366 thousand, that is partly offset by:

- an increase of € 9,606 thousand in the reserve for cash flow hedge instruments (negative for € 12,608 thousand as at 31 December 2010, negative for € 22,214 thousand as at 31 December 2009). More information can be found in point 16 of the Notes to the consolidated financial statements;
- an increase of € 1,247 thousand (net of tax effects) in actuarial losses recorded in relation to defined-benefit pension funds.

Net financial debt

As at 31 December 2010 this was structured as follows

(euro/thousand)	As at 31.12.2010	As at 31.12.2009 restated	Change
Net financial debt	2,731,032	2,762,782	(31,750)
Transaction costs on loans and securitisation program not yet amortised	(60,823)	(56,403)	(4,420)
Net market value of cash flow hedge instruments	13,780	22,485	(8,705)
Net financial debt - "book value"	2,683,989	2,728,864	(44,875)
of which:			
- Non-current financial debts	2,603,219	2,396,012	207,207
- Current financial debts	326,164	628,849	(302,685)
- Non-current financial assets	(2,168)	(2,088)	(80)
- Current financial assets, cash and cash equivalents	(243,226)	(293,909)	50,683

Net financial debt, which amounted to € 2,731,032 thousand as at 31 December 2010 (compared with € 2,762,782 thousand as at 31 December 2009 *restated*), differs from the net financial debt - "book value" (described below) since it is recorded gross of costs incurred for: *i*) the entering and refinancing of the Senior medium- and long-term debt with The Royal Bank of Scotland; *ii*) the Subordinated loan with Lighthouse International Company S.A.; *iii*) the Senior Secured Bond issue; and *iv*) the start of the trade receivables securitisation programme. These costs, net of accumulated amortization, totalled € 60,823 thousand as at 31 December 2010.

Net financial debt does not include the net value arising from the measurement at market values of the cash flow hedge instruments in place on the reporting date or, if terminated early, cash flow hedge instruments that will become effective in subsequent years. As at 31 December 2010, this value totalled net liabilities of € 13,780 thousand (€ 22,485 thousand as at 31 December 2009 *restated*).

Net financial debt "book value" totalled € 2,683,989 thousand as at 31 December 2010 (€ 2,728,864 thousand as at 31 December 2009 *restated*) and comprises the following items:

- **non-current financial debts** totalled € 2,603,219 thousand as at 31 December 2010 (€ 2,396,012 thousand as at 31 December 2009 *restated*) and can be broken down as follows

(euro/thousand)	As at 31.12.2010	As at 31.12.2009 restated	Change
Debts due to The Royal Bank of Scotland Plc.	579,583	812,927	(233,344)
Debts due to Lighthouse International Company S.A.	1,276,023	1,270,052	5,971
Debts due to Bondholders (Senior Secured Bond)	698,274	-	698,274
Asset backed securities	-	255,571	(255,571)
Debt due to Leasint S.p.A.	49,336	52,067	(2,731)
Debts due to other lenders	3	21	(18)
Non-current liabilities adjustments instruments "cash flow hedge"	-	5,374	(5,374)
Total non-current financial debts	2,603,219	2,396,012	207,207

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- *Non-current debts due to The Royal Bank of Scotland* totalled € 579,583 thousand as at 31 December 2010. Including the current portion of € 70,391 thousand, and gross of transaction and refinancing costs not yet amortised at the end of the year (€ 16,533 thousand), the senior loan with The Royal Bank of Scotland totalled € 666,507 thousand as at 31 December 2010 and was structured as follows:

- a) tranche A (€ 219,713 thousand), repayable in accordance with the amortization plan in non-constant half-yearly instalments until June 2012 and bearing a floating interest rate as at 31 December 2010 equal to Euribor plus a spread of 3.41% p.a.;
- b) tranche B (€ 446,794 thousand), repayable in a single instalment in June 2013 and bearing a floating interest rate as at 31 December 2010 equal to Euribor plus a spread of 3.91% p.a.;
- c) a revolving credit line of € 90,000 thousand, at the moment unused, designed to cover any working capital requirements of SEAT Pagine Gialle S.p.A. or its subsidiaries, available until May 2012, bearing in the event of use a floating interest rate equal to that applicable pro tempore to tranche A. A non-usage fee of 0.56% p.a. is due on unused pro tempore amounts relating to such credit lines.

During 2010, the Company repaid a total of € 749,839 thousand of these debts, of which € 732,090 thousand related to instalments of tranche A falling due between December 2010 and June 2012 and € 17,749 thousand to tranche B falling due in June 2013; this overall amount of € 749,839 thousand comprised € 679,582 thousand of net proceeds from the two Senior Secured Bonds issues in January and October and the remaining € 70,257 thousand from two instalments of € 35,128 thousand each, paid in advance in February and September as part of instalments of tranche A, as reformulated following said bond issues, falling due in June and December 2010 respectively.

- *Non-current debts to Lighthouse International Company S.A.* totalled € 1,276,023 thousand as at 31 December 2010, net of € 23,977 thousand of transaction costs not yet amortised at the end of the year. The 10-year subordinated loan is due to mature in 2014 and is subject to a fixed interest rate of 8% p.a..

Pursuant to the indenture relating to the notes issued by Lighthouse International Company S.A. in 2004, SEAT Pagine Gialle S.p.A. issued a personal guarantee concerning the fulfilment by said Lighthouse International Company S.A. of all obligations (for principal, interest and auxiliary expenses) arising from the notes issued by the latter. More specifically, this guarantee is limited to € 350,000 thousand in relation to auxiliary expenses.

The loan agreement between SEAT Pagine Gialle S.p.A. and Lighthouse International Company S.A. of 22 April 2004 provides for, among other things, a commitment by SEAT Pagine Gialle S.p.A. to pay the lender (in addition to principal and interest) an amount equal to any additional amount paid by the latter in relation to the 2004 bond and to hold the lender harmless from any charge that may reduce the amount of interest paid to said lender. With regard to this latter commitment, SEAT Pagine Gialle S.p.A., to the extent of its knowledge on the reporting date, may have to pay Lighthouse International Company S.A. up to € 3.4 million; no provisions have been made to the risks reserve insofar as such an eventuality is not deemed likely.

- *Debts due to Senior Secured bondholders* totalled € 698,274 thousand, net of € 20,313 thousand for transaction costs not yet amortised at the end of the period. The two bonds both mature on 31 January 2017 and have a nominal coupon rate of 10.5%, to be paid at the end of January and the end of July each year. The issue yield is 11% p.a. for the first issue and 12.85% p.a. for the second issue as a result of the issue discount (€ 13,201 thousand and € 20,000 thousand respectively). The overall accrued portion of the issue discount as at 31 December 2010 was € 1,788 thousand, the overall nominal value of the Senior Secured Bond is € 750,000 thousand.

- *Asset-backed securities* initially issued for a gross value of € 256,000 thousand by special-purpose entity Seat Servizi per le Aziende S.r.l. (formerly Meliadi Finance S.r.l.) to finance the acquisition, on a rolling basis, of credit portfolios sold to the latter by SEAT Pagine Gialle S.p.A. as part of the five-year securitisation of its own trade receivables, which began in June 2006. The securities, which are guaranteed by the credit portfolio being securitised, were subscribed by an institutional investor through private placement. They mature in 2014 and will be repaid using proceeds from the receivables sold at the end of the securitisation programme. The securities bear variable interest at rates applicable to three-month commercial papers, with a cap equal to the corresponding three-month Euribor rate plus 5 basis points. To support the securitisation programme, two one-year credit lines have been arranged and will expire at the end of the programme. The value of the programme was reduced in the second half of 2010 to adjust it to the changed turnover profile of SEAT Pagine Gialle S.p.A. compared with when it was launched in 2006. As a result, a total of € 66,000 thousand of the € 256,000 thousand of securities was repaid early in July and November, using cash held by the special-purpose entity. In the table below, which shows debt maturity, the entire remaining € 190,000 thousand of asset-backed securities is shown as short term, despite its contractual maturity of 2014, because the Company has decided not to renew the programme in light of the market's unfavourable attitude towards such operations. € 35,000 thousand of this € 190,000 thousand was therefore repaid voluntarily on 17 January 2011 as the aforementioned early repayments in the second half of 2010. The remaining € 155,000 thousand will be repaid using proceeds from receivables to be sold up to March 2011, when the Company has decided to end the programme. In light of the average collection time of the SEAT Pagine Gialle S.p.A. receivables, the period required for full repayment of the asset-backed securities is estimated at approximately 180 days from the end of the programme.

- *Debts due to Leasint S.p.A.* amounted to € 49,336 thousand as at 31 December 2010 (including the current portion € 52,199 thousand). These relate to the seven finance leases (six with effect from December 2009 and one with effect from the end of October 2010) pertaining to the purchase of the Turin property complex at Corso Mortara, where SEAT Pagine Gialle S.p.A. has its offices. These leases mature in December 2023 and October 2024 respectively, and they provide for quarterly repayment instalments in arrears using a floating rate based on the three-month Euribor plus a spread of approximately 65 basis points p.a.. The residual value is fixed at around 1% of the value of the property complex.

The loan agreement with The Royal Bank of Scotland requires that SEAT Pagine Gialle S.p.A. comply with specific financial covenants, which are monitored quarterly and relate to the maintaining of certain ratios between: *i*) net debt and EBITDA; *ii*) EBITDA and interest on debt; *iii*) cash flow and debt service (including interest and capital payable in each reference period).

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As is customary for similar transactions, the aforementioned facilities agreement also governs other aspects by establishing limits and operating conditions, including investments and the possibility of recourse to additional debt, making acquisitions, distributing dividends and carrying out capital transactions. Similar provisions are also contained in the two indentures under US law which respectively govern the notes (bonds) issued by Lighthouse International Company S.A. in 2004 and secured by SEAT Pagine Gialle S.p.A., and the notes issued by SEAT Pagine Gialle S.p.A. in January and October 2010.

SEAT Pagine Gialle S.p.A. constantly monitors current and future compliance with all the conditions of the aforementioned agreements.

The outcome of the checks on the financial covenants and compliance with all the obligations imposed by the aforementioned agreements as at 31 December 2010 was positive.

In the event that adverse market conditions and/or Company performance should cause breach of the contractual financial covenants with The Royal Bank of Scotland as at a verification date, The Royal Bank of Scotland could terminate the loan agreement, making all or some of the loan (including unpaid accrued interest and all other amounts due to the Bank under the agreement) subject to repayment with immediate effect. This could force SEAT Pagine Gialle S.p.A. to seek funds on the market to repay its debt and would allow The Royal Bank of Scotland to call on the security given for the facility if SEAT Pagine Gialle S.p.A. defaults on the payment. Such a situation could be remedied only by waiver on the part of The Royal Bank of Scotland of its rights with respect to such breach and, if necessary, by adjusting the financial covenants contained in the loan agreement;

- **current financial debts** totalled € 326,164 thousand as at 31 December 2010 (€ 628,849 thousand as at 31 December 2009) and include:
 - € 263,270 thousand relating to the current portion of financial debt for the *Senior loan* with The Royal Bank of Scotland falling due in June and December 2011 (€ 70,391 thousand), to the asset-backed securities (€ 190,000 thousand) and the short-term instalment of the debt to Leasint S.p.A. (€ 2,863 thousand);
 - matured but not yet paid interest of € 29,946 thousand, including € 28,904 thousand relating to unpaid accrued interest on the *Senior Secured Bond*;
 - debts for unpaid accrued interest of € 17,375 thousand on the loan with Lighthouse International Company S.A. (no change from the debt outstanding as at 31 December 2009);
 - € 8,313 thousand relating to current debts with banks (€ 8,402 thousand as at 31 December 2009), mainly relating to debts for hedging derivatives, including € 7,066 thousand for which payment has been deferred until the end of June 2011;
 - € 7,260 thousand relating to the current portion of net liabilities arising from the measurement at fair value of the cash flow hedge derivatives in place as at 31 December 2010 (€ 7,844 thousand as at 31 December 2009).

SEAT Pagine Gialle S.p.A. also has a committed short-term credit line of € 30.0 million, which expires on 31 March 2011 and has not yet been used. The credit line will be subject to a margin of 5% p.a. on the benchmark Euribor rate in the event of use, and in case of non-utilisation charges will be 2% p.a..

The Company is finalising the transformation of this facility into a credit line for the discounting of trade receivables.

The Senior bank debt with The Royal Bank of Scotland, like the debt arising from the issue of asset-backed securities by the special-purpose entity Seat Servizi per le Aziende S.r.l. (formerly Meliadi Finance S.r.l.) to service the securitisation programme and the debt due to Leasint S.p.A., is subject to a floating interest rate based on the Euribor. In order to limit its exposure to interest rate risk, SEAT Pagine Gialle S.p.A. also created derivative hedge instruments against interest rate risk with leading international financial operators. More information on the operations to hedge interest rate risk can be found in point 21 of the Notes to the consolidated financial statements.

With reference to the 2011-2013 period, the average total protection against interest rate risk as at the end of December 2010 was equal to around 85% of the total debt, with 80% pertaining to fixed-rate debt, 3% to interest rate swaps and 1% to interest rate collars.

As regards the 2014-2015 period, around 95% of the total expected debt will be fixed-rate debt.

- **non-current financial assets** totalled € 2,168 thousand as at 31 December 2010 (€ 2,088 thousand as at 31 December 2009), relating mainly to employee loans;
- **current financial assets and cash and cash equivalents** totalled € 243,226 thousand as at 31 December 2010 (€ 293,909 thousand as at 31 December 2009). It included € 241,728 thousand relating to cash and cash equivalents (€ 291,991 thousand as at 31 December 2009), of which € 84,941 thousand was held by the special-purpose entity Seat Servizi per le Aziende S.r.l. (formerly Meliadi Finance S.r.l.) from the collection of receivables sold by SEAT Pagine Gialle S.p.A. as part of the securitisation programme.

Risk from high levels of financial debt

The SEAT Pagine Gialle group has a high level of debt, characterised by financial leverage equal to around five times EBITDA at the end of 2010. The debt repayment plan as at 31 December 2010 is as follows

	Due date-by						Total
	31.12.2011	31.12.2012	31.12.2013	31.12.2014	31.12.2015	Beyond five years	
(euro/thousand)							
Senior Secured Bond (*)	-	-	-	-	-	750,000	750,000
The Royal Bank Plc.	70,391	149,322	446,794	-	-	-	666,507
Lighthouse International Company S.A.	-	-	-	1,300,000	-	-	1,300,000
Asset-backed securities (**)	190,000	-	-	-	-	-	190,000
Debts due to Leasint S.p.A.	2,863	3,010	3,173	3,339	3,514	36,300	52,199
Debts due to other lenders	16	3	-	-	-	-	19
Total non-current financial debt (gross value)	263,270	152,335	449,967	1,303,339	3,514	786,300	2,958,725

(*) In the financial statement such amount is posted for an amount of € 718,587 thousands net of the discount on issue price.

(**) The amount has been already paid for € 35,000 thousand on January 17, 2011: the balance for € 155,000 thousand has been posted with maturity during 2011 as a consequence of a) company decision to not renew the Securitisation Program and b) the forecast of the requested time (approximately 180 days) for the full repayment of the securitized receivables that will allow the amortization of the ABS notes (whose contractual maturity date is in 2014 year).

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The average life of outstanding debt at the end of 2010 was 3.71 years. This figure was 3.35 years as at 31 December 2009, before the *Senior Secured Bond* issues.

If, as a result of market conditions or other circumstances, SEAT Pagine Gialle S.p.A. is unable to raise sufficient funds to fulfil its payment obligations on the maturity dates or, more generally, if other obligations provided for by the aforementioned financing agreements are not fulfilled, such as in the event of insolvency proceedings or non-fulfilment of obligations arising from any other debt or guarantee instrument of SEAT Pagine Gialle S.p.A. or a company of the SEAT Pagine Gialle group, the sums granted must be repaid early and in full, together with the interest accrued and any other sums due pursuant to such agreements, with consequent negative effects on the business and the economic and financial position of the Company and the SEAT Pagine Gialle group.

Liquidity risk - obtaining of financial resources

The SEAT Pagine Gialle group monitors the risk that the financial resources available may be insufficient to cover short-term obligations (€ 263,270 thousand falls due by 31 December 2011, including the two repayment instalments of tranche A, the closure of the securitisation programme and lease instalments). Since its business is characterised by cash generation, and in light of available credit lines, the SEAT Pagine Gialle group is considers to have sufficient financial resources to meet its short-term commitments.

After 31 December 2011, SEAT Pagine Gialle S.p.A. will have to repay considerable sums within the context of the facilities in place. The Group's financial resources may prove insufficient to meet these commitments, thus requiring recourse to new financing.

The continuation of the crisis on the financial markets in 2010 consolidated the generalised and growing risk aversion among investors, resulting in an increase in credit default swap spreads and a sharp decline in the performance of high-yield securities in particular.

Consequently, if for any reason SEAT Pagine Gialle S.p.A. is unable to generate sufficient financial resources in the medium term to fulfil its financial obligations and has to renegotiate the terms and conditions of its financial obligations prior to maturity, or has to seek the resources necessary for repayment on the banking and/or financial markets, it might not manage to raise the resources or it might raise them under terms and conditions that may be more expensive than the current terms and conditions, with consequent negative effects on the economic and financial structure of the Group.

Such difficulty in raising financial resources could occur if the rating assigned to SEAT Pagine Gialle S.p.A. by Standard & Poor's and Moody's is downgraded.

The ratings reflect the agencies' assessment of the probability of default by the Company and are the result of an analysis of: (i) the Group's prospects in terms of profitability, cash flow generation and debt sustainability, and (ii) expected market situations. In the last quarter of 2010, the ratings assigned by the aforementioned agencies were lowered from B to B- and from B2 to Caa1 respectively. Subsequently, in March 2011, as mentioned in the section "Post Balance Sheet events" Standard & Poor's revised the Company's rating from B- to CCC+.

Whether such a requirement will actually materialise, and its scale should it do so, cannot be accurately predicted beyond the short term because it depends on unpredictable factors, particularly the business climate and the performance of the financial markets.

There are positive signs on the first front, especially the strong growth in online&mobile revenues driven by new online marketing services, and better-than-expected results from the package-sale method, which is described in more detail earlier in this document. The Group will continue to support this growth by allocating financial and other resources to the business. It expects these resources to be available and sufficient. With regard to financial aspects, the Company has formally begun a process to identify options for capital and financial structure realignment.

Impact of “change of control” on the facilities agreements in place (Article 123-bis, letter I of Legislative Decree no. 58/1998)

Both the Senior loan agreement with The Royal Bank of Scotland and the three indentures under US law, which govern, respectively, the notes issued (i) by Lighthouse International Company S.A. in 2004 for a total of € 1,300 million with maturity in 2014 and guaranteed by SEAT Pagine Gialle S.p.A., (ii) by SEAT Pagine Gialle S.p.A. in January 2010 for a total of € 550 million with maturity in 2017, and (iii) by SEAT Pagine Gialle S.p.A. in October 2010 for a total of € 200 million with maturity in 2017, establish compulsory early repayment scenarios in the occurrence of certain events, described in detail in each of the aforementioned documents, known jointly as “change of control”.

Pursuant to the loan agreement with The Royal Bank of Scotland, in the event that there is a “change of control” (as defined in said agreement), the commitment made by The Royal Bank of Scotland pursuant to the loan agreement to disburse the amounts provided for therein is no longer applicable, and SEAT Pagine Gialle S.p.A. must immediately provide early repayment of all amounts it received pursuant to the loan agreement and all amounts relating to the letters of credit issued in its interest, as well as unpaid accrued interest and all other amounts due to The Royal Bank of Scotland pursuant to the loan agreement and to related documents.

Pursuant to the three indentures, in the event that there is a “Change of Control” (as defined in each of the three documents), each bondholder will have the right to have its securities redeemed by Lighthouse International Company S.A. or SEAT Pagine Gialle S.p.A. (where appropriate) at a price equal to 101% of the nominal value of the notes plus unpaid accrued interest as at the redemption date. Where one or more bondholders exercise such a right, SEAT Pagine Gialle S.p.A., pursuant to the loan agreement with Lighthouse International Company S.A., must provide sufficient early repayment of the loan extended to it by Lighthouse International Company S.A. to enable the latter to cover any such redemptions. The same amount must be paid directly to bondholders by SEAT Pagine Gialle S.p.A. in the event of non-fulfilment by Lighthouse International Company S.A., in accordance with the provisions of the indenture, pursuant to which SEAT Pagine Gialle S.p.A. is expressly and irrevocably committed to guaranteeing all obligations of Lighthouse International Company S.A. to the bondholders. Any payment by SEAT Pagine Gialle S.p.A. pursuant to the loan agreement with Lighthouse International Company S.A. or the aforementioned indentures

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must, in any case, be made in compliance with the provisions of the loan agreement with The Royal Bank of Scotland and of the intercreditor agreement entered into, *inter alia*, by SEAT Pagine Gialle S.p.A., Lighthouse International Company S.A. and The Royal Bank of Scotland on 25 May 2005 (when the loan agreement was stipulated with The Royal Bank of Scotland), as subsequently amended, which governs, among other things, transactions between SEAT Pagine Gialle S.p.A., The Royal Bank of Scotland, in its capacity as senior creditor, Lighthouse International Company S.A. and the bondholders (in the form of a representative for each bond issue by Lighthouse International Company S.A. and SEAT Pagine Gialle S.p.A., where appropriate).

More information on this subject, and in particular a description of which cases constitute a "change of control", can be found in the "Annual report on corporate governance", which is published together with these financial statements and is available to the public on the Company's official website, www.seat.it.

Credit risk

The SEAT Pagine Gialle group operates in the online directional advertising market, where there is a large number of clients. 90.0% of the Group's commercial receivables as at 31 December 2010 (89.7% a year earlier) related to the Parent Company, SEAT Pagine Gialle S.p.A., which has around 486,000 clients throughout Italy, consisting mainly of small and medium-sized businesses. Each year, the Parent Company alone issues some 810,000 invoices, each providing on average for payment in 2.5 instalments of around € 527 each, meaning more than 1.9 million of receipts.

There is, therefore, no concentration of credit risk.

The large volume of transactions generates a high number of payments in arrears, hence the need for an effective credit management system. Over time, the Parent Company has introduced a widespread and continually strengthened team that is able to efficiently manage all phases of the payment request process. The in-house team, call centres, collection agencies and legal experts constitute a total of around 1,400 people.

Credit risk exposure – represented by the provisions for doubtful receivables on the financial statements – is measured using a statistical model that segments clients according to location and seniority, which reflects the historical experience of SEAT Pagine Gialle S.p.A. in debt collection and projects it into future estimates.

At 31 December 2010, Group provisions for doubtful trade receivables totalled € 109,261 thousand, down from € 115,254 thousand as at 31 December 2009. Provisions from the statement of operations fell from € 48,845 thousand to € 34,758 thousand owing to a broadly stable and appropriate coverage ratio for overdue payments.

The collection process will be fully reviewed as of 2011 in order to maximise collections and reduce DSO (days sales outstanding) by selecting call centres and collection agencies, categorising similar debtors and rethinking collection strategies.

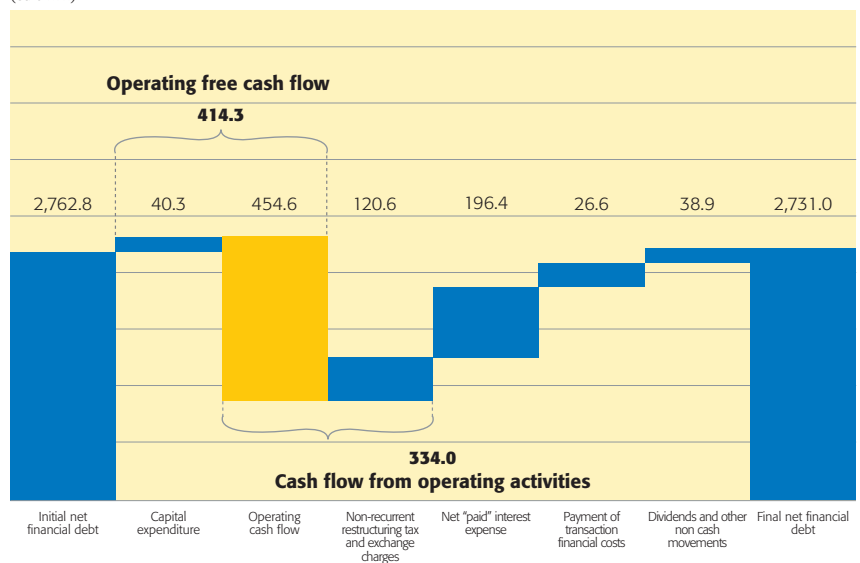
→ Consolidated statement of cash flows for 2010

Operating free cash flow generated in 2010 (€ 414,305 thousand) was down € 41,999 thousand on the previous year (€ 456,304 thousand). This reduction was mainly attributable to lower EBITDA (-€ 44,111 thousand compared with 2009) and, to a lesser extent, to operating working capital, of which the negative contribution in 2010 was € 11,221 thousand higher than in 2009 (an increase of € 19,266 thousand in 2010, against an increase of € 8,055 thousand in 2009). However, the € 11,599 thousand reduction in capital expenditure (€ 40,344 thousand in 2010, against € 51,943 thousand in 2009) had a positive effect on operating free cash flow.

Operating free cash flow as a percentage of revenues from sales and services was broadly unchanged (37.3% in 2010, against 37.7% in 2009), while operating free cash flow as a percentage of EBITDA fell from 86.5% in 2009 to 85.7% in 2010 because a reduction in EBITDA was accompanied by an increase in operating working capital.

The following graph summarises the main elements that affected the change in net financial debt during 2010

(euro mln)



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Reclassified consolidated statement of operations

(euro/thousand)	Year 2010	Year 2009	Change	
			Absolute	%
Revenues from sales and services	1,110,649	1,209,821	(99,172)	(8.2)
Cost of materials and external services (*)	(388,026)	(403,533)	15,507	3.8
Salaries, wages and employee benefits (*)	(199,518)	(217,653)	18,135	8.3
Gross operating profit (GOP)	523,105	588,635	(65,530)	(11.1)
<i>% on revenues</i>	<i>47.1%</i>	<i>48.7%</i>		
Other valuation adjustments and provisions to reserves for risks and charges, net	(38,271)	(58,002)	19,731	34.0
Other operating income (expense)	(1,344)	(3,032)	1,688	55.7
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	483,490	527,601	(44,111)	(8.4)
<i>% on revenues</i>	<i>43.5%</i>	<i>43.6%</i>		
Operating amortisation, depreciation and write-downs	(65,058)	(63,196)	(1,862)	(2.9)
Non-operating amortisation, depreciation and write-downs	(685,579)	(188,964)	(496,615)	n.s.
Non-recurring and restructuring costs, net	(40,704)	(29,713)	(10,991)	(37.0)
Operating result (EBIT)	(307,851)	245,728	(553,579)	n.s.
<i>% on revenues</i>	<i>(27.7%)</i>	<i>20.3%</i>		
Interest expense, net	(253,959)	(214,883)	(39,076)	(18.2)
Gain (loss) on investments accounted for at equity	35	36	(1)	(2.8)
Profit (loss) before income taxes	(561,775)	30,881	(592,656)	n.s.
Income taxes for the year	(104,007)	(54,173)	(49,834)	(92.0)
Profit (loss) on continuing operations	(665,782)	(23,292)	(642,490)	n.s.
Profit (loss) from non-current assets held for sale and discontinued operations	(240)	(12,337)	12,097	98.1
Profit (loss) for the year	(666,022)	(35,629)	(630,393)	n.s.
- of which pertaining to the Group	(667,366)	(38,041)	(629,325)	n.s.
- of which non-controlling interests	1,344	2,412	(1,068)	(44.3)

(*) Minus costs attributable to minorities and shown in the IFRS financial statements under "Other revenue and income".

From the 1st January 2010 in accordance to IAS 39 "Time value", as a part of cash flow hedge instruments, has been booked in the statement of operations. Interest expenses of year 2009 have been restated.

Consolidated statement of comprehensive income

(euro/thousand)		Year 2010	Year 2009	Change
Profit (loss) for the year	(A)	(666,022)	(35,629)	(630,393)
Profit (loss) for "cash flow hedge" instruments		9,606	(11,283)	20,889
Profit (loss) for foreign exchange adjustments		(138)	6,798	(6,936)
Actuarial gain (loss) recognised to equity		(1,247)	(15,776)	14,529
Total other comprehensive profit (loss) for the year, net of tax effect	(B)	8,221	(20,261)	28,482
Total comprehensive profit (loss) for the year	(A+B)	(657,801)	(55,890)	(601,911)
- of which pertaining to the Group		(659,145)	(58,302)	(600,843)
- of which non-controlling interests		1,344	2,412	(1,068)

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Reclassified consolidated statement of financial position

(euro/thousand)	As at 31.12.2010	As at 31.12.2009 restated	Change
Goodwill and customer database	2,651,255	3,335,257	(684,002)
Other non-current assets (*)	203,750	232,741	(28,991)
Operating non-current liabilities	(62,346)	(66,880)	4,534
Non-operating non-current liabilities	(23,242)	(19,871)	(3,371)
Operating working capital	345,448	326,222	19,226
- Operating current assets	686,416	698,027	(11,611)
- Operating current liabilities	(340,968)	(371,805)	30,837
Non-operating working capital	(55,919)	(39,416)	(16,503)
- Non-operating current assets	3,772	7,405	(3,633)
- Non-operating current liabilities	(59,691)	(46,821)	(12,870)
Non-current assets held for sale and discontinued operations, net	(250)	74	(324)
Net invested capital	3,058,696	3,768,127	(709,431)
Equity of the Group	357,840	1,017,352	(659,512)
Non-controlling interests	16,867	21,911	(5,044)
Total equity	(A) 374,707	1,039,263	(664,556)
Net financial debt	2,731,032	2,762,782	(31,750)
Transaction costs on loans and securitisation program not yet amortised	(60,823)	(56,403)	(4,420)
Net market value of "cash flow hedge" instruments	13,780	22,485	(8,705)
Net financial debt - "book value"	(B) 2,683,989	2,728,864	(44,875)
- Non-current financial debts	2,603,219	2,396,012	207,207
- Current financial debts	326,164	628,849	(302,685)
- Non-current financial assets	(2,168)	(2,088)	(80)
- Current financial assets, cash and cash equivalent	(243,226)	(293,909)	50,683
Total	(A+B) 3,058,696	3,768,127	(709,431)

(*) Includes financial assets available for sale.

Consolidated statement of cash flows

(euro/thousand)	Year 2010	Year 2009	Change
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	483,490	527,601	(44,111)
Gains (losses) from discounting operating assets and liabilities	(2,705)	(1,795)	(910)
Decrease (increase) in operating working capital (*)	(19,226)	(8,005)	(11,221)
(Decrease) increase in operating non-current liabilities (*)	(6,065)	(9,818)	3,753
Capital expenditure	(40,344)	(51,943)	11,599
(Gains) losses on disposal of non-current operating assets	(845)	264	(1,109)
Operating free cash flow	414,305	456,304	(41,999)
Capital increase	-	193,519	(193,519)
Payment of interest expense, net	(196,436)	(196,651)	215
Payment of transaction financial costs	(26,557)	(3,724)	(22,833)
Payment of income taxes	(85,362)	(108,761)	23,399
Payment of non-recurring and restructuring expense	(35,074)	(23,899)	(11,175)
Distribution of dividends	(3,365)	(3,365)	-
Share buy-back by Telegate AG	(3,364)	-	(3,364)
Flows on "Non-current assets held for sale and discontinued operations"	(240)	(2,417)	2,177
Investment in the Turin complex - new headquarters	-	(1,091)	1,091
Foreign exchange adjustments and other movements	(32,157)	9,319	(41,476)
Change in net financial debt	31,750	319,234	(287,484)

(*) The changes don't include the non monetary effects arising from the reclassification to non-current assets held for sale and discontinued operations and profit and losses recognised to equity.

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→ Reconciliation of shareholders' equity pertaining to the Parent Company and consolidated shareholders' equity as at 31 December 2010

(euro/thousand)	Group				Minorities			Total
	Share capital	Reserves	Profit (loss) for the year	Total	Share capital and reserves	Profit (loss) for the year	Total	
SEAT Pagine Gialle S.p.A. at 31 December 2010	450,266	582,506	(656,756)	376,016	-	-	-	376,016
Profit (loss) for the year of consolidated companies	-	(181,507)	(11,316)	(192,823)	2,659	1,563	4,222	(188,601)
Share capital and reserves of consolidated companies	-	309,291	-	309,291	12,559	-	12,559	321,850
Book value of consolidated companies	-	(169,621)	31,069	(138,552)	-	-	-	(138,552)
Consolidation adjustments:								
Equity investments gains	-	53,999	(8,196)	45,803	-	-	-	45,803
Inter-Group disposals in previous periods	-	(7,679)	-	(7,679)	-	-	-	(7,679)
Intercompany dividends	-	20,513	(20,513)	-	-	-	-	-
Valuations of investments using the equity method	-	134	35	169	-	-	-	169
Exchange differences	-	(38,542)	-	(38,542)	-	-	-	(38,542)
Other movements and change in the scope of consolidation	-	5,846	(1,689)	4,157	(42)	128	86	4,243
Share capital, reserves and consolidated results at 31 December 2010	450,266	574,940	(667,366)	357,840	15,176	1,691	16,867	374,707

→ Reconciliation of shareholders' equity pertaining to the Parent Company and consolidated shareholders' equity as at 31 December 2009

(euro/thousand)	Group				Minorities			Total
	Share capital	Reserves	Profit (loss) for the year	Total	Share capital and reserves	Profit (loss) for the year	Total	
SEAT Pagine Gialle S.p.A. at 31 December 2009	450,266	605,798	(38,191)	1,017,873	-	-	-	1,017,873
Restatement due to errors	-	5,185	-	5,185	-	-	-	5,185
SEAT Pagine Gialle S.p.A. at 31 December 2009 restated	450,266	610,983	(38,191)	1,023,058	-	-	-	1,023,058
Profit (loss) for the year of consolidated companies	-	(79,264)	(78,000)	(157,264)	2,613	3,417	6,030	(151,234)
Share capital and reserves of consolidated companies	-	308,930	-	308,930	15,923	-	15,923	324,853
Book value of consolidated companies	-	(253,435)	87,752	(165,683)	-	-	-	(165,683)
Consolidation adjustments:								
Equity investments gains	-	53,999	-	53,999	-	-	-	53,999
Inter-Group disposals in previous periods	-	(7,679)	-	(7,679)	-	-	-	(7,679)
Intercompany dividends	-	10,213	(10,213)	-	-	-	-	-
Valuations of investments using the equity method	-	98	36	134	-	-	-	134
Exchange differences	-	(38,505)	-	(38,505)	-	-	-	(38,505)
Other movements and change in the scope of consolidation	-	(483)	846	363	(58)	16	(42)	321
Share capital, reserves and consolidated results at 31 December 2009 restated	450,266	604,856	(37,770)	1,017,352	18,478	3,433	21,911	1,039,263

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

Notes on the items can be found in the following sections:

- "Italian directories" Business Area
- Notes to the separate financial statements of SEAT Pagine Gialle S.p.A.

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

(euro/thousand)	Year 2010	Year 2009	Change	
			Absolute	%
Revenues from sales and services	875,543	952,225	(76,682)	(8.1)
Cost of materials and external services (*)	(321,631)	(347,717)	26,086	7.5
Salaries, wages and employee benefits (*)	(73,599)	(83,165)	9,566	11.5
Gross operating profit (GOP)	480,313	521,343	(41,030)	(7.9)
<i>% on revenues</i>	<i>54.9%</i>	<i>54.7%</i>		
Other valuation adjustments and provisions to reserves for risks and charges	(33,048)	(48,625)	15,577	32.0
Other operating income (expense)	(416)	(1,994)	1,578	79.1
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	446,849	470,724	(23,875)	(5.1)
<i>% on revenues</i>	<i>51.0%</i>	<i>49.4%</i>		
Operating amortisation, depreciation and write-downs	(49,879)	(48,592)	(1,287)	(2.6)
Non-operating amortisation, depreciation and write-downs	(650,447)	(94,537)	(555,910)	n.s.
Non-recurring and restructuring costs, net	(34,554)	(22,192)	(12,362)	(55.7)
Operating result (EBIT)	(288,031)	305,403	(593,434)	n.s.
<i>% on revenues</i>	<i>(32.9%)</i>	<i>32.1%</i>		
Interest expense, net	(236,221)	(204,693)	(31,528)	(15.4)
Adjustment of investments value	(30,816)	(87,752)	56,936	64.9
Profit (loss) before income taxes	(555,068)	12,958	(568,026)	n.s.
Income taxes for the year	(101,688)	(42,409)	(59,279)	n.s.
Profit (loss) on continuing operations	(656,756)	(29,451)	(627,305)	n.s.
Profit (loss) from non-current assets held for sale and discontinued operations	-	(9,011)	9,011	100.0
Profit (loss) for the year	(656,756)	(38,462)	(618,294)	n.s.

(*) Minus costs attributable to minorities and shown in the IFRS financial statements under "Other revenue and income".

From the 1st January 2010 in accordance to IAS 39 "Time value", as a part of cash flow hedge instruments, has been booked in the statement of operations. Interest expenses of 2009 have been restated.

Statement of comprehensive income of SEAT Pagine Gialle S.p.A.

(euro/thousand)		Year 2010	Year 2009	Change
Profit (loss) for the year	(A)	(656,756)	(38,462)	(618,294)
Profit (loss) for "cash flow hedge" instruments		9,606	(11,283)	20,889
Actuarial gain (loss) recognised to equity		108	(952)	1,060
Total other comprehensive profit (loss) for the year, net of tax effect	(B)	9,714	(12,235)	21,949
Total comprehensive profit (loss) for the year	(A+B)	(647,042)	(50,697)	(596,345)

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Reclassified statement of financial position of SEAT Pagine Gialle S.p.A.

(euro/thousand)	As at 31.12.2010	As at 31.12.2009 restated	Change
Goodwill and customer database	2,536,714	3,187,161	(650,447)
Other non-current assets (*)	287,794	339,379	(51,585)
Operating non-current liabilities	(37,544)	(41,860)	4,316
Non-operating non-current liabilities	(12,856)	(5,624)	(7,232)
Operating working capital	341,569	321,724	19,845
- Operating current assets	618,671	629,582	(10,911)
- Operating current liabilities	(277,102)	(307,858)	30,756
Non-operating working capital	(55,594)	(35,110)	(20,484)
- Non-operating current assets	398	2,967	(2,569)
- Non-operating current liabilities	(55,992)	(38,077)	(17,915)
Non-current assets held for sale and discontinued operations, net	(250)	76	(326)
Net invested capital	3,059,833	3,765,746	(705,913)
Total equity (A)	376,016	1,023,058	(647,042)
Net financial debt	2,730,860	2,776,606	(45,746)
Transaction costs on loans and securitisation program not yet amortised	(60,823)	(56,403)	(4,420)
Net market value of "cash flow hedge" instruments	13,780	22,485	(8,705)
Net financial debt - "book value" (B)	2,683,817	2,742,688	(58,871)
- Non-current financial debts	2,603,216	2,279,175	324,041
- Current financial debts	301,669	708,817	(407,148)
- Non-current financial assets	(1,619)	(2,088)	469
- Current financial assets, cash and cash equivalent	(219,449)	(243,216)	23,767
Total (A+B)	3,059,833	3,765,746	(705,913)

(*) Includes financial assets available for sale.

Statement of cash flows of SEAT Pagine Gialle S.p.A.

(euro/thousand)	Year 2010	Year 2009	Change
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	446,849	470,724	(23,875)
Gains (losses) from discounting operating assets and liabilities	(1,142)	(1,378)	236
Decrease (increase) in operating working capital (*)	(19,845)	(19,454)	(391)
(Decrease) increase in operating non-current liabilities (*)	(4,435)	(2,447)	(1,988)
Capital expenditure	(31,256)	(41,866)	10,610
(Gains) losses on disposal of non-current operating assets	(803)	73	(876)
Operating free cash flow	389,368	405,652	(16,284)
Capital increase	-	193,519	(193,519)
Payment of interest expense, net	(203,020)	(190,393)	(12,627)
Payment of income taxes	(79,377)	(87,042)	7,665
Payment of non-recurring and restructuring expense	(23,522)	(19,990)	(3,532)
Purchase of consolidated subsidiaries and other investments	(6,203)	-	(6,203)
Flows on "Non-current assets held for sale and discontinued operations"	-	(4,303)	4,303
Investment in the Turin complex - new headquarters	-	(1,091)	1,091
Other movements	(31,500)	13,643	(45,143)
Change in net financial debt	45,746	309,995	(264,249)

(*) The changes don't include the non monetary effects arising from the reclassification to non-current assets held for sale and discontinued operations and profit and losses recognised to equity.

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➤ Significant events in 2010

Agreement with The Royal Bank of Scotland to issue Senior Secured Bonds

With a view to preserving a sufficient margin of liquidity and proactively managing the senior debt refinancing requirements due to arise in relation to the large instalments set out in the debt repayment plan over the coming years, at the end of December 2009 the Board of Directors of SEAT Pagine Gialle S.p.A. authorised the CEO to request a waiver from The Royal Bank of Scotland to issue one or more (up to a maximum of five) Senior Secured Bonds worth up to a maximum of € 1,000 million by February 2011.

The net proceeds from these issues were to be used for partial early repayment of some instalments of tranche A of the senior loan agreement with The Royal Bank of Scotland falling due in 2010, 2011 and 2012. Within the context of this request, it was also planned that some financial covenants would be revised to take into account the impact of the proposed transaction, which would essentially be a slight increase in the Company's total debt (due to the transaction costs) and an increase in the future cost of borrowing due to the higher interest rates of the new *Senior Secured Bond*.

In the first half of January 2010, The Royal Bank of Scotland granted the waiver on payment of a € 7.4 million commission. SEAT Pagine Gialle S.p.A. simultaneously undertook to acknowledge, as of the issue date of the Senior Secured Bond, an increase of 75 basis points p.a. in the margins applicable to Euribor with reference to the senior facilities. Consequently, as of 28 January 2010 these margins were increased to 3.19% for tranche A and the revolving credit line and to 3.76% for tranche B.

€ 550 million issue of the first tranche of the Senior Secured Bond

In the first half of January 2010, SEAT Pagine Gialle S.p.A. mandated a group of bookrunners, comprising Deutsche Bank, BNP Paribas, Citigroup, JPMorgan and The Royal Bank of Scotland, and co-managers (Calyon, Lloyds, Mediobanca and UniCredit) to oversee the *Senior Secured Bond* issue. The operation was completed on 28 January 2010 through the issue of a *Senior Secured Bond* with a nominal value of € 550 million at a price of 97.5998%. The bond matures on 31 January 2017 and bears a nominal yield of 10.5%, to be paid half-yearly at the end of January and the end of July each year, with the first instalment due at the end of July 2010.

The yield at issue of the bond was 11% p.a. due to the issue discount.

Of the total net proceeds of the bond issue (€ 536.8 million), € 507.1 million was used to repay part of tranche A, while the remainder was used to cover the transaction costs incurred.

Industrial relations: overview of the company restructuring agreement with trade unions signed on 24 February 2010 at the Ministry of Labour and Social Policies in Rome

On 24 February 2010 SEAT Pagine Gialle S.p.A. signed a company restructuring agreement with trade unions, which was approved on the same day by the Ministry of Labour and Social Policies, to supplement the previous union agreement signed on 7 November 2008. The new agreement increases to 300 the maximum number of employees to which the special wage guarantee fund (CIGS) may be applied between 9 February 2010 and 8 February 2011 and extends the procedure, previously restricted to Turin, Milan and Rome, to all company sites.

Redundancies will continue to be managed via the CIGS and early retirement pursuant to Law 416/81 as subsequently amended, and by retraining redundant workers ineligible for early retirement.

Sale of Telegate Italia S.r.l.

On 31 May 2010 Telegate Italia S.r.l. signed agreements to sell the call centres at its Livorno and Turin offices to People Care S.r.l. and Voice Care S.r.l., which are part of the Contacta group, together with the transfer of the call centres' workforce. On the same day, SEAT Pagine Gialle S.p.A. signed agreements to buy 100% of the stake held by its subsidiary, Telegate AG, in Telegate Italia S.r.l.

SEAT Pagine Gialle S.p.A. also signed service provision contracts with People Care S.r.l. and Voice Care S.r.l. regarding the 89.24.24 and 12.40 numbers.

On 2 August 2010, the Extraordinary Shareholders' Meeting of Telegate Italia S.r.l. decided to change the Company's name to "Pagine Gialle Phone Service S.r.l."

Seat Corporate University S.c.a.r.l.

On 3 June 2010 the Shareholders' Meeting of Seat Corporate University S.c.a.r.l. decided to dissolve the company and appointed a liquidator. On 26 November 2010 the company Seat Corporate University S.c.a.r.l. was struck off the Turin Register of Companies.

Sale of the data center division

On 1 July 2010, SEAT Pagine Gialle S.p.A. signed agreements to sell its "data center, network, voice operations and distributed infrastructures" to Engineering.it S.p.A., together with the transfer of the data center's 27 workforce units.

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Agreement with Sky Italia

On 2 July 2010, SEAT Pagine Gialle S.p.A. and Sky Italia announced a strategic agreement aimed at making the communications capabilities of national television advertising available to small and medium-sized Italian companies, and exploiting the potential of Sky's football programming as an effective tool for local advertising. The first step involves transferring to SEAT Pagine Gialle S.p.A. and its sales network the exclusive rights to sell advertising space which will air on the Sky network during Serie B football league matches in 2010/2011. Under the agreement, SEAT Pagine Gialle S.p.A. will become the first directory services provider in the world to sell television advertising to its core customers (small and medium-sized businesses).

€ 200 million issue of the second tranche of the Senior Secured Bond

On 8 October 2010, SEAT Pagine Gialle S.p.A. issued a *Senior Secured Bond* with a nominal value of € 200 million at a price of 90%. The bond matures on 31 January 2017 and bears a nominal yield of 10.5%, to be paid half-yearly at the end of January and the end of July each year, with the first instalment due at the end of January 2011.

The yield at issue of the bond was 12.85% p.a. due to the issue discount.

Of the total net proceeds of the bond issue (€ 180 million), € 154.7 million was used to repay part of the tranche A instalment falling due on 8 June 2012, € 17.7 million was used to repay part of tranche B and the remainder was used to cover the transaction costs incurred.

The issue was handled by JPMorgan Securities Ltd., Banca IMI S.p.A., Deutsche Bank AG, BNP Paribas and The Royal Bank of Scotland as joint bookrunning managers.

The two operations carried out in January and October 2010 complete the Senior Secured Bond issue programme, which therefore issued a total nominal amount of € 750 million.

Reduction of the securitisation programme by € 66 million

€ 50 million and € 16 million of the € 256 million of asset-backed securities issued by special-purpose entity *Seat Servizi per le Aziende S.r.l.* (formerly *Meliadi Finance S.r.l.*) were subject to early repayment in July and October 2010 respectively. These operations were carried out because, as a result of the reduction in securitisable invoicing volumes over the last two years, it was no longer possible to fully securitise the obligations on a revolving basis, thus requiring cash collateral to be maintained at *Seat Servizi per le Aziende S.r.l.*

Downgrading by ratings agencies Standard & Poor's and Moody's

At the end of November 2010, the ratings agency Moody's downgraded Seat Pagine Gialle S.p.A. from B2 to Caa1, a move that was confirmed by Standard & Poor's when it downgraded the Company from B to B- at the end of December. Subsequently the Company's rating was downgraded at the end of March by Standard & Poor's; for more details see the section "Post-balance sheet events".

Tax settlement agreement

On 3 December 2010, the Company announced it and the Italian Tax Authorities entered into a settlement agreement regarding potential claims arising from a tax assessment report issued on 15 March 2010, which contested the deductibility of interest expense relating to various debt incurred in 2004 and amortization expense relating to the Customer Database. The Company confirmed its belief that the above transactions were, at the time, performed in compliance with the applicable provisions of the Italian Civil Code and tax laws.

The decision to enter into the settlement agreement was due to strategic reasons, including preventing the Company from engaging in lengthy litigation, which, even if the outcome had ultimately been successful, would have affected the Company's activity significantly.

The settlement agreement allows the Company to finally resolve the dispute while at the same time granting full recognition of the amortization charges relating to the Customer Database as well as a significant reduction of the claim regarding the interest expense.

The cost of the settlement agreement was approximately €28 million, including taxes, penalties and interest, which will be recognized in the fiscal year ending 31 December 2010. The settlement agreement also resolved a dispute relating to an audit of the fiscal year 2004 (notified in December 2009), the cost of which was approximately €1 million (which had already been provided for in the 2009 financial statements).

The settlement agreement finally resolved all claims arising from the tax assessment report with respect to the period 2003-2008 and will not result in an increase of taxes for the subsequent fiscal years.

Notice served by the communications regulator (AGCom)

In December 2010, SEAT Pagine Gialle S.p.A. received notice of a resolution in which AGCom identified non-payment of the contribution due for the regulator's operating expenses for the 2006-2010 period and ordered SEAT to pay approximately € 8.3 million.

On 16 December 2010, SEAT Pagine Gialle S.p.A. used the option provided for the resolution to ask AGCom to annul the resolution, by way of self-protection, and, subordinately, to adjust the size of any contribution owed by virtue of eliminating certain revenues from the calculation of taxable income.

On 29 January 2011, SEAT Pagine Gialle S.p.A. challenged the resolution at the Lazio regional administrative court (TAR), citing unlawfulness due to the violation of applicable regulations on compulsory contributions to the operation of AGCom and due to lack of grounds.

Following the amendment request, subsequently added upon the request of AGCom on 16 February 2011, the regulator - on 28 February 2011 - passed a new resolution reducing the contribution deemed due for the period 2006-2010 to approximately € 3.5 million.

In light of the above, the Company has made no provisions to the risks reserve as, pending the appeal before the Lazio TAR, it deems the risk of liabilities to be "possible".

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➤ Post-balance sheet events

Further reduction and closure of the securitisation programme

On 17 January 2011, the Company made an early repayment of € 35 million of the € 190 outstanding million of asset-backed securities issued by the special-purpose entity Seat Servizi per le Aziende S.r.l. (formerly Meliadi Finance S.r.l.). On 28 February 2011, the Company decided to proceed with the early closure, between March and June 2011, of the securitisation programme. The Company took this decision in light of the market's unfavourable attitude towards such operations, and plans to partly replace this source of financing with a credit line for discounting trade receivables that is more in keeping with current operations.

Mandate for the Chairman and the CEO to identifying options for long-term stability of the Company's financial structure

In light of the above, having assessed the financial sustainability of the Company in the reference period provided for by financial statement regulations and having considered the need to conduct an effective refinancing programme, the Board of Directors has mandated President and the CEO to explore the available financing options with a view to ensuring long-term stability of the Company's financial structure, availing himself of expert advisors.

Downgrading by Standard & Poor's and Moody's Credit Rating Agencies

At the end of March 2011, Standard & Poor's downgraded its rating of Seat Pagine Gialle S.p.A. from B- to CCC+. The outlook for the Company is still negative.

➔ Outlook

In keeping with its decision to focus resources on business in Italy, in 2010 SEAT Pagine Gialle S.p.A. continued to increase investments aimed at supporting *(i)* the development of online activities, through the launch of new products and online marketing services; *(ii)* customer management as part of the print-online&mobile-voice commercial offering, through the sale of multimedia packages designed specifically for small and medium-sized companies and the launch of special customised internet services for high-end clients or those with national coverage requirements; and *(iii)* the strengthening and improvements in efficiency of the sales network, through a restructuring and redistribution of the web points in Italy and the introduction of internet specialists.

In **Italy** in particular, the strong growth of online activities has enabled the Company to restrict the drop in revenues compared with the previous year. Online marketing services have played a crucial part in this growth in a still-underdeveloped Italian market, where only a third of small and medium-sized businesses have a website and where there are significant opportunities for growth as a result of hugely fragmented competition. In particular, in addition to the traditional online directories strategy based on selling advertising space, the Company has decided to help businesses build, promote and monitor their websites, simultaneously offering new services such as e-commerce and advertising banners to gain more visibility on the internet. The programme for developing new online products is expected to continue in 2011, for which new online offers are already scheduled from the second quarter.

Notwithstanding the non-core nature of its **foreign activities**, the Parent Company continues to monitor each of its international subsidiaries and affiliates more closely and systematically by implementing a migration, as in Italy, of clients from single-product offers to multimedia packages, thereby increasing their opportunities to work in an integrated fashion on multiple platforms, especially the internet.

Both in Italy and abroad, the Company has attempted to protect its margins through structural operating cost reductions based on keeping current costs down and reorganising its main operating procedures.

On the other hand, as far as the medium-term expectations are concerned, a considerable stabilisation of the customer base in Italy is expected which will enable the company to maintain revenues with management aiming, to reduce the loss of revenues in 2011, compared with the loss of revenues recorded in 2010. This trend, which should partly benefit from an economy that is showing the first signs of a moderate recovery, is in keeping with the company's business development strategies, which will continue to focus on helping small and medium-sized companies to be online through, among other things, the offer of multimedia packages.

The 2011 EBITDA and the generation of cash, against a background of falling revenues, will be bolstered by several specific cost-cutting measures and containment of the working capital.

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➤ Going concern evaluation

The SEAT Pagine Gialle group ended 2010 with a net loss of € 667.4 million and shareholders' equity of € 357.8 million. The loss is not the result of ordinary activities, but rather of the € 673.8 million goodwill write-down recognized following the impairment tests described in more detail in note 7 of the Notes to the consolidated financial statements. In compliance with the provisions of the joint document of Banca d'Italia - Consob - Isvap no. 2 of 6 February 2009, the Company's Board of Directors has completed a preliminary analysis of the Company's ability to continue as a going concern in the foreseeable future, arriving at the conclusion, based on the outcome of this analysis and on the evidence currently available, that the Company can reasonably expect to enjoy a fully operational existence in the foreseeable future. Consequently, the draft financial statements have been prepared on the assumption of business continuity. The areas of concern that the Board of Directors verified before coming to its conclusions are in no way related to the current economic performance of the Group, which continues to show significant profitability and a considerable ability to generate cash from operating activities, but rather to its current financial structure. The original economic growth prospects for the Company, to which the level of medium and long-term debt taken on in previous years was aligned, have gradually failed to materialise, firstly owing to reasons specific to the overall directories industry (and therefore to SEAT's business) and secondly owing to the global macroeconomic crisis. Obviously, lower-than-expected revenues meant less generation of cash, which, although it remains significant in absolute terms, is not sufficient to ensure the deleverage predicted at the time the debt was originally taken on. Consequently, the Company will have recourse to new financing to cover the volume of financial debt falling due in 2013, to the extent that it exceeds expected cash flows. When assessing the risks connected with securing such financing, the Company took account of the fact that, even in light of the uncertainty of future events (particularly the actual availability of financing by way of market operations), the year just gone offered positive signs in terms of rebalancing revenues, showing in particular strong growth in online&mobile revenues driven by new online marketing services and better-than-expected results from the package-sale method, both of which are covered in more detail in the "Outlook" section.

In light of the above, having assessed the financial sustainability of the Company in the reference period provided for by financial statement regulations and having considered the need to conduct an effective refinancing programme, the Board of Directors has mandated President and the CEO to explore the available financing options with a view to ensuring long-term stability of the Company's financial structure, availing himself of expert advisors.

➤ 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)								
Revenues from sales and services to third parties	Year 2010	870.1	70.6	124.8	45.1	1,110.6	-	1,110.6
Revenues from sales and services intercompany	Year 2010	5.4	-	17.5	9.7	32.6	(32.6)	
Revenues from sales and services	Year 2010	875.5	70.6	142.3	54.8	1,143.2	(32.6)	1,110.6
	Year 2009	952.2	81.4	165.4	63.9	1,262.9	(53.1)	1,209.8
Cost of materials and external services (*)	Year 2010	(321.6)	(25.6)	(41.4)	(32.3)	(420.9)	32.9	(388.0)
	Year 2009	(347.7)	(29.9)	(44.3)	(34.9)	(456.8)	53.3	(403.5)
Salaries, wages and employee benefits (*)	Year 2010	(73.6)	(33.7)	(74.1)	(18.3)	(199.7)	0.2	(199.5)
	Year 2009	(83.2)	(33.6)	(79.3)	(21.6)	(217.7)		(217.7)
Gross operating profit (GOP)	Year 2010	480.3	11.2	26.8	4.3	522.6	0.5	523.1
	Year 2009	521.3	17.8	41.8	7.4	588.3	0.3	588.6
Operating income before amortization, depreciation, non-recurring and restructuring costs, net (EBITDA)	Year 2010	446.8	8.4	24.6	3.8	483.6	(0.1)	483.5
	Year 2009	470.7	13.8	36.3	6.8	527.6	-	527.6
Operating result (EBIT)	Year 2010	(288.0)	(10.7)	(6.4)	(2.6)	(307.7)	(0.2)	(307.9)
	Year 2009	305.4	(84.0)	24.7	(0.4)	245.7	-	245.7
Total assets	31 december 2010	3,526.1	100.7	214.7	245.2	4,086.7	(296.1)	3,790.6
	31 december 2009	4,239.0	118.4	254.4	317.5	4,929.3	(359.5)	4,569.8
Total liabilities (**)	31 december 2010	3,288.6	119.7	72.0	228.8	3,709.1	(293.2)	3,415.9
	31 december 2009	3,381.7	121.3	82.4	298.2	3,883.6	(353.1)	3,530.5
	<i>restated</i>							
Net invested capital	31 december 2010	2,921.3	31.3	91.8	21.0	3,065.4	(6.7)	3,058.7
	31 december 2009	3,600.1	43.3	111.1	20.3	3,774.8	(6.7)	3,768.1
Capital expenditure	Year 2010	31.3	2.1	2.7	4.4	40.5	(0.2)	40.3
	Year 2009	41.9	1.1	5.8	3.6	52.4	(0.5)	51.9
Average workforce	Year 2010	1,129	676	2,327	361	4,493	-	4,493
	Year 2009	1,336	728	2,476	407	4,947	-	4,947
Workforce at the end of the year	31 december 2010	1,233	698	2,540	339	4,810	-	4,810
	31 december 2009	1,376	730	3,585	397	6,088	-	6,088
Average number of sales agents	Year 2010	1,565	-	2	41	1,608	-	1,608
	Year 2009	1,682	-	20	36	1,738	-	1,738

(*) Minus cost debited to third parties and included in IFRS financial statement under "other revenue and income".

(**) See "Report on Operations", paragraph "Introduction" for further details of 2009 restatement.

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Key performance indicators of the Group	Year 2010	Year 2009
Number of published directories		
PAGINEBIANCHE®	103	103
PAGINEGIALLE®	202	202
ThomsonLocal	173	173
Number of distributed directories (values in million)		
PAGINEBIANCHE®	24.9	25.9
PAGINEGIALLE®	17.7	21.7
ThomsonLocal	23.1	23.1
Number of visits (values in millions)		
<i>uninterrupted site access for 30 minutes</i>		
PAGINEBIANCHE.it®	164.2	169.0
PAGINEGIALLE.it®	171.0	137.2
TuttoCittà.it®	29.4	30.1
Europages.com	41.4	47.3

→ Italian directories

Market scenario

Since the “Italian directories” Business Area (SEAT Pagine Gialle S.p.A.) accounts for the bulk of the Group’s activity, the relevant market situation and strategic positioning are those described in the introductory section under the same heading in relation to the Group as a whole and to SEAT Pagine Gialle S.p.A. in particular.

Revenue per product

			Year 2010 % on total revenues
<i>Print</i>			
	PAGINEGIALLE®	classified directories of Italian business	21.3
	PAGINEBIANCHE®	alphabetical directories	27.4
	Other print product		0.2
<i>Internet & Mobile</i>			
	PAGINEGIALLE.it®	search engine specialised in business searches	30.4
	PAGINEBIANCHE.it®	search engine specialised in subscriber searches	7.4
	Other internet product		
<i>Voice</i>			
	89.24.24 Pronto PAGINEGIALLE®	voice service which provides assistance value added services	4.6
	12.40 Pronto PAGINEBIANCHE®	voice service which provides subscriber information service	
Total core revenues			91.3

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Product innovation

Online and mobile services

In 2010, as in previous years, SEAT Pagine Gialle S.p.A. continued to invest in the development of its online products and services in order to boost their efficiency, in light of the growth of the internet ecosystem as a whole and in line with market trends in online advertising tools. The Company also pursued its strategy of identifying the best technologies, measuring performance in terms of traffic/hits, and developing the best solutions for its customers.

Consequently, throughout the year the Company concentrated on investments in the online market sector aimed at optimisation, searchability and visibility for its customers, as well as on the possibility of closing transactions online in order to open up new markets for its customers.

With the consolidation of its websites range, the Company is positioning itself as the driving force behind the digitalisation of SMBs thanks to the integration of its online marketing services.

The basic range (*Visual Site*) acts as a gateway to the internet for SMBs through the creation of customised multimedia websites, whereas the advanced range (*Siti Premium*) offers advertisers ad-hoc websites that can be tailor-made to suit every aspect of the customer's needs, thanks to a project leader and a dedicated team of professionals.

The Google AdWords™ platform, for which SEAT has been an authorised retailer since 2009, was expanded in 2010 to include a new range of products designed to increase visibility: *PG Banner*. This high-tech product provides an easy-to-use advertising platform through the use of banners, improving performance based on advanced targeting technologies specifically aimed at optimising return on investment in terms of hits and visibility for customers of PAGINEGIALLE.it.®

SEAT Pagine Gialle also entered the e-commerce segment in 2010 with a dedicated product to complete its new range of online services, with a view to further developing the marketing of its customers' products. SEAT's consultative approach enables it to tap into the needs of companies keen to develop their commercial range on the web. The Company is also able to gain a competitive advantage, both in terms of cost over web agencies that provide customised services, thanks to its capacity to produce industry-tailored solutions, and in terms of product range over its competitors, thanks to the high-quality assistance it provides during the store-creation phase.

With regard to its existing, consolidated products, in each case the Company has paid careful attention to improving the quality of its websites in terms of graphic components and the integration of content with high experiential value, boosting usability and user loyalty on PAGINEGIALLE.it.®

Finally, the Company continued to develop its mobile platform in 2010, with PAGINEGIALLE MOBILE™ among the 10 most-downloaded free applications for the iPad and iPhone in Italy. The Company also began to implement a strategy aimed at transferring online marketing services to smartphones and mobile internet devices through the creation and development of ad-hoc, customised websites for its client base, with a view to further increasing visibility.

Directory assistance services

Throughout 2010 the Company developed a number of new added-value services, promotional offers and caller-management systems in order to improve its level of service and stand out more from free directory systems in terms of mobile services (e.g. mobile phones). The main added-value services were developed in collaboration with major domestic partners: theatre and exhibition ticket purchases (Vivaticket), domestic and international hotel reservations (booking.com), foreign-language services for tourists (Milano Card), weekend bookings (Alpitour) and car rentals (Maggiore). An innovative CRM system was implemented for the management of promotional activities (instant wins and competitions of various kinds) in order to increase loyalty and/or use. The expansion of the search engine and the creation of new databases (cinema, Gambero Rosso, Poste Italiane, etc.) made the services more reliable and more complete.

A number of offers were developed to enable advertisers to exploit new market opportunities. The Company focused in particular on combined multimedia sales of voice, print and online&mobile services, as well as developing performance-based offers that target top customers, linking investments made with the returns achieved.

Development of new IT systems

The software investments made during the year can be broken down into four broad categories:

- product innovation aimed at providing a service that increasingly meets customers' needs, focusing on flexibility and faster response times;
- the completion and strengthening of the new SAP/front-end CRM system now on stream;
- a review of the Company's main processes with a view to developing its products from a customer-centric perspective, capitalising on the release of the new management platforms (SAP/front-end CRM system) and adopting a single-contract approach;
- a review of administrative processes and management reporting to create a single corporate performance management application interfaced with the Company's data warehouse (DWH).

Product innovation during the year involved a number of improvements to IT systems to meet the new requirements of the marketing plans set out by the Company's Business Units, with the launch of new products and improvements made to the existing range on all SEAT platforms (print, online&mobile and voice). A specific SEAT range was created for the iPad. The Company made the necessary investments in technology to produce its PagineGialle directory in e-book format. Using the multimedia content accessible via the

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iPad, the e-book version of PagineGialle includes images, audio and video, enabling users to find the products or services they want more quickly and easily using an innovative, engaging search tool.

In order to develop its commercial range, in February the Company launched “Prodotto MIX”, a new offer that gives customers the chance to buy pre-set multimedia packages, and updated its IT systems to enable customers to purchase the packages using the same order form.

In terms of infrastructure technology, in 2010 the Company acquired centralised hardware for its data centre with a view to:

- replacing outdated equipment with new machines in order to improve performance and reduce energy consumption;
- pursuing its plans to “virtualise” its centralised hardware.

As in every year, individual IT equipment was purchased in accordance with the plans set out to replace the equipment used by staff and sales agents.

Economic and financial data

The table below shows the main results for 2010 compared with those from the previous year

(euro/million)	Year 2010	Year 2009	Change	
			Absolute	%
Revenues from sales and services	875.5	952.2	(76.7)	(8.1)
GOP	480.3	521.3	(41.0)	(7.9)
EBITDA	446.8	470.7	(23.9)	(5.1)
EBIT	(288.0)	305.4	(593.4)	n.s.
Net invested capital	2,921.3	3,600.1	(678.8)	(18.9)
Capital expenditure	31.3	41.9	(10.6)	(25.3)
Average workforce	1,129	1,336	(207)	(15.5)

Revenues from sales and services totalled € 875.5 million, down by 8.1% compared with the € 952.2 million recorded the previous year.

This result reflected the fact that, despite suffering a year-on-year drop in revenues of 7%, the Company's core products (print, online&mobile and voice) performed better than other products, due in particular to the strong growth in online activities, driven by ongoing product development and the launch of new services as part of a multimedia product range. Online activities accounted for around 41% of core revenues in 2010, thanks to year-on-year growth of 69.8%. This was attributable in particular to organic growth of 36.7% driven by ongoing product innovation, as well as the inclusion for the first time, as of July, of the online component of PAGINEBIANCHE® revenues, previously recognized under print revenues, as part of the Company's strategy to focus on online activities. The sale of advertising space in the print version of PAGINEBIANCHE® previously automatically offered customers the chance to have the equivalent level of visibility on the online version of the product, PAGINEBIANCHE.it®, as part of the same contract. A market survey commissioned by the Company and carried out by Doxa - Istituto per le Ricerche Statistiche e l'Analisi dell'Opinione Pubblica (institute for statistical research and public-opinion analysis) revealed that PAGINEBIANCHE® customers believe that the print and online versions of the product each account for around 50% of the value of their advertising contracts. In light of the results of this research, the Company decided to apply the same percentage distribution to the print and online revenues of PAGINEBIANCHE®.

The Company also pursued its strategy of accelerating and promoting the presence of small and medium-sized businesses on the internet in 2010, selling around 112 thousand multimedia packages, above its target of around 90 thousand, and creating approximately 80 thousand new bespoke websites.

The sale of multimedia packages had a positive impact on both the acquisition of new customers, accounting for around one third of the total, and the renewal of contracts with existing customers, around 35% of which invested predominantly in print products last year. An analysis of this performance in terms of levels of customer expenditure reveals that domestic customers and/or those at the top end (which represented around 15% of turnover in 2010) performed better than expected. This result was boosted in particular by a number of special projects relating to the conception and development of innovative multiplatform projects to meet the communication needs of clients seeking a high level of customisation.

More specifically:

a) Core revenues: this item totalled € 799.7 million in 2010, down by 7% year on year. It breaks down as follows:

- *print*: revenues from print products totalled € 428.4 million, down by 30.8% year on year. However, this figure was affected by the exclusion of the online component of revenues from PAGINEBIANCHE® for July-December, which totalled € 64.6 million. More specifically, the drop in revenues affected both PAGINEBIANCHE® and PAGINEGIALLE®. This was due to an unfavourable economic climate for most of 2009, when the majority of orders were taken for 2010, as well as a structural decline that was partially linked to the commercial strategy adopted by the Company, which decided to accelerate sales of multimedia packages (print, online&mobile and voice). Stripping out the impact of multimedia packages, which predominantly represent online activities, and the exclusion of revenues from PAGINEBIANCHE®, revenues from print products fell much less sharply.

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The most important product innovations launched in the second half of 2010 to support the traditional products included an e-book version of print directories for the iPad, which allows users to perform searches, browse the print directories online and have integrated access to customers' websites in order to view multimedia content. This innovation comes after another two new products were launched in the first six months of the year: *QR-codes*, which redirect the user to the mobile version of the print directories, and *metered ads*, which measure traffic generated by category/volume by using a call service that is free to directory users;

- *online&mobile*: online products generated revenues of € 330.6 million in 2010, an increase of 69.8% including the incorporation of the online component of PAGINEBIANCHE® revenues, which totalled € 64.6 million. Revenues from online directories and online marketing services rose by 36.7%. This growth was attributable to revenues from traditional advertising methods (online directories), which rose by 18%, and, to a greater extent, online marketing services, which totalled € 100 million, a year-on-year increase of 84%. The result also confirmed that the Company was right to accelerate and promote the presence of SMBs on the web via a range of multimedia packages that offer these businesses the chance to easily and cheaply create a highly visible website, while simultaneously having an integrated presence across all platforms. The Company continued to focus on updating and launching new products and services in order to provide thorough, tailor-made solutions to suit its advertiser customers' communication needs. Customer approval and response levels were high in relation to the latest product innovations, with advertisers increasingly keen to adopt a multimedia approach. The new banner ads enjoyed a particularly strong performance, generating revenues of around € 3.4 million between their July launch and December. The Company also launched a range of innovative products in October via its new PG Shop and PG Expò services, which are aimed at helping SMBs to create, develop and manage their own e-commerce and info-commerce websites. Finally, 2010 saw the Company begin to implement a strategy aimed at transferring online marketing services to smartphones and mobile internet devices through the creation and development of ad-hoc, customised websites for its client base, with a view to further increasing visibility. PagineGialle Mobile was among the 10 most-downloaded free applications for the iPad and iPhone in Italy, while downloads to all available smartphones totalled around 575 thousand at the end of the year. Total traffic, including visits to PAGINEGIALLE.it® via the web and mobile devices and to customers' websites, increased by 24.7% year on year, to around 171 million visits. There was a particularly significant increase in proprietary brand searches, with direct traffic growing to a lesser extent, while SEO (Search Engine Optimisation) and SEM (Search Engine Marketing) activities grew, as did partnership agreements. Mobile-device visits and visits to websites created for SEAT customers accounted for 15% of total traffic. Meanwhile, PAGINEBIANCHE.it® received around 164 million visits, down by 3% year on year;

- *voice*: advertising revenues from 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE® amounted to € 40.7 million, down by € 5.4 million compared with 2009. This was due in particular to the aforementioned commercial strategies, which focused on sales of new online products.

b) Other revenues and minor products: revenues from other products totalled € 75.8 million, representing a year-on-year drop of € 16.6 million. This item includes € 53.7 million relating to revenues from voice traffic generated by the 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE® services (against € 63.7 million in 2009). Revenues from direct marketing products, merchandising activities and the new Sky deal increased by 2.3%, to € 12.4 million. Specialised B2B products, which generated turnover of € 2.6 million in 2009, generated no revenue in 2010 following the Company's decision to discontinue its *Annuario SEAT* and *PAGINEGIALLE Professional®* publications and to integrate *Annuario Kompass* into the product portfolio of its subsidiary *Consodata S.p.A.*, as part of a strategic review of its product portfolio and the focus of the sales force on core products (print, online&mobile and voice).

GOP amounted to € 480.3 million, down by 7.9% (from € 521.3 million) year on year, yielding a margin of 54.9% (against 54.7% in 2009). The 8.1% fall in revenues was only partially offset by the reduction in operating costs. Materials and external services, net of costs debited to third parties but included in the IFRS financial statements under the item "Other revenues and income", totalled € 321.6 million, falling by € 26.1 million, or 7.5%, year on year. Industrial costs totalled € 120.8 million, down by € 22.6 million compared with the € 143.4 million recorded in 2009. This decrease was a direct result of the fall in print revenues, which gave rise to a reduction in publications printed, and the drop in paper consumption (down by € 6.5 million, to € 24.7 million) and in directory printing and distribution costs (down by € 8.4 million, to € 43.5 million). The drop in the number of calls to the 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE® services, as well as the reduction in tariffs following the outsourcing of call centres, caused a reduction in inbound call centre service costs (down by € 5.4 million, to € 20.2 million), while there continued to be an increase in data transmission costs related to the creation of online services (up by € 5.5 million, to € 15.3 million). Commercial costs totalled € 147.9 million, an increase of € 9.1 million compared with the 2009 figure (€ 138.7 million), due to an increase in commissions and compensation paid to sales agents and an increase in fees paid to publishers (+€ 11.3 million) as part of the new online products intended to boost web traffic. This increase was partially offset by the reduction in advertising expenditure (-€ 3.8 million), particularly in the voice area. Closer attention to costs enabled overhead to be reduced by € 12.6 million, to € 52.9 million in 2010. Salaries, wages and employee benefits, net of recovered costs for personnel seconded to other Group companies, totalled € 73.6 million, down 11.5% compared with the € 83.2 million recorded in 2009. This decrease was due to a reduction in the average workforce, from 1,336 employees in 2009 to 1,129 in 2010, as well as to savings made in relation to components of variable remuneration commensurate with targets not met at managerial level.

The workforce, including directors, project workers and trainees, consisted of 1,233 employees as at 31 December 2010 (1,376 employees as at 31 December 2009).

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EBITDA amounted to € 446.8 million, down by € 23.9 million compared with 2009, yielding a margin of 51.0% (against 49.4% in 2009). The margin reflects the negative trend of the Company's GOP, which was partially offset by *i*) a reduction of € 12.5 million in the allowance for doubtful receivables, which did enable coverage of overdue receivables to remain sufficient, however, and *ii*) the reversal of a provision of € 4.5 million made in 2007 due to the expiration of contractual risks with telephone operators in relation to mobile network call origination charges, which arose following an AGCOM decision and subsequent dispute.

The operating result (**EBIT**) showed a loss of € 288.0 million in 2010, compared with a profit of € 305.4 million in 2009 (a decrease of € 593.4 million). This reduction was attributable mainly to the write-down of € 650.4 million recorded following the impairment tests carried out on the Company's goodwill. For more details, see point 7 of the Notes to the financial statements of SEAT Pagine Gialle S.p.A.. Operating amortization, depreciation and write-downs, at € 49.9 million in 2010, remained essentially unchanged compared with 2009 (€ 48.6 million). Net non-recurring and restructuring costs totalled € 34.6 million, of which € 26.2 million related to provisions set aside for the extension until 2013 of the Company reorganisation plan launched in 2009 and € 6.8 million related to consultancy on new business development strategies and the new reporting system, to consultancy on sale of the data centre division to Engineering.it S.p.A., and tax consultancy.

Net invested capital totalled € 2,921.3 million as at 31 December 2010, net of the book value of shareholdings in subsidiaries, a fall of € 678.8 million compared with 31 December 2009. This reduction was due mainly to the write-down recorded following the aforementioned impairment test carried out on the Company's goodwill.

Capital expenditure totalled € 31.3 million, of which € 22.0 million related to software for: *(i)* the strengthening of the CRM system to facilitate connections with back-end systems (SAP, SEM, etc.); *(ii)* improvements to IT systems to meet the new requirements of marketing plans, and that enable the activation of new products and the improvement of existing services that are available on credit card, print-online&mobile-voice platforms; *(iii)* a review of the Company's main processes with a view to developing its products from a customer-centric perspective by adopting a single-contract approach; *(iv)* a review of administrative processes and management reporting using a unique corporate performance management application interfaced with the Company's data warehouse; *(v)* updating the IT systems following the introduction of Product MIX to enable the purchasing of pre-defined and multimedia packages on the same order form.

In the domain of technology and infrastructure, centralised hardware was acquired for the SEAT Pagine Gialle S.p.A. data centre with a view to replacing outdated equipment in order to improve performance and reduce energy consumption. As in every year, individual IT equipment was purchased in accordance with the plans set out to replace the equipment used by staff and sales agents.

The **average workforce** fell by 207 from 1,336 employees in 2009 to 1,129 in 2010, due to the implementation of the staff reorganisation plan.

Regulation

The business of the SEAT Pagine Gialle group in general, and of SEAT Pagine Gialle S.p.A. in particular, is regulated by a set of EC directives (2002/19, 20, 21 and 22 as amended) on telecommunication systems which have been gradually transposed into regulations by the member states, if not always in a uniform manner. To be more specific:

- Directive 2002/19/EC on access to, and interconnection of, electronic communications networks and associated facilities;
- Directive 2002/20/EC on the authorisation of electronic communications networks and services;
- Directive 2002/21/EC on a common regulatory framework for electronic communications networks and services;
- Directive 2002/22/EC on universal service and user rights relating to electronic communications networks and services;
- Directive 2002/58/EC on the processing of personal data and the protection of privacy in the electronic communications sector.

More specifically, the most important regulations for the group (with a view to promoting competition and reducing the gap between operators with a dominant market position and new operators) are:

- the **Access Directive**, which enables information service providers, usually without their own telecommunications network, to obtain interconnection to the network of all fixed and mobile telephone operators (so that their services can be reached by all subscribers of all networks) and, above all, to use a series of services at cost-orientated prices from operators in a dominant position;
- the **Universal Service Directive**, particularly in relation to the expectation of a single database of fixed and mobile subscribers (who have given their express consent to be included), which must be compiled by all national administrators and made available to users of the content of the database, at fair, non-discriminatory and cost-orientated prices;
- the **Authorisation Directive**, which simplified the terms and conditions of obtaining authorisation to carry out telephone operator activities (extending authorisation to include parties not previously eligible).

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With the exception of Directive 2002/58/EC, which relates to the processing of personal data and the protection of privacy in the electronic communications sector and was assimilated into Italian law through Legislative Decree no. 196 of 30 June 2003 (the Privacy Code), these directives were assimilated into law within the electronic communications code (Legislative Decree no. 259 of 1 August 2003) and other specific orders by either AGCOM, the national communications regulation authority, or the Personal Data Protection Authority. At the end of November 2009, the European Commission approved the new package of directives on telecommunications, which are to be assimilated into national legislation by member states by May 2011. As regards SEAT Pagine Gialle S.p.A., these regulations have not changed the scope of the obligations of universal service or the rules for the creation of a single database.

The EU directives on privacy protection are also due to undergo a review in 2011, in which SEAT will participate both directly and via EADP, an industry association that represents its interests.

On 1 April 2010, the Personal Data Protection Authority issued an order entitled "Processing of subscriber data in the case of number portability" (published in the G.U. (Gazzetta Ufficiale) no. 99 of 29 April 2010), which accepted the requests of SEAT Pagine Gialle S.p.A.. This order amended certain rules on privacy in creating telephone directories (introduced by an order of the same authority on 15 July 2004) and in relation to the terms of inclusion in the single database of subscribers who change telephone operator but keep the same number (number portability).

The new system involves a form of "tacit assent" to retaining subscribers' information in the single database (the database that must be used by all companies that produce print, online and voice telephone directories). Users still have the option to change their decision free of charge at any time, even after changing to the new operator. The previous rules led to the removal from the single database of all users who had changed telephone operator, while remaining active, because the new administrator was obligated to obtain a new form from the subscriber giving express consent to be included in the directories. Since this was a burden in terms of the time and effort involved, the parties in question rarely returned the consent form to the new administrator, and therefore were removed from the directories. As a result, there was a risk of gradual deterioration of the single database (with the disappearance of business and residential users), with possible negative consequences on the completeness and quality of national directories.

On 8 April 2010, the Personal Data Protection Authority issued an order entitled: "Measures to protect the reverse search of former subscribers to telephone services" (published in G.U. no. 99 of 29 April 2010).

The measure provides for the reactivation as of 1 January 2011 of the reverse search function (which consists of searching for the name of a subscriber based on their telephone number) in online directories and voice services. This function, which is frequently requested by the public and has been prohibited since August 2005, will be restored for all subscribers whose data was already included in a public directory prior to the creation of the single database (the rules of which required express consent even in cases where the subscriber had not amended any data already supplied to their operator). Subscribers will still have the possibility of being excluded from the function by informing their operator that they do not wish to be the subject of a reverse search.

Privacy - Telemarketing - New rules on the processing of data relating to persons included in public directories of telephone service subscribers: introduction of the opt-out principle and creation of the objections register

Law no. 166 of 20 November 2009 ("Urgent provisions for the implementation of EU obligations and the execution of judgments of the Court of Justice of the European Community") converted decree no. 135 of 25 September 2009 (the "Malan amendment") into law and made significant amendments to Article 130 of the personal data protection code ("unwanted communication"). By going beyond the provisions of the order issued by the Personal Data Protection Authority on 15 July 2004 that introduced the opt-in principle (the need for a person to give express consent to be contacted for direct marketing purposes), the new provisions of law allow telephone processing of data relating to subscribers included in telephone directories for the purposes of sending advertising material, direct selling and carrying out market research or marketing communication for those who have not exercised their right of objection (opt-out). Objection may be expressed by recording the relevant telephone number in a public objections register. A regulation on this register was approved by the council of ministers on 9 July and is due to be published in the G.U. (it will enter into force within 90 days of publication). The register will be created and managed by the Ministry of Economic Development, which may entrust it to an independent organisation once it is fully operational. The same conversion law provided for an extension, from 31 December 2009 to 25 May 2010, of the date up to which creators of databases drawn from telephone directories published prior to 1 August 2005 may use the data contained in these databases for promotional purposes without providing information and getting consent. In its order of 22 December 2009, the Personal Data Protection Authority also extended until 25 May 2010 the deadlines for the implementation of its previous order of 12 March 2009 containing the regulations to which owners of the aforementioned databases are bound.

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Presidential Decree no. 178 of 7 September 2010, on the creation of the "Public register of subscribers who object to the use of their telephone number for direct marketing purposes", was published on 2 November 2010. This was a necessary step to complete the amendment to legislation on the use of subscriber data for telemarketing purposes that took place last year through Legislative Decree no. 135/2009, which transformed the previous opt-in regime introduced in 2005 (the need for subscribers to give express consent to their telephone operator, which then recorded this in the single database, with SEAT identifying subscribers who had given their consent by printing a telephone handset next to the relevant names in its Pagine Bianche directories) into an opt-out system (all telephone subscribers can be contacted for telesales purposes unless they expressly object to this by signing up to the register).

The register, which is managed by the Ugo Bordoni Foundation, was activated on 1 February 2011. With effect from this date:

- Companies operating in the telemarketing sector may not call the numbers of the subscribers listed on the register. Therefore, all lists created for telesales purposes based on telephone directories (whether Pagine Bianche or Pagine Gialle) must first be compared with the objections database. The validity of lists containing the names of subscribers who can be contacted has been reduced to 15 days.
- Direct marketing companies must describe themselves as such to the Ugo Bordoni Foundation and must sign a contract under which they agree to match their lists with the objections database.
- This order relates mainly to direct marketing companies, but does have implications for some of SEAT's commercial activities. In fact, as set out in the Personal Data Protection Authority order issued on 19 January 2011 ("Regulations on operator-assisted telephone processing of personal data for marketing purposes following the creation of the public objections register"), the new regulatory framework also gives businesses the right to object. Therefore, telesales of the products of any company aimed at a "business" audience may be carried out using the aforementioned matching procedure (alternatively, using lists of parties that have given their express consent).

Policy document on security

In the capacity of personal data processing controller and in accordance with the provisions of rule 26 of the technical specifications on minimum security measures (Legislative Decree no. 196 of 30 June 2003), SEAT Pagine Gialle S.p.A. will publish the annual update to its "Policy document on security" by the end of March 2011 in relation to electronic processing of "sensitive data and data of a legal nature".

→ UK directories

Market situation and strategic positioning

The TDL Infomedia group, which has been present on the UK telephone directory market since 1980, joined the SEAT Pagine Gialle group at the end of 2000. It currently has around 50,000 customers, with around 48% representing online activities, and has a workforce of 700 units. The group produces 173 editions of its Thomson Local directories, with 23 million copies distributed throughout the UK, making Thomson the third-largest operator in the country, after Yell and British Telecom.

The Group operates in three related business areas, and its main products are as follows:

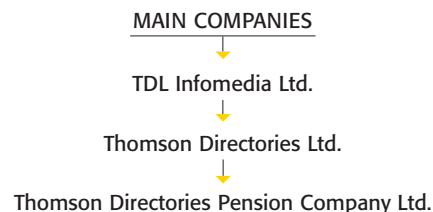
- classified print directories under the Thomson Local brand with a regional focus, published in 173 different editions, covering 85% of the population and 45% of the area of the UK. Thomson Local is distributed free of charge to more than 23 million households and companies. In addition to the business section, which is classified according to categories, it also contains information on public services and local entertainment events, as well as street maps;
- online directories via its proprietary site, www.ThomsonLocal.com. The website is the online version of the print product and provides search services using "key words". The website offers users search services using both Thomson's proprietary database (BusinessFinder) and the wider internet (WebFinder).
The Group has launched the WebFinder Directory, a print directory that lists the websites that can be consulted online, to support the WebFinder search engine;
- business information via the sale of online search licences for its proprietary database and for the Business Search Pro product.

The TDL Infomedia group continued to face a particularly difficult and complex market situation, although the UK's GDP grew by 1.4% after falling sharply in 2009 (source: Eurostat).

Thomson tackled a tough market climate by pursuing its streamlining and organisational restructuring policy, as well as reinforcing its product range with the launch of web-driven multimedia packages. The group also released a new application for the iPhone in partnership with Mobile Commerce, which will be followed by a new application for Android, Google's operating system for mobile devices, in the first quarter of 2011. The Company also redesigned its website with a new brand in October, activating new functionalities and focusing on optimising the website's visibility on search engines.

Structure of the Business Area

The UK directories Business Area is organised as follows:



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Main company events

Calls You Control Ltd., a wholly owned subsidiary of Thomson Directories Ltd. now in liquidation, is considered terminated with effect from 10 August 2010.

Economic and financial data

The table below shows the main results for 2010 compared with those from the previous year

(euro/million)	Year 2010	Year 2009	Change	
			Absolute	%
Revenues from sales and services	70.6	81.4	(10.8)	(13.3)
GOP	11.2	17.8	(6.6)	(37.1)
EBITDA	8.4	13.8	(5.4)	(39.1)
EBIT	(10.7)	(84.0)	73.3	87.3
Net invested capital	31.3	43.3	(12.0)	(27.7)
Capital expenditure	2.1	1.1	1.0	90.9
Average workforce	676	728	(52)	(7.1)

In 2010 TDL Infomedia group pursued its streamlining and restructuring policy in order to deal with the difficult market situation, despite the GDP growth of 1.4% recorded in the UK following a sharp fall the previous year (source: Eurostat).

Revenues from sales and services totalled € 70.6 million (£ 60.6 million), down by 13.3% year on year.

Revenues from print products suffered the sharpest drop in turnover, since they were severely affected by the difficult economic and market conditions. Unlike in the first part of the year, revenues from online activities grew, climbing by 11.9% year on year, to € 17.9 million (£ 15.4 million). This increase was due in particular to the launch of web-driven multimedia packages. The growth in online turnover was also a result of the commercial strategy adopted by the Company in the first few months of 2010, which involved opening a new telesales centre in Bridgend, South Wales, specialising in sales of online products to new customers. The Company also expanded its product range. October saw Thomson launch a new application for the iPhone in partnership with Mobile Commerce, which will be followed by a new application for Android in the first quarter of 2011.

The ThomsonLocal.com website was visited by around 18 million unique users performing over 14 million searches. In October, the Company redesigned its website with a new brand, activating new functionalities and focusing on optimising the website's visibility on search engines.

Revenues from its business information service totalled € 8.5 million, an increase of 6.3% compared with the € 8.0 million generated in 2009.

Despite the sharp fall in revenues, the year-on-year decrease in GOP was kept down to € 6.6 million (£ 6.3 million) due to lower industrial and production costs as a result of both the reduced print revenues and a strict cost-cutting policy affecting service costs and salaries, wages and employee benefits.



The reduction in salaries, wages and employee benefits is a result of the internal reorganisation launched last year and pursued throughout 2010, affecting all areas of the Company. There was a fall in service costs as a result of lower overhead, consultancy costs and pension fund management costs following the transfer of employees to defined-contribution pension funds outside the Group.

EBITDA totalled € 8.4 million (£7.2 million), down by around € 5.4 million compared with 2009, performing in line with GOP.

EBIT was negative for € 10.7 million, (negative for € 84.0 million) in 2009. This reduction was attributable to the recognition of a goodwill write-down of € 15.2 million at the end of December 2010 relating to TDL Infomedia group (compared with a write-down of € 91.3 million in 2009), in relation to the unfavourable macroeconomic climate in which the Group operates and the negative performance of its business. EBIT was also influenced by the costs incurred as part of the aforementioned restructuring plans (€ 1.5 million) aimed at resizing the workforce.

The TDL Infomedia group's **net invested capital** totalled € 31.3 million as at 31 December 2010, down by € 12.0 million year on year. Write-downs were carried out on the Company's goodwill following the aforementioned impairment test.

Net invested capital as at 31 December 2010 also included net liabilities of € 20.8 million in relation to a defined-benefit pension fund (compared with € 20.2 million as at 31 December 2009). For further details, see paragraph 22 of the Notes to the consolidated financial statements.

Capital expenditure totalled € 2.1 million, compared with € 1.0 million in 2009. Of this figure, € 1.0 million related to investments in software (e.g. Business Search Pro Software, applications for the iPhone, investments in the new website and the alignment of landing pages), while € 0.8 million was spent on new hardware to replace existing staff computers and printers.

The **average workforce** was 676 units in 2010 and decreased by 52 compared with the same period of 2009, due to the Company's restructuring plan above mentioned.

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Regulation

Ofcom, the regulator and competition authority for the UK's communications sector, began a consultation process in March 2008, proposing to:

- repeal the universal service clause (USC7), which requires British Telecommunications Plc (BT) to maintain and supply the database of its telephone subscribers;
- annul the general clause (USC7) that requires telecommunications operators to supply a print telephone directory to all their subscribers;
- establish whether there is a need to set out ex-ante regulations to ensure compliance with future legislation on the single database containing the data that each operator is obliged to supply to other operators in order to produce directories and perform directory assistance services;
- amend Article 19 of the general conditions of the Communications Act 2003 in relation to the appropriateness of expanding the scope of directory assistance services;
- establish the best regulatory approach to enable directory assistance service operators to access the necessary information to provide their services under suitable conditions.

The Ofcom consultation began as a result of the litigation proceedings brought by The Number (UK) and Conduit against BT regarding certain obligations incumbent on BT since 2003 pursuant to the Universal Service Directive (specifically, the universal service clause (USC7) on the supply of the subscriber database). Ofcom concluded from its own analysis that the clause in question was unlawful, and therefore launched a public consultation process to define how to regulate the supply of user databases. Thomson was involved in the consultation and maintained that it was necessary to set out regulations to ensure that providers of telephone directories and directory assistance services could have access to telephone subscriber databases, in accordance with the principles of fair pricing, non-discrimination and cost-orientation.

In November 2008, the Competition Appeal Tribunal (CAT) upheld an appeal lodged by The Number (UK) and Conduit against an Ofcom decision to repeal clause USC7, which since 2003 had imposed certain obligations on BT in relation to the supply of its subscriber database (pursuant to the directives on universal service), on the grounds of unlawfulness. The CAT ruling declared the clause to be lawful and ordered Ofcom to revise its previous assessment. Since BT appealed against the CAT ruling, Ofcom is currently awaiting a final decision before taking any action to either redefine the dispute or pursue the public consultation that it launched in March 2008.

→ Directory Assistance

Market situation and strategic positioning

The Directory Assistance Business Area provides telephone information services via the group headed by the German subsidiary, Telegate AG, and the direct subsidiaries of SEAT Pagine Gialle S.p.A., Prontoseat S.r.l. and Pagine Gialle Phone Service S.r.l..

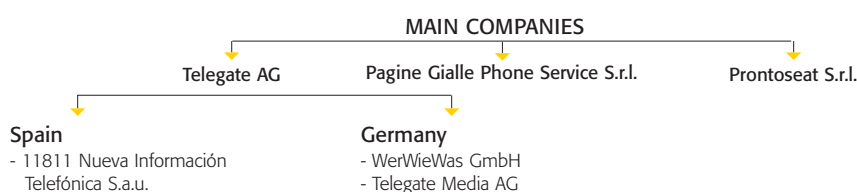
The Telegate group currently operates in the German and Spanish directory assistance markets. In **Germany**, the Group's key market, the structural decline in call volumes on the directory assistance market was confirmed in 2010. In light of this decline, Telegate increasingly focused its activities on the local search market via an increasingly varied product range, positioning itself as a marketing partner for small and medium-sized businesses.

The Company strengthened its online operations via the 11880.com and www.klicktel.de portals, and formed strategic partnerships with Vodafone (for mobile local search activities), Nokia and Freenet in the first few months of the year.

In **Spain**, Telegate implemented a strict cost-cutting policy in light of the decline in the market and corresponding drop in call volumes.

Structure of the Business Area

The Directory Assistance Business Area provides telephone information services via the group headed by the German subsidiary, Telegate AG, and the direct subsidiaries of SEAT Pagine Gialle S.p.A., Prontoseat S.r.l. and Pagine Gialle Phone Service S.r.l..



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Main company events

- On 1 April 2010, the Extraordinary Shareholders' Meeting of Prontoseat S.r.l. decided to expand the wording of the company's corporate purpose in order to enable it to also supply online information services relating to the labour market and carry out other general economic and commercial activities.
- On 31 May 2010, Telegate Italia S.r.l. signed agreements to sell the call centres at its Livorno and Turin offices to People Care S.r.l. and Voice Care S.r.l., which are part of the Contacta group, together with the transfer of the related workforce. On the same day, SEAT Pagine Gialle S.p.A. signed agreements to buy 100% of the stake held by its subsidiary, Telegate AG, in Telegate Italia S.r.l., SEAT Pagine Gialle S.p.A. also signed agreements with the aforementioned Contacta group companies for the provision of services relating to the 89.24.24 and 12.40 numbers.
- On 9 June 2010, the Shareholders' Meeting of Telegate AG (in which SEAT Pagine Gialle S.p.A. holds a direct stake of 16.24% and an indirect stake of 61.13% via Telegate Holding GmbH) decided:
 - to allocate an amount of € 0.70 for each of the 21,234,545 shares to be distributed as shareholder dividends;
 - to amend the articles of association in order to introduce the new German regulations following the application of the directive on Shareholder rights.
- On 2 August 2010, the Extraordinary Shareholders' Meeting of Telegate Italia S.r.l. decided to change the company's name to "Pagine Gialle Phone Service S.r.l.".
- On 24 August 2010, a deed of merger was drawn up for the incorporation of Telegate Auskunftsdienste into Telegate Media AG (both wholly owned subsidiaries of Telegate AG). The share capital of Telegate Media AG totalled € 4,050,000.00 following the transaction, which took effect on 1 July 2010.
- In November 2010, Telegate AG (which is directly and indirectly controlled by SEAT Pagine Gialle S.p.A. through a 77.37% stake) launched a buyback of treasury shares up to a maximum of 10% of its share capital, at a price of € 7 per share. The buyback ran until 1 December 2010. Telegate AG bought back 10% of its share capital (the maximum possible) under the operation, equivalent to 2,123,455 shares. SEAT Pagine Gialle S.p.A. and Telegate Holding GmbH (a wholly owned subsidiary of SEAT) also participated in the operation, each selling 10% of their respective stakes. The transaction was finalized in December 2010.
- The Shareholders' Meeting of Telegate Holding GmbH (a wholly owned subsidiary of SEAT Pagine Gialle S.p.A.) was held on 22 December 2010 and resolved to distribute an interim dividend of € 18,100 thousand to its sole shareholder, partly drawing on its reserves.

Economic and financial data

The table below shows the main results for 2010 compared with those from the previous year

(euro/million)	Year 2010	Year 2009	Change	
			Absolute	%
Revenues from sales and services	142.3	165.4	(23.1)	(14.0)
GOP	26.8	41.8	(15.0)	(35.9)
EBITDA	24.6	36.3	(11.7)	(32.2)
EBIT	(6.4)	24.7	(31.1)	n.s.
Net invested capital	91.8	111.1	(19.3)	(17.4)
Capital expenditure	2.7	5.8	(3.1)	(53.4)
Average workforce	2,327	2,476	(149)	(6.0)

In 2010, **revenues from sales and services** for the Directory Assistance Business Area totalled € 142.3 million, down by 14.0% compared with € 165.4 million in 2009. **EBITDA** fell by € 11.7 million compared with 2009, to € 24.6 million. This was attributable mainly to the Telegate group as a result of the directory assistance market crisis and the sale of the call centre activities of Pagine Gialle Phone Service S.r.l. to Contacta.

For more details on these figures, see the following analysis by company and geographical area.

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Telegate Group

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

The table below shows the main results for 2010 compared with those from the previous year. Following the sale by Telegate AG of its stake in Pagine Gialle Phone Service S.r.l. to SEAT Pagine Gialle S.p.A. on 31 May 2010, the figures for 2010 and 2009 were recorded net of the results achieved by the Italian subsidiary, in order to allow for a consistent analysis

(euro/million)	Year 2010	Year 2009	Change	
			Absolute	%
Revenues from sales and services	124.6	133.1	(8.5)	(6.4)
GOP	25.7	38.2	(12.5)	(32.7)
EBITDA	23.1	33.6	(10.5)	(31.3)
EBIT	(4.4)	23.1	(27.5)	n.s.
Net invested capital	71.7	91.8	(20.1)	(21.9)
Capital expenditure	2.5	5.3	(2.8)	(52.8)
Average workforce	1,672	1,659	13	0.8



Revenues from sales and services totalled € 124.6 million in 2010, down by € 8.5 million compared with the previous year, as a result of the continuous decline in call volumes for traditional directory assistance services, including added-value and outsourced services. Online advertising revenues increased in 2010, totalling € 31 million.

The breakdown of revenues by country is as follows:

- In **Germany**, where the telephone assistance service market continued to decline, voice revenues fell to € 82.7 million, down by 15.1% year on year. In terms of turnover, the drop in call volumes was partially offset by an increase in call duration and tariffs. Telegate continued to transform its business model throughout the year, focusing its activities on the local search market via an increasingly varied product range and positioning itself as a marketing partner for small and medium-sized businesses. To this end, it launched a new website-creation product, "Firmen Website", in August, and also acted as a service provider for small businesses. Online advertising revenues amounted to € 30.9 million as at December 2010 (equivalent to around 27% of the total revenues of the German market), a year-on-year increase of 27.2%, thanks to the positive contribution made by revenues from sales via Google AdWords™, an advertising platform that enables companies to promote their products and services on the US firm's search engine. Sales to new customers through telephone and regional sales channels accounted for 60% of advertising revenues. EBITDA fell by € 11 million year on year. In addition to the fall in revenues, the decline in EBITDA was also caused by a rise in salaries, wages and employee benefits due to an increase in the number of telesales staff, telemarketing operators and regional sellers employed in order to strengthen Telegate Media AG's commercial network.

- In **Spain**, revenues totalled € 11 million, down by 3.5% year on year, due to lower call volumes for the 11811 service and outsourced services (Jazztel, Comunitel, Antena 3 and QDQ 11875). The reduction of € 0.4 million in revenues was more than offset in terms of the margin, since lower advertising expenditure (negative for € 0.6 million) and less use of temporary operators resulted in a year-on-year increase in EBITDA of more than € 0.5 million.

The Telegate group generated **GOP** of € 25.7 million, a fall of € 12.5 million compared with 2009. The drop in revenues was only partially offset by the reduction in inbound call centre service costs due to reduced call volumes. Salaries, wages and employee benefits rose by € 4.2 million due to the increase in the online sales workforce to support the new business model that Telegate continued to develop in terms of advertising revenues. This increase more than offset the reduced number of inbound telephone operators.

EBITDA totalled € 23.1 million, a drop of € 10.5 million compared with 2009. This trend was also reflected in the Company's **EBIT** (a loss of € 4.4 million in 2010, compared with a profit of € 27.5 million in 2009), which was affected by a write-down of € 8.6 million recorded on the customer database following the impairment test performed at the end of the year, meaning that the value of the customer base fell compared with the value determined when allocating the acquisition price of Telegate Media AG. EBIT also reflected a goodwill write-down of € 8.1 million relating to the Telegate group as a result of the unfavourable macroeconomic conditions in which the Group operates and the negative performance of its business.

Net invested capital totalled € 71.7 million as at 31 December 2010, down by € 20.1 million year on year. This reduction was attributable mainly to the customer-database and goodwill write downs.

Capital expenditure totalled € 2.5 million, which was € 2.8 million lower than 2009 when the Company made large investments in the development and integration of its online platform in Germany.

The **average workforce** of the Telegate group was 1,672 units in 2010, up from 1,659 in 2009. The reduced number of telephone operators for directory assistance services was offset by the number of staff members employed in sales in order to attract online advertising revenues.

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Pagine Gialle Phone Service S.r.l.

Wholly owned by SEAT Pagine Gialle S.p.A.

The table below shows the main results for 2010 compared with those from the previous year

(euro/million)	Year 2010	Year 2009	Change	
			Absolute	%
Revenues from sales and services	7.0	20.8	(13.8)	(66.3)
GOP	(0.3)	2.3	(2.6)	n.s.
EBITDA	0.3	1.5	(1.2)	(80.0)
EBIT	(2.4)	0.8	(3.2)	n.s.
Net invested capital	0.9	(0.9)	1.8	n.s.
Capital expenditure	-	0.3	(0.3)	(100.0)
Average workforce	345	477	(132)	(27.7)

Revenues from sales and services totalled € 7.0 million. The decrease compared with 2009 was attributable to the sale of call centres in Livorno and Turin in May 2010 to People Care S.r.l. and Voice Care S.r.l., which are part of the Contacta group, and to the consequent transfer of the related workforce.

The **GOP** and **EBITDA** recorded reflect this sale.

Prontoseat S.r.l.

Wholly owned by SEAT Pagine Gialle S.p.A.

The table below shows the main results for 2010 compared with those from the previous year



(euro/million)	Year 2010	Year 2009	Change	
			Absolute	%
Revenues from sales and services	10.7	11.7	(1.0)	(8.5)
GOP	1.3	1.4	(0.1)	(7.1)
EBITDA	1.1	1.1	-	-
EBIT	0.3	0.8	(0.5)	(62.5)
Net invested capital	(0.3)	0.6	(0.9)	n.s.
Capital expenditure	0.2	0.2	-	-
Average workforce	310	341	(31)	(9.1)

Revenues from sales and services amounted to € 10.7 million, down by € 1.0 million year on year. The drop in turnover was essentially due to the fall in inbound revenues (–23.2% year on year), which was partially offset by growth in telephone sales revenues (+18.5%). The fall in inbound revenues was attributable partly to the lower number of calls managed by the 89.24.24 service following the sale of some call centre activities to the Contacta group, and partly to the structural decline in the directory assistance market.

The considerable growth in outbound revenues (+€ 0.6 million year on year) was a result of the strong performance of telephone sales relating to renewals of advertising contracts for print products and the 12.40 service.

Despite the reduction in revenues, **GOP** (€ 1.3 million in 2010) remained more or less unchanged from 2009 (€ 1.4 million) as a result of savings on salaries, wages and employee benefits due to the reduced number of operators.

EBITDA and **EBIT** performed in line with **GOP**.

Capital expenditure amounted to € 0.2 million, in line with the previous year. In 2010, the Company invested in adapting and extending its sales and call centre facilities.

The **average workforce** was 310 employees in 2010, with a reduction of 31 compared with 2009.

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Regulation

Germany

Regulations on access by directories publishers and directory assistance service providers to data on telephone subscribers (pursuant to the EU directives referred to under "Regulation" in the "Italian directories" Business Area section) were also implemented in Germany, in accordance with the principles of "fair pricing, non-discrimination and cost-orientation", as set out by the aforementioned EU directives. The disputes between Telegate AG and Deutsche Telekom, the incumbent telephone operator, are based on the fact that Deutsche Telekom has sold data from its database on the market using commercial practices, and therefore not respecting the principles of fair competition. The Federal Administrative Court provided a set of standards on the matter that must be considered when determining the cost of supplying subscriber data.

Austria

In an attempt to make regulations on the use of directory assistance numbers more flexible, the country's regulatory authority began a consultation process in November 2008 on the possibility of offering additional added-value services, such as location-based services and cinema and theatre listings, via directory assistance service numbers. According to the draft resolution, these services could be advertised and offered in addition to the basic services, but only if the service provided by 118 numbers continued to focus on directory assistance content.

Spain

The Ministry of Communications issued an order confirming once again that the incumbent operator, Telefónica, is required to offer all services relating to the Universal Service Directive (including supplying print telephone directories and providing subscriber information services). Telefónica has been operating a directory assistance service via the number 118.118 for years for the purposes of universal service.

Telegate Spain claims that a universal service obligation infringes the EU directives, given that the subscriber information service market is now fully liberalised. The Company took part in the assessment procedure launched by the ministry, proposing to manage the telephone information service component only, in place of Telefónica. The ministry did not consider the proposal, however. The European Commission is currently carrying out a review to assess whether the procedure followed by the Spanish government was in compliance with European legislation.

Even if the order issued by the Ministry of Communications is confirmed, no changes are expected to take place to the competition aspects of the Spanish directory assistance market.

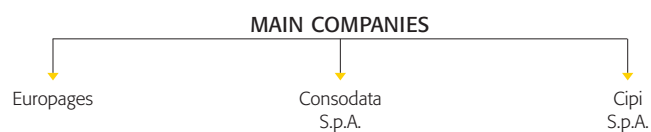
Finally, CMT, Spain's regulatory authority, decided on the need to create a universal service fund to balance out the costs incurred by Telefónica in providing the service (which made a loss between 2003 and 2005). CMT has not yet stated which parties will be required to contribute to the fund.

In December 2008, following a public call for tenders to find a telecoms operator to provide the directory assistance component of the universal service, the Ministry of Industry awarded the concession to the incumbent, Telefónica.

→ Other Activities

Structure of the Business Area

This is a residual Business Area, covering all activities that do not fall within the scope of the aforementioned areas. It is organised as follows



Main company events

No significant events took place in 2010.

Economic and financial data

The table below shows the main results for 2010 compared with those from the previous year

(euro/million)	Year 2010	Year 2009	Change	
			Absolute	%
Revenues from sales and services	54.8	63.9	(9.1)	(14.2)
GOP	4.3	7.4	(3.1)	(41.9)
EBITDA	3.8	6.8	(3.0)	(44.1)
EBIT	(2.6)	(0.4)	(2.2)	n.s.
Net invested capital	21.0	20.3	0.7	3.4
Capital expenditure	4.4	3.6	0.8	22.2
Average workforce	361	407	(46)	(11.3)

Below is an analysis of the economic and financial figures broken down into the various companies that make up the Business Area.

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Europages

SEAT Pagine Gialle S.p.A. holds 93.562%

Europages produces a specialised online directory aimed at buyers, suppliers, distributors and exporters in Europe, a pan-European B2B tool for companies that use import and export channels.

The directory, which is available in 26 different languages, promotes inter-company trade and allows businesses to advertise their products and expertise in order to conquer new markets and attract new customers.

It can be viewed at www.europages.com. The portal includes 2,300,000 exporters and general suppliers throughout 35 countries listed in Europages. The classified database is divided into 26 sectors, 4,000 sub-sections and 35,000 key words.

The table below shows the main results for 2010 compared with those from the previous year

(euro/million)	Year 2010	Year 2009	Change	
			Absolute	%
Revenues from sales and services	17.0	20.1	(3.1)	(15.4)
GOP	1.5	0.6	0.9	n.s.
EBITDA	1.1	0.3	0.8	n.s.
EBIT	(1.3)	(3.2)	1.9	59.4
Net invested capital	3.9	4.1	(0.2)	(4.9)
Capital expenditure	0.5	0.2	0.3	n.s.
Average workforce	95	123	(28)	(22.8)

EUROPAGES

Revenues from sales and services amounted to € 17.0 million, down by € 3.1 million year on year, mainly as a result of the sharp fall in turnover in Italy (€ 2.7 million). Revenues from France (€ 0.2 million) and Belgium (€ 0.1 million) also fell, albeit to a lesser extent, while revenues generated in Spain remained more or less stable. In addition to the direct sales channels, a number of resale agreements have been signed with web agencies in France and Belgium since April.

Portal traffic indicators have shown a sharp fall in visits compared to the peak of growth recorded in the first few months of 2009. Visits are currently stable at an average of around 3.4 million per month, supported by better indexing on search engines.

Despite the fall in revenues, **GOP** was € 1.5 million, with an increase of € 0.9 million year on year. This growth was a result of the cost-cutting policy implemented throughout the year, involving a restructuring that reduced salaries, wages and employee benefits by € 2.0 million, savings of € 0.4 million in advertising expenditure, and lower commissions due to the drop in revenues.

EBITDA, at € 1.1 million, performed in line with GOP.

EBIT, which was negative for € 1.3 million, included € 0.8 million relating to restructuring costs.

Capital expenditure totalled € 0.5 million, with an increase of € 0.3 million compared with 2009. The Company invested in developing its website in 2010.

The **average workforce** was 95 employees in 2010, down from 123 in 2009. This reduction was a result of the Company's reorganisation plan.

Consodata S.p.A.

Wholly owned by SEAT Pagine Gialle S.p.A.

For over 20 years, Consodata S.p.A., the market leader in Italy for one-to-one marketing and geomarketing, has been offering wide-ranging and innovative direct marketing services to thousands of businesses operating in various sectors. Thanks to its extensive database, Consodata S.p.A. is able to provide its customers with information on the behaviour of millions of consumers using advanced marketing intelligence tools.

The table below shows the main results for 2010 compared with those from the previous year

(euro/million)	Year 2010	Year 2009	Change	
			Absolute	%
Revenues from sales and services	24.2	23.3	0.9	3.9
GOP	4.0	2.7	1.3	48.1
EBITDA	4.1	2.7	1.4	51.9
EBIT	0.6	(0.4)	1.0	n.s.
Net invested capital	7.1	7.6	(0.5)	(6.6)
Capital expenditure	3.8	3.3	0.5	15.2
Average workforce	108	117	(9)	(7.7)



Revenues from sales and services totalled € 24.2 million, with an increase of 3.9% year on year. This growth was due essentially to the Kompass business line, previously managed by SEAT Pagine Gialle S.p.A. and acquired by Consodata S.p.A. on 1 April 2009, which generated revenue of € 4.5 million.

The Large Clients direct sales channel was negatively affected by the difficult economic and regulatory climate, while the SMB sales channel, which is managed via the SEAT Pagine Gialle S.p.A. sales network, performed in line with the previous year.

Mailing products (marketing services offered mainly to not-for-profit and large retail customers) were particularly severely affected, due to the sharp increase in postal tariffs in mid-year, as were business and consumer database sales, as a result of the limits imposed by the Personal Data Protection Authority.

The overall growth in revenues and the mix of products with different margins had a positive impact on **GOP**, which amounted to € 4.0 million in 2010, with an increase of € 1.3 million compared with 2009.

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EBITDA and EBIT, which totalled € 4.1 million and € 0.6 million respectively, performed in line with GOP.

Net invested capital was € 7.1 million as at 31 December 2010, against € 7.6 million as at 31 December 2009.

Capital expenditure totalled € 3.8 million, with an increase of € 0.5 million year on year, and focused on developing software platforms, expanding geo-referenced and other databases, and acquiring new databases.

The **average workforce** was 108 employees in 2010, down from 117 in 2009. This reduction was a result of the Company's reorganisation plan.

Regulation

Personal data protection (Legislative Decree no. 196 of 30 June 2003)

In June 2008, the Personal Data Protection Authority concluded an investigation into a number of companies that create and sell telephone subscriber databases by issuing an order against Consodata S.p.A., served in September 2008, preventing the company (and a number of telephone operators) from continuing to process personal data obtained from telephone directories published prior to 1 August 2005, on the grounds that the data had been obtained without providing required information to the individuals concerned or obtaining their express consent where required to do so by law.

The authority declared that the use of subscriber information contained in telephone directories and databases created prior to 1 August 2005 for promotional, advertising or commercial purposes, and the sale of these data to third parties (including those not operating in the telecommunications sector) constituted a breach of the legislation in force. This legislation demands that certain guarantees be made to subscribers, which are set out in order no. 1032397 of 23 May 2002, pursuant to which i) specific consent must be requested – in addition to consent to simply be included in the telephone directory – for the use of the data for commercial purposes and to send advertising material, or to carry out market research and interactive marketing communication, and ii) a uniform procedure should be put in place, which all operators are obligated to use, in order to clearly show the consent of the subscriber to the use of their data for commercial or advertising purposes, consisting of putting certain icons next to the relevant names.

Following notification of this order, Consodata S.p.A. maintained that it had lawfully acquired the data in its database and appealed to the Court of Rome to have the order annulled. A hearing was scheduled for June 2009. The appeal was rejected in light of new legislation included in the so-called "Milleproroghe" decree, allowing subscriber data obtained prior to August 2005 to be used by direct marketing operators until 31 December 2009.

At the end of November 2009, the authority issued a prohibitive order (served in February 2010) ending the proceedings that had started with an inspection of the company in February 2009. Consodata S.p.A. submitted an interpretative statement and clarified its position through a series of meetings at the authority's offices. Contesting the order, Consodata lodged an appeal on 19 March 2010 with the Court of Rome, which on 25 May 2010 ruled that the order be suspended. The judge ruled that the prohibition on the use of data obtained from certain Consodata databases, due to a lack of specific consent under the terms set out by the authority, was not applicable to past instances of use of these data. The hearing was deferred until February 2011.

In February 2010, the authority gave notification that it was initiating a sanction procedure relating to certain databases used by Consodata S.p.A., giving the company the possibility to either submit a statement of defence to the authority or pay a reduced amount of the fine issued via a cash settlement. The company again decided to submit a statement of defence in order to clarify its actions.

In response to this statement, the authority acknowledged Consodata's new operational setup for controlling data processing and reiterated the need for specific consent to data processing to be obtained for each method used to contact subscribers. The authority also accepted the company's proposal to use the data contained in some of its databases where consent had been given, in compliance with the principle of "single use" (whereby the customer undertakes to restore or delete the data after an agreed period of use).

On 7 April 2010, Consodata submitted a request to the authority for exemption from or simplification of compliance with the privacy policy on an individual basis for the use of data obtained from the single database (containing telephone directory numbers, mobile phone numbers and data on owners of prepaid cards not contained in telephone directories) for non-commercial purposes.

On 16 September 2010, the authority rejected the request, declaring that the processing of data from the single database for purposes other than use in telephone directories was unlawful. The authority also made a distinction between single databases and telephone directories, to be understood as two autonomous and separate items, since they are created for different purposes and each contains different kinds of data.

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Cipi S.p.A.

Wholly owned by SEAT Pagine Gialle S.p.A.

Cipi S.p.A. has been operating in the promotional items and corporate gifts sector since 1964, offering a wide range of promotional, merchandising and corporate gift items that can be customised with client-specific logos and brands. Its activities cover the entire value chain, including importing items, customising them with the client's logo and selling to the end customer either directly or through the Parent Company.

The table below shows the main results for 2010 compared with those from the previous year

(euro/million)	Year 2010	Year 2009	Change	
			Absolute	%
Revenues from sales and services	13.7	20.5	(6.8)	(33.2)
GOP	(1.2)	4.1	(5.3)	n.s.
EBITDA	(1.3)	3.8	(5.1)	n.s.
EBIT	(1.9)	3.2	(5.1)	n.s.
Net invested capital	9.9	8.3	1.6	19.3
Capital expenditure	-	0.1	(0.1)	(100.0)
Average workforce	157	166	(9)	(5.4)



Revenues from sales and services totalled € 13.7 million in 2010, down by € 6.8 million year on year due to reduced revenues from the "Special" line (low-margin sales of directly imported custom items to Large Clients), as well as a drop in revenue from direct sales through the SEAT Pagine Gialle S.p.A. sales agent network. Turnover from catalogue products, which are sold through a small agent network and via telephone sales, grew by € 0.2 million.

GOP was negative for € 1.2 million, with a decrease of € 5.3 million year on year. The sharp drop in revenues was only partially offset by the reduction in the cost of raw materials (which was closely linked to the decline in sales volumes, despite the unfavourable euro/dollar exchange rate) and lower salaries, wages and employee benefits due to use of the wage guarantee fund (CIG).

EBITDA and **EBIT** were negative for € 1.3 million and negative for € 1.9 million respectively, performing in line with GOP.

The **average workforce** fell from 166 employees in 2009 to 157 in 2010.

The Company kept **capital expenditure** to a minimum, in line with its efficiency policy.

Net invested capital totalled € 9.9 million as at 31 December 2010, up by € 1.6 million compared with 31 December 2009.

➤ Other information

➔ Human resources

SEAT Pagine Gialle group

	As at 31.12.2010	As at 31.12.2009	Change
Employees	4,777	6,046	(1,269)
Directors, project workers and trainees	33	42	(9)
Total workforce at the end of the year	4,810	6,088	(1,278)
	Year 2010	Year 2009	Change
Average workforce for the year	4,493	4,947	(454)

The SEAT Pagine Gialle group had a total workforce of 4,810 employees as at 31 December 2010, down by 1,278 compared with 31 December 2009, with an average workforce during the year of 4,493 employees (4,947 in 2009). The reduction in the workforce compared with 2009 is attributable mainly to the sale by Pagine Gialle Phone Service S.r.l. of its call centre business units at Livorno and Turin to People Care S.r.l. and Voice Care S.r.l., which are part of the Contacta group. This transaction involved the transfer of a large number of part-time employees.

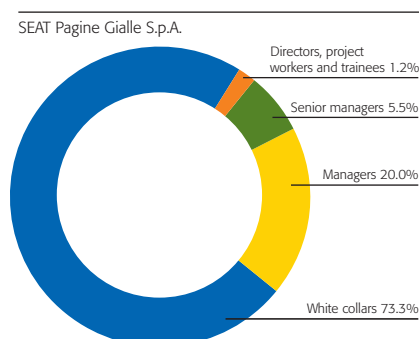
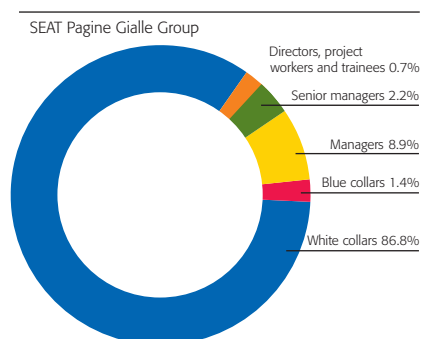
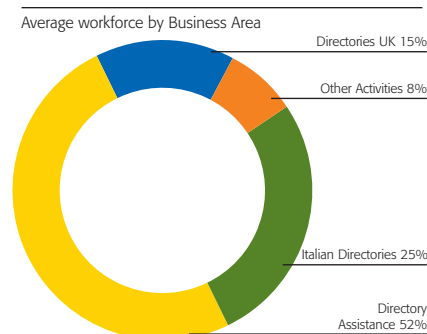
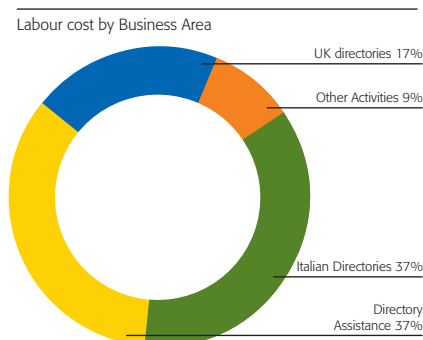
As regards the distribution of human resources across the various Business Areas, the Parent Company employed only 25% of the average total workforce for the year, despite having generated 77% of the Group's revenue. This is attributable to the following factors:

- in Italy the sales force consists mainly of agents (1,510 as at 31 December 2010), whereas overseas it is made up of employees;
- the call centres used to provide directory assistance services employ a large number of telephone operators. The Directory Assistance Business Area employed 52% of the average total workforce, despite accounting for only 12% of total Group revenue for the period.

The average workforce declined by 454 employees, owing in particular to the review of the organisational structure carried out by SEAT Pagine Gialle S.p.A. through implementation of the 2009-2011 restructuring plan (207 employees) and to the aforementioned sale of the call centres by subsidiary Pagine Gialle Phone Service S.r.l. (132 employees).

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SEAT Pagine Gialle S.p.A.

	As at 31.12.2010	As at 31.12.2009	Change
Employees	1,218	1,346	(128)
Directors, project workers and trainees	15	30	(15)
Total workforce at the end of the year	1,233	1,376	(143)
	Year 2010	Year 2009	Change
Average workforce for the year	1,129	1,336	(207)

The average workforce of SEAT Pagine Gialle S.p.A. totalled 1,129 employees as at 31 December 2010, down by around 15% compared with the end of the previous year.

This reduction reflects the effects of the 2009-2011 restructuring plan, which was first implemented in February 2009 and has involved both voluntary redundancies and early retirements.

The current restructuring plan provides for recourse to the special wage guarantee fund (CIGS): as at 31 December 2010, 188 employees were in such a position.

In light of the change in operational direction and in keeping with corporate rightsizing programmes, the number of young graduates taken on as interns was cut significantly in 2010, with the average over the year dropping from 39 in 2009 to 9 in 2010.

The percentage of female employees at the Company rose by 2%, thus reaching 57%.

Sales network

As at 31 December 2010, SEAT Pagine Gialle S.p.A.'s sales network comprised 1,510 agents and dealers (1,597 agents and dealers as at December 2009) and 67 employees (92 employees as at 31 December 2009), broken down into Customer Business Units (CBUs) categorised by type of customer and market potential: "Large Clients & Top Customers" and "SMBs & Local".

To be more specific:

- the "Large Clients & Top Customers" CBU, which is aimed at nationwide companies with specific communication needs and local SMBs with a high level of investment, uses a team of highly qualified specialists to deal with customers. The intelligence structure of the "Large Clients & Top Customers" CBU includes Customer Marketing & Solutions which oversees market changes, responds to requests for innovation and specialisation, proposes and develops new solutions, ensures that the market approach for web-driven service levels is based on accurate customer segmentation and uses a Coaching and Planning team to disseminate skills within the organisation. Also part of the intelligence structure are the Business Analysis team, which identifies the changes needed to meet strategic objectives, and the Sales Quality and Support team, which monitors the quality of sales and provides pre- and post-sales support. The sales networks are organised and specialised depending on client communication needs. This means distinguishing "National", which comprises nationwide big brands and complex clients that require high levels of customisation, from "Local and Central Government Authorities", with institutional and citizen-focused requirements, and "Top Customers", with local and specialised service needs. These markets are served by a sales force of 21 employees from the "Key Account" and "Sales Management" departments and 11 agents and dealers, including six agents specialised in the Government Authorities segment, as well as, for "Top Customers", 41 agents, 6 area managers and a head of department;
- the "SMBs & Local" CBU targets SMBs and very small businesses, with the aim of providing full and suitable oversight of the country and the market, offering different product ranges and sales approaches depending on the customer segment. The country is split into two areas (Field Sales North and Field Sales Centre/South), which in turn are divided into 10 teams according to location, sales potential and operational excellence. In order to respond to client characteristics and requirements, the Field Areas are accompanied by a Metropolitan Sales Area that combines Rome and Milan, markets which have shared social and economic dynamics that differ from those of the rest of the country. In 2009, the Telesales Service department launched an initiative to support the activities of the "SMBs Sales" team, with the aim of improving customer service and establishing more contact with customers throughout the year. This initiative continued in 2010.
The "SMBs & Local" CBU has a network of 1,458 agents, coordinated by 31 "Market managers" and 3 "City Managers" who cover the SMBs communication market, and around 600 telesales operators.

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Organisational development

In July 2010, SEAT Pagine Gialle S.p.A. outsourced its technology and infrastructure services by selling a business unit to Engineering.it S.p.A., which took on management of the data centre, network and voice services and end-user support.

In order to speed up the process of transforming the Company's business model, activities and resources from the IT, Transformation Management and Customer Operations departments were united in a single area of responsibility. This organisational structure allows the Company to put all its direct levers for optimising order-to-cash processes and reducing working capital into a single area.

As part of the broader digital transformation process, the sales network also underwent significant change: in the "SMBs & Local" CBU, with a view to ensuring an increasingly strong local oversight of customer relations and timely implementation of new commercial strategies, there was a geographical restructuring based on the development of zone manager offices in customer agencies known as Web Points, with online-product specialists, including *web consultants* to support sales agents in preparing and negotiating the commercial offering with clients, and *web masters* to facilitate online product implementation by improving the effectiveness of flows between the area in question and the manufacturer. The Web Points were designed for consistent oversight of different market sections through the adoption of different internal organisational structures depending on the area and customer type.

Regional oversight of the indirect network was also changed: two Field Sales Areas were set up (North and Centre/South) in addition to a metropolitan sales area for Rome and Milan. These areas must coordinate regional sales managers and markets to ensure that "SMBs & Local" customer targets are met and that there is a sufficient, constant drive towards the execution of sales plans and customer development.

Personal development and services

SEAT Pagine Gialle continued initiatives to care for, develop and train its people in 2010.

The Company carried out analyses to identify training and personal development courses, paying especially close attention to younger employees and those in core business areas.

Among the staff development activities was the launch of retraining discussions with employees drawing on the special wage guarantee fund pursuant to Law 102/2009 and the interministerial decree of 18 December 2009. The talks helped to identify the best retraining paths in light of the employee's attitude and skills and thus to define the most suitable training methods and modules for each person.

The Company launched the performance review process in November 2010 to assess the organisational conduct of employees subject to the MBO system in 2010.

During 2010, the SEAT4PEOPLE project continued to draw up agreements (more than 270) and create initiatives for SEAT employees and sales agents.

The SEAT community is kept up to date via the Company's intranet, the SEAT4PEOPLE site and company notice boards. SEAT4PEOPLE also managed initiatives in cooperation with the Turin branch and other area branches of the CRAL DLF (workers' recreational organisation). For employees' children aged between 6 and 12, SEAT4PEOPLE encouraged company holiday camps for the second consecutive year. The vehicle fleet was streamlined in order to reduce costs.

Training

In 2010, SEAT Pagine Gialle continued to support its sales force through training, particularly by educating new agents on sales conduct in relation to new products and commercial offers.

Using interviews with senior management, a *zone manager skills manual* was drawn up to support customer activities. To bring actual conduct into line with the model, the Development Centre spoke to each *zone manager* so they could identify their own strengths and weaknesses with a view to drawing up individual plans of action.

Seat Pagine Gialle also launched the innovative "Quick Learning Point" tool, consisting of short segments of online product information intended to keep all agents and employees constantly updated. It published 68 videos, which attracted 45,339 visits from 3,304 unique users.

In line with the Company's business model, there were staff training initiatives to increase professional skills and knowledge and to instil an internet-orientated culture.

50,556 training hours were provided in 2010 in total, with 4,094 total participants and 428 training courses.

At the same time, the Company continued to recruit for the salesforce, with 369 new agents ultimately added to the network, and to carry out benchmark initiatives with other corporate training organisations.

Health and safety

In 2010, the Company continued to implement its workplace health and safety measures in line with previous years and with statutory requirements.

In terms of the organisational structure, the following appointments were made: a new Health and Safety Manager (RSPP), 6 replacement Employee Safety Representatives (RLSs) and 18 additional emergency-management officers across the Company's various sites. All of these people have been properly trained.

The *Corporate Risk Assessment Document* was updated, with particular emphasis on the assessment of work-related stress, which was analysed again in accordance with the guidelines of the "Interregional Technical Committee on Workplace Health and Safety". A new compulsory "Simultaneous On-Site Activity Risk Assessment Report" was also drawn up.

In terms of health monitoring, the 2010 cycle of check-ups for personnel at all scheduled sites was completed (around 415 VDU operators received a medical and eye check-up) and the relevant doctors carried out inspections of the working environment at all sites.

There was an information campaign on the Company's intranet on the risks of fire and working in front of a screen.

The usual safety meeting, involving the relevant doctors, the RSPP, the RLSs and the health and safety officers, took place in November.

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Industrial relations

On 24 February 2010, SEAT Pagine Gialle S.p.A. and the trade unions signed a company restructuring agreement, which was approved on the same day by the Ministry of Employment and Social Policies, to supplement the previous union agreement of 7 November 2008.

The new agreement increases to 300 the maximum number of employees to which the special wage guarantee fund (CIGS) may be applied between 9 February 2010 and 8 February 2011 and extends the procedure, previously restricted to Turin, Milan and Rome, to all company sites.

Redundancies will continue to be managed via the CIGS and early retirement pursuant to Law 416/81, as subsequently amended, and by retraining redundant workers ineligible for early retirement.

Technical and organisational requirements were considered when deciding which employees to place under the CIGS programme, as was whether employees were entitled to early retirement during the period in question, with a view to minimising distress among those made redundant.

Owing to the scale and complexity of the restructuring plan required to support the transformation of the Company, all parties agreed to work with the competent authorities, as and when required, to draw up a plan for managing the distress of those made redundant beyond the end of the process on 8 February 2011.

During the course of the year, there were several inspections by the competent provincial employment offices, all of which had a positive outcome. In July, the Ministry of Employment and Social Policies issued a decree ordering an assessment of restructuring status and CIGS payment authorisation for all affected employees in the first half of the year.

With further regard to restructuring, an agreement was signed with the unions at the Ministry of Employment and Social Policies in October, giving rise to a specific retraining project pursuant to Law 102/2009 and the interministerial decree of 18 December 2009. Under this agreement, employees placed under the CIGS regime can be put on training courses with the restructuring in mind, and this can lead to on-the-job training. The first phase of this ambitious project - which will ideally accompany the restructuring process for its entire duration - was officially launched on 1 December 2010.

In keeping with the agreement of 24 February 2010 to work with the competent authorities, as and when required, to draw up a plan for managing the distress of those made redundant as a result of the restructuring plan beyond 8 February 2011, meetings were held between the parties and they signed a Memorandum of Agreement on 18 February 2011, which was ratified by the Ministry of Employment and Social Policies on 25 February 2011.

This Agreement aims to ensure maximum continuity from the previous one and establishes a new period for managing the restructuring, 7 March 2011 - 6 March 2013, identifying 198 affected employees and confirming that the redundancies will be managed in the same way as in the previous period: via recourse to the special wage guarantee fund and early retirement pursuant to Law 416/81, as subsequently amended, retraining – pursuant to Law 102/2009, as subsequently amended - of redundant workers ineligible for early retirement (a special Memorandum of Agreement has been signed as per statutory requirements) and the use of additional management tools.

On 4 June 2010, the Company, with the involvement of the Unione Industriale di Torino (Employers' Association of Turin), began formal proceedings pursuant to article 47 of Law 428/90, as subsequently amended, for the sale of the business unit responsible for managing the data centre, network and voice operations and distributed computing to Engineering.it S.p.A. In light of the parties' desire to protect the employees of the business unit involved, a union agreement was signed on 30 June 2010 containing a series of clauses aimed at finding a balanced situation to ensure job stability and consistent regulatory and financial treatment of the affected employees.

At the end of June and the beginning of July 2010, the appointments of the Company's RSU representatives were renewed in accordance with the union agreement of 7 November 2008. The representatives comprise 27 employees, of which 18 were elected (9 at the Turin site and 9 spread throughout the rest of the country) and 9 were appointed by the national trade union secretaries. These secretaries also identified the 6 RLSs during the course of the year.

Stock option plans

The stock option plans in existence at the end of 2010 and shown in the following tables were established over time by SEAT Pagine Gialle S.p.A. and Telegate AG.

The plans are for specific categories of employees working at the Parent Company and subsidiary companies which are considered "key" as a result of their responsibilities and/or skills. They are implemented by allocating to eligible employees personal, non-transferable rights (options) that are valid for the purchase of the same number of new ordinary SEAT Pagine Gialle S.p.A. and Telegate AG shares.

Their fundamental features and aspects were unchanged in 2010.

More information can be found in the "Information document – Financial instrument-based compensation plans" prepared by the Company in accordance with articles 114-bis of Legislative Decree no. 58/1998 (Consolidated Finance Act) and 84-bis of Consob Regulation 11971/1991, as subsequently amended (Issuers' Regulation) and with annex 3A, table 7 of said Issuers' Regulation – available at www.seat.it – which provides details of the stock option plans established by the competent bodies of SEAT Pagine Gialle S.p.A. as at 1 September 2007.

No new stock option plans were established in 2010.

The options under the "2005 stock option plan for SEAT Pagine Gialle group employees" and the "2005 stock option plan for TDL group employees" expired in June 2010.

The options under the "2005 stock option plan for the CEO" expired upon the resignation of Luca Majocchi on 29 April 2009.

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		Options at 01.01.2010	New options granted 01.01.2010 31.12.2010	Options exercised 01.01.2009 31.12.2009	Options expired and not exercised 01.01.2010 31.12.2010	Options expired 01.01.2010 31.12.2010 for termination of service/other	Options at 31.12.2010	Of which exercisable at 31.12.2010	Maximum validity of options
2005 Stock Option Plan for Employees of SEAT Pagine Gialle group	No. of ordinary shares	134,500	-	-	-	134,500	-	-	
	Strike price for ordinary shares (euro)	64.42	-	-	-	64.42	-	-	June 2010
	Market price for ordinary share (euro)	0.162 ⁽¹⁾	-	-	-	0.1298 ⁽²⁾	-	-	
2005 Stock Option Plan for Employees of TDL group	No. of ordinary shares	2,350	-	-	-	2,350	-	-	
	Strike price for ordinary shares (euro)	64.42	-	-	-	64.42	-	-	June 2010
	Market price for ordinary shares (euro)	0.162 ⁽¹⁾	-	-	-	0.1298 ⁽²⁾	-	-	
2005 Stock Option Plan for Directors and Employees of Telegate group	No. of ordinary shares	21,000	-	-	-	12,000	9,000	9,000	June 2010
		318,750	-	-	-	77,100	241,650	241,650	June 2012
		311,500	-	-	-	30,000	281,500	281,500	June 2013
	Strike price for ordinary shares (euro)	14.28	-	-	-	-	14.28	14.28	
		16.09	-	-	-	16.09	16.09	16.09	
		11.01	-	-	-	11.01	11.01	11.01	

(1) Market price of SEAT Pagine Gialle shares at 31 December 2009.

(2) Market prices of SEAT Pagine Gialle shares at expiry date of options.

→ Litigation

a) Litigation involving SEAT Pagine Gialle S.p.A.

With reference to disputes of SEAT Pagine Gialle S.p.A. – as a beneficiary of the partial proportional spin-off of Telecom Italia Media S.p.A. (hereinafter the “Spun-off Company”) is jointly and severally liable with the latter, pursuant to article 2506-quater, paragraph 3, of the Italian Civil Code, for liabilities arising from these disputes which have not been satisfied by the Spun-off Company – there are still three procedures ongoing against the Cecchi Gori Group, regarding the bankruptcy of the Cecchi Gori Group Fin.Ma.Vi (“Finmavi”) and the Cecchi Gori Group Media Holding, in liquidation (“Media”).

Deed of pledge

This concerns the proceedings brought by Finmavi and Media with the Court of Milan, seeking to ascertain the invalidity or ineffectiveness of the deed of pledge with which shares in Cecchi Gori Communication S.p.A. (now HMC) held by Media had been given in guarantee to the Spun-off Company and, in any case, seeking an order for the Spun-off Company to pay damages of no less than 750 billion lira, (€ 387.3 million) plus appreciation and interest.

After losing the case at the first two instances, Finmavi and Media filed an appeal with the Court of Cassation.

At the hearing on 20 September 2007, the court accepted the appeal of Finmavi and Media, but also accepted a ground for cross-appeal put forward by the Spun-off Company, referring the matter to another division of the Court of Appeal of Milan, including for costs relating to the Court of Cassation. By a claim filed on 10 November 2008, Finmavi and Media resumed the case with the Court of Appeal of Milan and the Spun-off Company entered an appearance at the hearing on 24 March 2009.

The case was deferred until the hearing of 18 October 2011 for the clarification of pleadings.

Tort liability

This refers to the proceedings brought with the Court of Milan by Finmavi, Media and Mr Vittorio Cecchi Gori personally against the Spun-off Company, seeking to ascertain the tort liability of the latter in relation to its conduct with regard to the management of HMC and the execution of the contract of 7 August 2000 concerning the acquisition of the television companies of the Cecchi Gori Group, and seeking an order for the Spun-off Company to pay damages of around € 500 million.

The judge urged the parties to clarify their respective pleadings, setting a deadline of 29 March 2009 for the submission of their pleas and of 18 April 2009 for the submission of their briefs in response.

The Court of Milan, by judgment No. 11436/09 of 24 – 28 September 2009, accepted in full all the petitions and objections made by the Spun-off Company and therefore ordered the plaintiffs to jointly and severally reimburse it for the legal costs paid, totalling € 1,704,572.69.

The judgment was not challenged and was declared *res judicata*. Any risk relating to the claims made in court has therefore been extinguished.

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Challenge of the decision of the Shareholders' Meeting of 11 August 2000

This refers to the legal proceedings brought by Finmavi and Media against HMC concerning the decisions taken on 11 August 2000 by the Extraordinary Shareholders' Meeting of Cecchi Gori Communications S.p.A., which introduced changes to the Company's Articles of Association aimed at awarding special rights to category B shareholders.

After losing the case at the first two instances, Finmavi and Media filed an appeal with the Court of Cassation and the Spun-off Company submitted a counter-appeal and cross-appeal on 16 October 2007. As at the reporting date, no date has been set for the hearing for discussion.

* * * *

Within the context of the spin-off, the Spun-off Company and SEAT Pagine Gialle S.p.A. signed an agreement confirming that any liabilities attributable to the business unit that remained within the Spun-off Company (such as those relating to the aforementioned disputes) or to the unit that was transferred to SEAT Pagine Gialle S.p.A. will be fully payable by the party that owns the relevant business unit.

b) Litigation involving SEAT Pagine Gialle group companies

Dispute between Telegate and its subsidiary Datagate and Deutsche Telekom over costs relating to the supply of telephone subscriber data

On 16 May 2007 and 27 June 2007 respectively, the Regional Court of Düsseldorf upheld the judgments of the Court of Cologne of 31 August 2005, by which Telegate AG and its subsidiary Datagate GmbH were authorised to receive from Deutsche Telekom reimbursement for surplus amounts paid for the supply of telephone subscriber data. Deutsche Telekom was ordered to pay Telegate AG € 52.04 million plus interest for the period 1997-2000 and € 30.52 million plus interest for the period 2000-2004. Deutsche Telekom challenged the 16 May 2007 ruling at the Federal Court, where it also sought entitlement to challenge the 27 June 2007 ruling.

The Federal Court sent both cases back to the Regional Court of Düsseldorf, where they are currently being heard.

Dispute between Telegate Media and Deutsche Telekom over costs relating to the supply of telephone subscriber data

Regarding the reimbursement of surplus amounts paid by Telegate Media up to 2004 (approximately € 2.9 million), the Federal Court sent the case back to the Regional Court of Düsseldorf for an additional challenge.

Dispute between Deutsche Telekom and Datagate over costs relating to the supply of telephone subscriber data

Following adjournment by the Federal Court, Deutsche Telekom's case against Datagate GmbH (a Telegate AG subsidiary) for the non-payment of approximately € 35 million of costs relating to the use of telephone subscriber data in directory assistance services is currently being heard by the Regional Court of Düsseldorf.

→ Corporate Governance

Introduction

The Company adheres to the recommendations of the Corporate Governance Code for Listed Companies, which was published by Borsa Italiana in March 2006 and can be consulted on the stock exchange operator's website, www.borsaitaliana.it.

The rules, conduct and processes established by SEAT Pagine Gialle S.p.A.'s corporate governance structure aim to ensure an efficient and transparent corporate governance system. This system comprises a series of procedures and codes that are continuously verified and updated to respond effectively to changes in legislation and best practice.

The major aspects of corporate governance are described below, while more detailed information can be found in the Report on Corporate Governance and Shareholder Structure (prepared and published pursuant to article 123-bis of Legislative Decree no. 58/98 and available on the Company's website, www.seat.it).

Management and coordination activities

SEAT Pagine Gialle S.p.A. is not subject to the management and coordination of other companies or entities. Pursuant to article 2497-bis of the Italian Civil Code, the subsidiaries identified SEAT Pagine Gialle S.p.A. as the entity that performs management and coordination activities. These activities involve indicating the Group's operating and general strategic direction by defining and updating the internal control and governance model and drawing up general policies for managing financial and human resources, procuring factors of production, training and communication.

Company organisation

SEAT has a traditional organisational structure, consisting of:

- Shareholders' Meeting
- Board of Directors
- Board of Statutory Auditors

The legal auditing of accounts is entrusted to the External Auditors.

Board of Directors

The Board of Directors plays a central role in the Company's corporate governance system. It meets regularly (usually once a month) and is structured and operates in such a way as to ensure the effective and efficient performance of its duties.

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The Board is invested with the broadest powers for the ordinary and extraordinary administration of the Company. It is therefore able to take any measure it deems appropriate to implement and achieve corporate goals in Italy and abroad, with the sole exception of measures which, by law, are the preserve of the Shareholders' Meeting (article 19 of the Articles of Association).

The Ordinary Shareholders' Meeting of 9 April 2009 appointed a Board of Directors of 11 (eleven) members for the period 2009-2011.

The following were appointed as directors of the Company: Enrico Giliberti (Chairman), Luca Majocchi (appointed as CEO during the Board meeting that followed the Shareholders' Meeting), Dario Cossutta, Luigi Lanari, Marco Lucchini, Pietro Masera, Antonio Tazartes, Nicola Volpi, Lino Benassi, Alberto Giussani and Maurizio Dallochio.

On 29 April 2009, the Board of Directors co-opted Alberto Cappellini and appointed him as CEO to replace Luca Majocchi, who resigned. On 5 August 2009, the Board of Directors co-opted Marco Tugnolo to replace Marco Lucchini, who resigned. Following these developments, the Ordinary Shareholders' Meeting of 21 April 2010 appointed Alberto Cappellini and Marco Tugnolo to the Board of Directors, which subsequently confirmed Alberto Cappellini as CEO and Marco Tugnolo as a member of the Internal Audit Committee. Directors Benassi, Dallochio and Giussani meet the requirements set forth in article 148.3 of Legislative Decree no. 58/1998 and in the Corporate Governance Code for Listed Companies in order to qualify as independent.

The appointment of Directors is governed by article 14 of the Articles of Association, which was most recently modified by the Board of Directors during its meeting on 19 October 2010⁽¹⁾. The Board of Directors is appointed on the basis of a list submitted by the shareholders or by the outgoing Board. Each list must contain and expressly indicate at least two candidates who meet the independence requirements pursuant to article 147-ter, IV C of Legislative Decree no. 58/1998.

All lists presented by the Board of Directors and by shareholders must be submitted to the Company's registered office at least 25 days before the Shareholders' Meeting that will appoint the Board of Directors. They must be made available to the public at the registered office, on the Company's website and in other ways stipulated by Consob regulations at least 21 days before said Shareholders' Meeting.

Each shareholder may present or participate in the presentation of only one list, and each candidate may appear on only one list; otherwise they are not eligible for election.

A list may be presented only by shareholders who individually or jointly hold at least 2% of voting rights at the Ordinary Shareholders' Meeting, which is the minimum established by Consob pursuant to article 147-ter, I C of Legislative Decree no. 58/1998. In order to prove ownership of said rights, copies of ownership certificates issued by authorised intermediaries must be submitted to the Company's registered office before the list publication deadline.

Within the same deadline, each list must be accompanied by the CVs of nominees and personal statements in which each candidate accepts their nomination, declaring that they are eligible and suitable for election and that they fulfil the requirements of law and the Articles of Association to become a director, and, where appropriate, that they qualify as independent pursuant to article 147-ter, IV C of Legislative Decree no. 58/1998. Any list that does not comply with these criteria is considered void.

⁽¹⁾ On 19 October 2010, the Board of Directors approved changes to the Articles of Association in order to comply with the compulsory measures contained in Legislative Decree no. 27/10, which transposed into national law Directive 2007/36/EC (the Shareholders' Rights Directive). The optional changes pursuant to said Legislative Decree no. 27/10 will be put before the forthcoming Extraordinary Shareholders' Meeting.

More information on the methods used to appoint the Board of Directors can be found in article 14 of the Articles of Association and in the Report on Corporate Governance and Shareholder Structure (referred to in the introduction). This document provides information on the list presented upon renewal of the company boards.

List presented for appointment of the Board of Directors (disclosure pursuant to article 144-decies of the Consob Issuers' Regulation)

Upon renewal of the company boards, which took place during the aforementioned Shareholders' Meeting of 9 April 2009, the Company acted to fulfil its obligations pursuant to articles 144-octies and 144-novies of the Consob Issuers' Regulation.

More specifically, with regard to the appointment of directors, exhaustive information was provided, within the timeframes established by law, on the personal and professional characteristics of the candidates, including the personal statements of those meeting the independence requirements established by law. The shareholders who presented the list were highlighted, as was their combined percentage shareholding (in this case, Sterling Sub Holdings S.A., which at the time – before the completion of the aforementioned capital increase - held 6,089,855 ordinary shares, giving it voting rights equal to 14.837% of the ordinary share capital). The Company promptly made this information available to the public on its website.

Therefore, on the basis of information received, the following applies to SEAT directors' roles as directors or statutory auditors of other companies pursuant to article 1C2 of the Corporate Governance Code:

Enrico Giliberti	Independent director of Telco S.p.A.
Alberto Cappellini	No position in companies pursuant to article 1C2
Dario Cossutta	No position in companies pursuant to article 1C2
Luigi Lanari	Director of Cartiere del Garda S.p.A., Lecta S.A. (*), Sub Lecta 1 S.A.(*); Sub Lecta 2 S.A.(*); T&PSs
Pietro Masera	No position in companies pursuant to article 1C2
Antonio Tazartes	No position in companies pursuant to article 1C2
Marco Tugnolo	No position in companies pursuant to article 1C2
Nicola Volpi	CEO of Permira Associati S.p.A. (**); Director of Sisal S.p.A. and Sisal Holding Finanziaria(***)
Lino Benassi	Director of DeA Capital S.p.A. and Zignago Vetro S.p.A.
Maurizio Dallochio	Director of Gabetti Property Solutions S.p.A., RDB S.p.A., Selmabipiemme Leasing S.p.A., DGPA Capital SGR S.p.A and ST Microelectronics S.r.l.
Alberto Giussani	Director of Credito Artigiano S.p.A. and Fastweb S.p.A.; Chairman of the Board of Statutory Auditors of Mediaset S.p.A.; Statutory Auditor of Luxottica S.p.A.

(*) Member of the Lecta S.A. group.

(**) Member of the Permira group.

(***) Member of the Sisal group.

Personal and professional information on the directors can be found in the Report on Corporate Governance and Shareholder Structure, as well as in the Company Boards section of the Company's website, www.seat.it.

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Chairman and CEO

The Company's two most senior posts are split between two directors: the Chairman and the CEO. Only the CEO - Alberto Cappellini - is considered to be an executive director. The other, non-executive, directors are sufficient in number, competence and independence to ensure that their opinion carries significant weight in the Board's decision-making process. They are particularly vigilant over areas where there could be a conflict of interests.

There is no need for a lead independent director because the Chairman is neither the main person responsible for managing the business nor the person who controls the Company.

For purposes of full disclosure, the powers of the Chairman and the CEO, as well as the system of managerial powers, are outlined below.

The **Chairman**, Enrico Giliberti, has signing authority and is a legal representative of the Company in dealings with third parties and in court. The Chairman, who is not usually awarded managerial powers, is responsible for organising Board business and liaising between the **CEO** and the non-executive directors.

The CEO, Alberto Cappellini, oversees the technical and administrative performance of the Company and carries out the decisions taken by the Board of Directors. Mr Cappellini has signing authority and is a legal representative of the Company in dealings with third parties and in court, and he has - in compliance with the requirements of law and the Articles of Association, with regard to matters that may not be delegated by the Board of Directors - specific powers and responsibilities for ensuring the operating management of Company business, up to a general limit of € 10 million. There are specific limits for some types of action.

The CEO is also appointed as the executive director, charged with overseeing the internal control system (mentioned below), and as the head of the Company's secondary site.

The Company has established a system of managerial powers which (with the exception of specific cases, which are governed individually) is structured as follows:

- powers whose exercise entails an expense for the Company and which may be exercised – for matters pertaining to the respective organisational functions – only by joint authorisation from two managers, thereby ensuring control over the exercise of delegated powers. There is also a mandatory and general expenditure limit on the exercise of said powers;
- powers to represent the Company, which are to be exercised – again, within the context of the respective organisational functions – through the joint signature of two managers or, in limited and routine cases, through a single signature.

The powers described above reflect most of the powers allocated by the Board of Directors to the CEO.

Independent Directors

In 2007, the Board of Directors adopted a process for assessing the independence of its Directors whereby said directors sign, at least once a year, a declaration (addressed to the Chairman of the Board of Directors and the Chairman of the Board of Statutory Auditors) of compliance with the independence requirements established by article 3 of the Corporate Governance Code, with respect to the assessment criteria indicated in application criterion 3.C.1 of the Code.

On the basis of the information received, the Board has assessed whether each of its non-executive directors meets the independence requirements. As a result, it can confirm that Lino Benassi, Maurizio Dallochio and Alberto Giussani qualify as independent directors. These directors also meet the independence requirements pursuant to article 148.3 of the Consolidated Finance Act .

Internal committees of the Board of Directors

In accordance with principle 5.P.1 and criterion 5.C.1 of the Corporate Governance Code, the Board of Directors has incorporated:

- the Remuneration Committee;
 - the Internal Audit Committee;
- to make suggestions and provide advice.

Both committees have three members. Their remits were established by the Board of Directors and can be supplemented or modified by a subsequent Board decision.

Remuneration Committee

The Remuneration Committee, which was appointed at the meeting of the Board of Directors held on 9 April 2009 after the Shareholders' Meeting upon renewal of the company boards, consists of directors Lino Benassi (Chairman), Dario Cossutta and Luigi Lanari. It was previously composed of Gian Maria Gros Pietro (Chairman), Antonio Belloni and Dario Cossutta.

In accordance with the new article 7 of the Corporate Governance Code, the Board of Directors has charged the Remuneration Committee with:

- regularly assessing the adequacy, overall consistency and concrete application of the general policy on the remuneration of executive directors, other directors in specific jobs and managers with strategic responsibilities, making use in this last case of information supplied by managing directors; making suggestions on the matter to the Board of Directors;
- making suggestions to the Board of Directors on the remuneration of executive directors and other directors in specific jobs, as well as on the setting of performance targets with regard to the variable portion of this remuneration; monitoring the application of decisions made by the Board, checking in particular that performance targets are actually met.

The Remuneration Committee met twice in 2010.

Directors' compensation

As well as being reimbursed for the expenses they incur when carrying out their duties, directors are entitled to annual compensation established by the Shareholders' Meeting. This compensation may include fees for directors with specific jobs.

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Pursuant to article 2389.3 of the Italian Civil Code, the remuneration of directors with specific jobs is decided by the Board of Directors, subject to approval from the Board of Statutory Auditors.

Non-executive directors (whose pay is commensurate with their required commitment, taking into account membership of committees) are not eligible for share-based incentive schemes.

The Chairman's compensation is fixed, while a large portion of the CEO's compensation is variable.

The Shareholders' Meeting of 9 April 2009 resolved to make provision for a retirement allowance for the CEO, mandating the Board of Directors to establish the terms and conditions of said allowance.

The remuneration of senior managers has a variable component that depends on the results of each manager's department and on their individual targets.

Internal Control System

1. Internal Audit Committee

The Internal Audit Committee, which was appointed at the meeting of the Board of Directors held on 9 April 2009 after the Shareholders' Meeting upon renewal of the company boards, consists of directors Alberto Giussani (Chairman), Maurizio Dallochio and Marco Tugnolo.

All members of the committee are non-executive directors (most of whom are independent) with sufficient experience in accounting and finance.

As well as the members of the Internal Audit Committee, meetings are attended by the Chairman of the Board of Statutory Auditors (or another statutory auditor designated by said Chairman) and the head of Internal Audit. Depending on the items on the agenda, the meetings may also be attended by the CEO and by representatives from the External Auditors and from management.

During the aforementioned meeting on 9 April 2009, the Board of Directors resolved to assign to the Internal Audit Committee duties pursuant to article 8.C.3 of the Corporate Governance Code. In line with the provisions of the Code, the regulations that govern the committee include rules on its appointments, composition and functioning.

More specifically, pursuant to these regulations, the committee:

- assists the Board of Directors in drawing up guidelines and performing regular checks on the adequacy and functioning of the Internal Control System, with the aim of ensuring that the main business risks are identified, properly measured, managed and monitored;
- examines the working plan and regular reports prepared by the Head of Internal Control;
- assesses the findings of reports by the Head of Internal Control, the Board of Statutory Auditors and the Supervisory Board, as well as of external inspections;
- gives its opinion on nominations and revocations for the role of Head of Internal Control, assesses the person's position within the organisation and ensures that they are independent pursuant to Legislative Decree no. 231/2001 on corporate administrative liability;
- works with the manager responsible for the preparation of the financial statements to assess the correct use of accounting principles and their consistency for the purposes of preparing the consolidated financial statements;

- monitors the efficiency of the audit process and, more specifically, having consulted with the Board of Statutory Auditors, examines: (i) the accounting criteria that are crucial for the correct representation of the Group's economic and financial position; (ii) the alternative accounting treatments provided for by generally accepted accounting principles in relation to material issues discussed with management, with evidence of the consequences of using these alternative treatments and their relative information, as well as the preferred treatments of the auditor; (iii) the contents of any other written communication between the External Auditors and the SEAT Pagine Gialle S.p.A. management and Board of Statutory Auditors; (iv) issues relating to the separate and consolidated financial statements of the main Group companies. To this end, it may request meetings with the person responsible for auditing the SEAT Pagine Gialle S.p.A. financial statements, the SEAT Pagine Gialle S.p.A. management, the senior administrators, chairmen or other members of the boards of statutory auditors or other supervisory bodies (where applicable) of the main Group companies, and the people responsible for auditing the financial statements of these companies;
- assesses the proposals made by the audit firms applying to be the Company's External Auditors, the audit plan and the results set forth in the audit report and in the management letter (where applicable);
- carries out any other duties that may be assigned to it by the Board of Directors;
- assists the Board of Directors in preparing to assess the adequacy of the organisational, administrative and accounting structure of the Internal Control System;
- reports on its activities at least twice a year to the Board of Directors, providing its assessments relating to its areas of responsibility.

The Internal Audit Committee met six times in 2010 and twice in the first few months of 2011. During these meetings, the committee:

- monitored the development of the organisational and operational model of the Internal Audit department;
- examined and assessed the progress of the activities set out in the audit plan for 2010 and the results of measures carried out;
- examined and approved the verification programme for 2011;
- met with the manager responsible for the preparation of the financial statements, senior figures from the Administration, Finance and Control department, the Board of Statutory Auditors and the Partner of the External Auditors to examine the main points of the separate financial statements as at 31 December 2010, the correct use of accounting principles and their consistency for the purposes of preparing the consolidated financial statements;
- met with the Partner of the External Auditors to examine the issues dealt with during auditing;
- met with the management of the company in order to look into issues regarding tax and accounting, in particular how these relate to the methodology used for the impairment test, which was also examined by the auditors;
- examined and assessed the results of the Enterprise Risk Management (ERM) process aimed at defining an integrated approach to identifying, assessing, managing and monitoring corporate risk;
- examined the "Document on the organisational, administrative and accounting structure" prepared by the competent company departments in order to assist the assessment of the Company's corporate governance system, the Group structure and the organisational, administrative and accounting structure of SEAT Pagine Gialle S.p.A. pursuant to article 1.C.1 of the Corporate Governance Code.

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2. Internal control system

2.1) Role of the Board of Directors

Responsibility for the Internal Control System lies with the Board of Directors, which establishes guidelines for internal control and corporate risk management and works with the Internal Audit Committee and the Head of Internal Control to regularly check on the functioning of the system.

In order to raise awareness of controls across the board, the Company has made all levels of the organisational structure responsible for creating and ensuring an efficient Internal Control System, as specified in the Code of Ethics. All employees are therefore responsible for the correct functioning of the control system within their own departments.

Pursuant to article 8.C.1 c) of the Corporate Governance Code, the Board of Directors has assessed the efficiency and effectiveness of the Internal Control System. This assessment was carried out in the form of an evaluation by the Board of the adequacy of the Company's corporate governance system, of the Group structure and of the Company's organisational, administrative and accounting structure.

2.2) Executive Director responsible for the Internal Control System

In accordance with article 8.C.5. of the Corporate Governance Code, the Board of Directors gave the CEO the task of overseeing the functioning of the Internal Control System. Mr Cappellini is therefore responsible for implementing the guidelines drawn up by the Board of Directors, specifically:

- identifying the main corporate risks, taking into account the nature of the business conducted by the issuer and its subsidiaries and regularly putting them before the Board of Directors;
- executing the guidelines established by the Board of Directors in relation to the design, creation and management of the Internal Control System, and constantly checking that this system is adequate, efficient and effective; adapting the system to changing operating, legal and regulatory conditions;
- proposing to the Board of Directors the appointment, revocation and remuneration of one or more Heads of Internal Control.

2.3) Head of Internal Control

The Company's Internal Audit department does not report to any particular operational manager, and it is structured to: (i) verify and ensure that the Internal Control System is efficient and effective and (ii) check that this system provides reasonable guarantees that the Company can achieve its objectives economically and efficiently.

The Head of the Internal Audit department, Francesco Nigri, is a member of the Supervisory Board provided for by the organisational model pursuant to Legislative Decree no. 231/01 (mentioned below) and is also Head of Internal Control.

In accordance with criterion 8.C.5 c) of the Corporate Governance Code, the Head of Internal Control, who does not report to any particular operational manager, was appointed by the Board of Directors upon recommendation from the director charged with overseeing the functioning of the Internal Control System (the CEO, see above), having consulted the Internal Audit Committee. The Board of Directors mandated the CEO to monitor over time the appropriateness of the remuneration of the Head of Internal Control, in keeping with Company policy.

In compliance with article 8.C.6 of the Corporate Governance Code, the Head of Internal Control has been given the following duties:

- check that the Internal Control System is always adequate and fully operational;
- report on his activities to the Internal Audit Committee, the Board of Statutory Auditors and the CEO. More specifically, report on risk management methods and compliance with plans drawn up to mitigate these risks and provide an assessment of the suitability of the Internal Control System to achieve an acceptable overall risk profile.

The head of internal control has access to all necessary information and resources for the purposes of carrying out his duties.

As well as managing the Internal Audit department, the Head of Internal Control works to the plan of action drawn up using risk-based methods and approved by the Internal Audit Committee. This plan of action mainly includes activities related to risk assessment pursuant to Legislative Decree no. 231/2001 and Law no. 262/2005, verification of specific processes, verification upon instruction by management and following up previous interventions.

During 2010, the Head of Internal Control:

- carried out the checks provided for in the year's plan of action;
- reported regularly to the CEO on his activities and the results of his interventions;
- attended all meetings of the Internal Audit Committee, took the minutes at these meetings and presented the results of his interventions;
- attended all meetings of the Supervisory Board, of which he is a member, and meetings of the Board of Statutory Auditors.

2.4) Description of the main characteristics of the system of financial management and internal control in relation to financial disclosure (pursuant to article 123-bis, paragraph 2 b) of the Consolidated Finance Act)

For several years, the Company has developed an Enterprise Risk Management (ERM) process aimed at identifying, measuring and monitoring the main corporate risks.

Management implements ERM in order to:

- identify events that may prevent the Company from reaching its goals, measure the risk that these events pose and set a level of acceptability;
- provide the Board of Directors and management with useful information for defining the Company's operating and organisational strategies;
- provide reasonable confidence that the processes and major controls drawn up are effective and designed to ensure the Company achieves its targets.

With this in mind, a web-based application has been developed to collate, manage and consolidate information. In keeping with international best practice, the identified risks to which the Company is exposed are broken down into four categories: strategic, operating, financial (reporting) and compliance.

The annual process uses self-assessment across the various departments to identify the key activities and controls that can reduce the manifestation of identified risks and/or mitigate their impact. A calculation algorithm, which considers the initial measurement of risk and the effectiveness of the control system in place, gives a residual rating to each risk. The identified risks with a high residual risk rating are brought to the attention of the Internal Control Committee, the Board of Statutory Auditors and the Board of Directors on an annual basis.

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With regard to financial and reporting risks identified during the ERM process, the Company has had a specific process in place for several years which aims to ensure the credibility, accuracy, reliability and timeliness of financial disclosure pursuant to Law no. 262/05. This process involves:

- defining the scope, i.e. a quantitative analysis of the importance of the companies included in the scope of consolidation. This analysis is carried out in the event of significant changes to the scope of consolidation or to the core business of each subsidiary. On the basis of this analysis, it has been determined that, in quantitative terms, the subsidiaries are not currently of significant size;
- identifying the major corporate processes and the risks arising from failing to meet control objectives. This involves quantitative and qualitative analysis of the processes in place and subsequent identification of the most significant ones;
- evaluating controls. With regard to the areas and processes identified at the previous stage, the controls in place are analysed and tested with particular reference to the financial-statement assertions (completeness, existence, rights and obligations, valuation, accuracy, presentation and disclosure). Flowcharts, narratives and control matrices are prepared and updated for each of the above processes. The control matrices identify the major controls, the type of control (automatic or manual), frequency, the person responsible for the process or sub-process and the person responsible for the control;
- identifying, where appropriate, any improvements that could be made to the current Internal Control System in order to ensure better oversight of the areas and processes that are deemed significant in terms of their impact on financial disclosure.

The Internal Audit department carries out these activities on the basis of an annual plan of action. The results and any remedial action identified are submitted to the manager responsible for preparation of the financial statements, the Internal Audit Committee and the Board of Statutory Auditors.

With regard to foreign subsidiaries TDL and Telegate AG, special questionnaires are carried out annually to provide a qualitative assessment of entity-level controls for the high-level components of the Internal Control System at each subsidiary.

If required, the Internal Audit department checks the adequacy of the Internal Control System at the subsidiaries – as part of their administrative and accounting procedures – on the basis of information provided by the Company's management and supervisory bodies.

2.5) Organisation, management and control model pursuant to Legislative Decree no. 231/2001 – Supervisory Board

Since 2004, the Company's "Project 231" has aimed to define an organisational model as provided for by Legislative Decree no. 231/2001 on the subject of corporate administrative liability for crimes committed by senior persons or by those under their management or supervision. As a result of these activities, the following documents, which highlight the procedures and controls in place to reduce the likelihood of the crimes mentioned in said piece of legislation being committed, have been drawn up: the "Group Code of Ethics", the "*Principles and Guidelines of the Organisation, Management and Control Model*" and the "*Organisational Model*".

The Supervisory Board (set up pursuant to Legislative Decree no. 231/2001), which was appointed at the meeting of the Board of Directors held on 9 April 2009 after the Shareholders' Meeting upon renewal of the company boards, consists of Marco Reboa (a university professor of business and economics and a former independent director of the Company), Marco Beatrice (the head of SEAT's Corporate and Legal Affairs department) and Francesco Nigri (the head of SEAT's Internal Audit department). This setup is suitable for enforcing the guidelines contained in the report accompanying Legislative Decree no. 231/2001, giving the Supervisory Board the autonomy, independence, professionalism and continuity required to carry out its business effectively. The Board of Directors has resolved that the Supervisory Board's term of office shall expire at the Shareholders' Meeting called to approve the 2011 financial statements, and that a member of the statutory control body is invited to all meetings of the Supervisory Board.

The Supervisory Board is charged with:

- implementing the model;
- monitoring the effectiveness of the model to ensure that conduct within the Company corresponds to the established organisational, management and control model;
- monitoring the effectiveness of the model by checking the suitability of the system designed to prevent the crimes mentioned in the above legislation;
- updating the model to implement appropriate modifications following environmental and/or organisational changes at the Company;
- monitoring application of the Code of Ethics.

More specifically, the Supervisory Board's duties are:

- monitoring the effectiveness of the model by implementing the appropriate control procedures;
- monitoring how effectively unlawful behaviour is prevented;
- checking that the specific requirements remain in place by encouraging the updating of the model where necessary;
- encouraging and contributing, together with other relevant parties, to the continual updating and adaptation of the model and of the system for monitoring implementation of the model;
- ensuring the relevant flows of information;
- ensuring cooperation with the Supervisory Boards of other subsidiaries;
- establishing a monitoring programme for the various business segments, in keeping with the principles of the model;
- ensuring implementation of scheduled and unscheduled control interventions;
- notifying the relevant departments of violations to the model and monitoring, together with the Human Resources department, the application of disciplinary action.

When carrying out its duties, the Supervisory Board has unlimited access to company information for investigations, analysis and control.

During 2010, the Supervisory Board continued its ordinary activities. During the opening months of 2011, it updated the Organisational Model and the Principles and Guidelines of the Model in light of regulatory changes concerning new crimes introduced to Legislative Decree no. 231/2001. These updates were brought to the attention of the Board of Directors for purposes of its subsequent decisions.

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External Auditors

Pursuant to article 159 of the Consolidated Act, the Ordinary Shareholders' Meeting of 27 April 2006 mandated the External Auditors Reconta Ernst & Young S.p.A. to conduct the full audit of the Company's separate and consolidated financial statements for 2006-2011 and the limited audit of the interim reports to 30 June for 2006-2011, and to verify that the Company's accounts are kept correctly and that the accounting entries accurately reflect operations in the said years.

Manager responsible for preparation of the financial statements (pursuant to article 154-bis of the Consolidated Finance Act)

In accordance with article 154-bis of Legislative Decree no. 58/98, which was introduced by the "Legge Risparmio" (Savings Law), the Extraordinary Shareholders' Meeting of 19 April 2007 resolved to modify article 19 of the Articles of Association to give the Board of Directors (subject to the approval of the Board of Statutory Auditors) the power to nominate and revoke the manager responsible for preparation of the financial statements (hereinafter the "Finance Director") and to determine his term of office. Finance Directors must have at least three years' experience in a position of sufficient administrative and/or financial responsibility at the Company or at another company that is comparable in size or organisational structure.

During the meeting of the Board of Directors held on 9 April 2009 after the Shareholders' Meeting upon renewal of the company boards, Massimo Cristofori (head of the Company's Administration, Finance and Control department) was confirmed in the role of "Manager responsible for preparation of the financial statements" since his position complies fully with the technical and professional requirements pursuant to article 154-bis no. 3 of the Consolidated Finance Act and to the final paragraph of article 19 of the Articles of Association. The Board of Statutory Auditors approved Mr Cristofori's appointment. His term of office expires at the Shareholders' Meeting called to approve the financial statements to 31 December 2011.

The Board also resolved that the Finance Director shall exercise the powers and have the resources to effectively perform his duties pursuant to the aforementioned article 154-bis of Legislative Decree no. 58/98. The Finance Director reports at least twice a year on the methods used to manage and control the preparation of the financial statements, on any critical issues encountered during the reporting period and on the adequacy of the structure and the resources made available.

The Finance Director plays a crucial role in reinforcing the Company's Internal Control System, particularly with reference to the internal process of preparing the draft financial statements and, in general, to the main documents disclosing information on the Company's financial situation.

Board of Statutory Auditors

The Board of Statutory Auditors consists of three acting auditors and two alternate auditors. They are appointed by the Shareholders' Meeting, which also sets their remuneration (article 22 of the Articles of Association).

As indicated above, on 19 October 2010 the Board of Directors approved changes to the Articles of Association in order to comply with the compulsory measures contained in Legislative Decree no. 27/10, which transposed into national law Directive 2007/36/EC (relating to the rights of shareholders of listed companies).

In light of these changes, article 22 of the Articles of Association now states that all statutory auditors must be entered in the Register of Statutory Auditors pursuant to chapter 3 of Legislative Decree no. 39⁽²⁾ of 27 January 2010 and must have been a statutory auditor for at least three years.

Lists may be presented only by shareholders who individually or jointly hold shares with voting rights representing at least 2% of the voting capital in the Ordinary Shareholders' Meeting, which is the minimum established by Consob pursuant to article 147-ter I C of Legislative Decree no. 58/1998.

Lists must be submitted to the Company's registered office at least 25 days before the Shareholders' Meeting that will appoint the Board of Statutory Auditors. In order to prove ownership of the aforementioned rights, copies of ownership certificates issued by authorised intermediaries must be submitted to the Company's registered office before the list publication deadline. Lists may not include candidates who do not fulfil the reputational and professional requirements established by law.

Outgoing statutory auditors may be re-elected.

Within the same deadline, each list must be accompanied by the CVs of nominees and personal statements in which each candidate accepts their nomination, declaring that they are eligible and suitable for election and that they fulfil the requirements of law and the Articles of Association to become a statutory auditor.

More information on the list vote used to appoint the Board of Statutory Auditors can be found in article 22 of the Articles of Association and in the Report on Corporate Governance and Shareholder Structure (referred to in the introduction). This document provides information on the list presented upon renewal of the company boards.

List presented for appointment of the Board of Statutory Auditors (disclosure pursuant to article 144-sexies of the Consob Issuers' Regulation)

During the Ordinary Shareholders' Meeting of 9 April 2009, and in accordance with applicable legislation, information was provided and documentation was prepared pursuant to article 144-sexies, paragraph 4 of the Consob Issuers' Regulation. As described earlier in relation to the Board of Directors, the shareholders who presented the list were highlighted, as was their combined percentage shareholding (in this case, Sterling Sub Holdings S.A., which at the time – before the completion of the aforementioned capital increase - held 6,089,855 ordinary shares, giving it voting rights equal to 14.837% of the ordinary share capital).

The Company promptly made information on the presented list available to the public on its website. With reference to the provisions of article 144-octies, paragraph 2 of the Consob Issuers' Regulation, the Company gave notice that no minority shareholders' lists were submitted before the deadline for submitting nominations for the Board of Statutory Auditors (23 March 2009). Pursuant to article 144-sexies, paragraph 5 of said Issuers' Regulation, notice was given that additional nomination lists for the Board of Statutory Auditors could be submitted no later than 30 March 2009 and that the statutory shareholding threshold required to present a list had been halved to 1% of the voting capital in the Ordinary Shareholders' Meeting.

Pursuant to articles 14 and 22 of the Articles of Association, the shareholder Sterling Sub Holdings S.A. published a list of candidates for the Board of Directors and the Board of Statutory Auditors within the established timeframe.

⁽²⁾ Among other things, Legislative Decree no. 39 of 27 January 2010 (which transposed European directive 2006/43/EC into national law) on statutory audits replaced the term "controllo contabile" ("auditing") with "revisore legale dei conti" ("statutory auditor").

As a result of this, the name of the register was also changed.

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The Shareholders' Meeting of 9 April 2009 appointed the Board of Statutory Auditors for 2009-2011, re-electing all previous members.

Personal and professional information on the statutory auditors can be found on the Company's website and in the Report on Corporate Governance and Shareholder Structure (referred to in the Introduction).

Shareholders' Meeting

As mentioned previously in the sections on appointing the Board of Directors and the Board of Statutory Auditors, Legislative Decree no. 27 of 27 January 2010 transposed into national law European directive no. 2007/36/EC on the rights of shareholders of listed companies. The decree modified articles 2366/2373 of the Italian Civil Code and brought about significant changes to Legislative Decree no. 58 of 2008 (Consolidated Finance Act), introducing important new measures for listed companies, particularly with regard to the activities of shareholders' meetings.

In light of this new legislation, article 8 of the Articles of Association, as amended by the Board of Directors on 19 October 2010, now states that those with voting rights, and who are eligible by law, may address the Shareholders' Meeting in accordance with the established methods and timeframes⁽³⁾. Each person with voting rights who is entitled to address the Shareholders' Meeting may be represented by written proxy in accordance with the law. The proxy may be issued to a natural or legal person. Notification of the proxy may take place electronically via the relevant section of the Company's website, as described in the notice of convocation, or by certified e-mail sent to the address mentioned in the notice of convocation.

Pursuant to the new text of article 10 of the Articles of Association, convocation of the Shareholders' Meeting to be held at the Company's registered office or elsewhere in Italy occurs by notice published under the methods and timeframes stipulated by law; the new provisions specify that the notice of convocation of Shareholders' Meetings must be published on the Company's website.

The Board of Directors will ask the forthcoming Extraordinary Shareholders' Meeting to introduce to the aforementioned articles 8 and 10 of the Articles of Association the optional changes pursuant to Legislative Decree no. 27/2010. More information can be found in the Directors' Report, which will be made available under the methods and timeframes stipulated by law.

The directors will make every effort to facilitate shareholder participation. Where possible, all directors and statutory auditors (especially the directors whose role dictates that they can make a valuable contribution to discussions) attend the Shareholders' Meetings.

The documentation for the Shareholders' Meeting is sent to all shareholders who request it, and can be sent by e-mail. Information can also be received by phone.

⁽³⁾ The new provisions state that persons who appear as shareholders seven days before the Shareholders' Meeting are entitled to vote at said meeting. Since ownership of the shares may change in the seven days leading up to the Shareholders' Meeting, it is not necessarily correct to speak of "shareholders"; such persons should therefore be referred to as "those with voting rights".

Shareholders' Meetings in 2010

The Special Savings Shareholders' Meeting, which was held on second convocation on 20 April 2010, appointed Stella D'Atri as common representative of this category of shareholders for 2010, 2011 and 2012.

On 21 April 2010, the Ordinary Shareholders' Meeting was held on second convocation and resolved:

- to approve the separate financial statements of SEAT Pagine Gialle S.p.A. as at 31 December 2009;
- to appoint Alberto Cappellini and Marco Tugnolo to the Board of Directors. As mentioned earlier, the two men were co-opted in 2009 following the resignation of Luca Majocchi and Marco Lucchini;
- to supplement the fee to be paid to the External Auditors in consideration of the increased activities pursuant to Legislative Decree no. 173/2008.

Shareholder relations (article 11 of the Corporate Governance Code)

In accordance with the principles of article 11 of the Corporate Governance Code, pursuant to which the Board of Directors promotes initiatives to encourage the maximum possible participation of shareholders at Shareholders' Meetings and to facilitate the exercise of shareholders' rights, the Shareholders' Meetings are always held at the Company's secondary site in Turin.

Dedicated departments look after relations with the national and international financial communities (Investor Relations) and with shareholders (Legal and Corporate Affairs).

During 2010, the Investor Relations department organised many informal meetings with the market (analysts, institutional investors and representatives of the financial community), through conference calls and road shows to discuss quarterly results and the bond issues, in January and October, and through industry conferences.

These events are supplemented by day-to-day meetings and conference calls with shareholders, analysts and institutional investors.

In order to further encourage dialogue with financial-market operators, the Company has put the following on its website: all economic and financial documents (annual, half-yearly and quarterly reports); support documentation (presentations to the financial community); a special Corporate Governance section (including documents on the Company's governance system, information on company boards and reports and materials for Shareholders' Meetings); and Company press releases, all in both Italian and English. The website also has a section with general information for shareholders and real-time Group share prices.

Agreements known to the Company pursuant to article 122 of the Consolidated Finance Act

The Company is aware of the following shareholder agreements in its regard:

- a) the shareholder pact of 30 July 2003, as amended with an addendum of 24 March 2004, an amendment of 21 December 2006 and a further addendum of 13 September 2007, between the closed-ended investment funds that have an indirect stake in the ordinary share capital of SEAT Pagine Gialle S.p.A. (the "Funds"), each by way of

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special-purpose vehicles under Luxembourg law. This shareholder pact includes provisions relating to (i) the composition and resolutions of the Board of Directors of SEAT Pagine Gialle S.p.A. and its subsidiaries as well as the resolutions of the SEAT Pagine Gialle S.p.A. Shareholders' Meeting; (ii) the establishment of a non-transfer clause on the SEAT Pagine Gialle S.p.A. shares held by the Funds through their respective vehicles as well as on the stakes held by the Funds in the vehicles themselves. On 20 March 2007, the shareholder pact of 30 July 2003 was renewed under the same terms and conditions. According to what was agreed on 20 March 2007, the pact was therefore due to expire on the earlier of the following dates: (i) three years after 20 March 2007 (or five years if the Company's ordinary shares are no longer listed after three years); or (ii) the date when the pact parties sell their entire direct or indirect investment in the Company;

- b) the agreement of 23 December 2008 between the Funds, by which they agreed to carry out - subject to certain conditions - a transaction aimed at achieving a total restructuring of the shareholdings held by the Funds in SEAT Pagine Gialle S.p.A. by selling the majority of the stake held by BCP Investors to Alfieri Associated Investors Servicos de Consultoria S.A. and CVC Silver Nominee Limited, with the subsequent withdrawal of BCP Investors from the pact;
- c) the agreement of 29 April 2009 between the Funds (with the exception of BCP Investors) by which they changed the governance provisions in light of the withdrawal from the pact of BCP Investors and the resulting reduction in their number from four to three, and agreed the renewal as of 29 April 2009 of the shareholder pact referenced in point (a) until the earlier of the following dates: (i) three years after 29 April 2009 (or five years if the Company's ordinary shares are no longer listed after three years); or (ii) the date when the pact parties sell their entire direct or indirect investment in the Company.

All these agreements were the subject of regular communication pursuant to article 122 of Legislative Decree no. 58/1998 and related implementation measures, including by publication of extracts in: (i) "La Repubblica" of 9 August 2003, relating to the shareholder pact of 30 July 2003, (ii) "La Repubblica" of 30 March 2004, relating to the addendum of 24 March 2004, (iii) "La Repubblica" of 28 December 2006, relating to the amendment of 21 December 2006, (iv) "La Repubblica" of 23 March 2007, relating to the renewal of the shareholder pact of 20 March 2007; (v) "La Repubblica" of 26 October 2007, relating to the addendum of 13 September 2007; (vi) "La Repubblica" of 31 December 2008, relating to the agreement of 23 December 2008; (vii) "La Repubblica" of 9 May 2009, relating to the agreement of 29 April 2009. A further extract was published in "Il Sole 24 Ore" of 17 December 2004 on the completion of certain corporate restructuring operations carried out as a result of the addendum of 24 March 2004.

The shareholder pact of 30 July 2003 was filed with the Milan Companies Register Office on 13 August 2003. The addendum of 24 March 2004 was filed with the Milan Companies Register Office on 1 April 2004. The amendment of 21 December 2006 was filed with the Milan Companies Register Office on 22 December 2006. The shareholder pact renewal of 20 March 2007 was filed with the Milan Companies Register Office on 21 March 2007. The addendum of 13 September 2007 was filed with the Milan Companies Register Office on 19 September 2007. The agreement of 23 December 2008 was filed with the Milan Companies Register Office on 7 January 2009. The agreement of 29 April 2009 was filed with the Milan Companies Register Office on 14 May 2009.

→ Environmental sustainability

Environmental sustainability in the EU is governed by several directives on waste and hazardous waste, packaging and packaging waste in general, but nothing specific on paper or directories. Not even the recent "Ecolabel" directive (no. 2009/125/EC, published in no. 285 of the Official Journal of the European Union on 31 October 2009), which created a certification system for production processes in the paper industry, provided specific rules on directories.

Directive 2008/98/EC on waste was transposed into national law by Legislative Decree no. 205/2010 of 10 December 2010, which appeared in Italy's own Official Journal. The key change for SEAT Pagine Gialle S.p.A. was that telephone directories could now be collected directly by the bailor as such waste was not classified as hazardous. This decree enabled the Company to overcome a problem relating to the collection of copies destined for pulp which emerged in 2008 following a restrictive interpretation of the so-called Ronchi Decree. This interpretation made it impossible for distributors without special hazardous waste collection equipment to recover used directories, entrusting collection instead to the recycling systems of individual municipalities.

SEAT Pagine Gialle S.p.A. has a tradition of caring for the environment and using paper sensibly. For years, the paper used to print the Company's directories has been 30-40% recycled, a figure that puts SEAT Pagine Gialle S.p.A. third among Europe's directory services providers. The paper mills from which the Company buys its paper have implemented reforestation procedures in the areas used for cellulose production.

SEAT Pagine Gialle S.p.A.'s commitment to the environment also saw it sign up to the corporate governance code "European Declaration on Paper Recycling 2006-2010" as a member of the European Association of Directory Publishers (http://www.erpa.info/images/EDPR_Annual_Report_WEB.pdf).

This code sets a series of goals in terms of recycling materials used in the production of directories and committing to the use of environmentally sustainable materials (<http://www.erpa.info/european0.html>).

Since the end of 2009, SEAT Pagine Gialle S.p.A. has been one of the promoters of a pan-European project and part of a pool of operators and associations representing the entire paper industry.

This project, under the single brand "Print Power", can be broken down into two initiatives aimed at proving to the market that printed products are sustainable, in terms of both their advertising effectiveness and their environmental impact:

- *"Print Power"* is an advertising campaign that highlights the effectiveness of specific qualities of printed materials (to reinforce or complement campaigns online or in other media). It is aimed at advertising investment decision-makers in companies, media centres and advertising agencies. The multi-subject campaign was launched in September 2010. Thanks to the provision of free pages by all project participants, it has already appeared 120 times in national newspapers, magazines and specialist publications.
- *"Two Sides - the green side of paper"* is an information campaign on the environmental sustainability of the paper industry. It uses facts and figures to overcome certain stereotypes about the presumed negative impact that this material has on the environment. Two Sides has a broad target audience of individuals. The campaign was launched at the end of 2010 with a page in the Rome, Naples and Palermo editions of PAGINEBIANCHE®. Direct marketing and social network communications are scheduled to begin in 2011.

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In keeping with its commitment to sustainability, SEAT was a founding member of “LOW IMPACT – be committed” in 2010. Low Impact is a non-profit organisation where all stakeholders work together through the use of blogs and social media: companies, institutions, associations and consumers. In order to ensure quality and commitment, the organisation has a high-profile science committee and has drawn up a set of sector-based rules to which each member must sign up (indicating their own level of current and future commitment to themes such as transport, water and energy consumption). The organisation was officially launched at a press conference on 27 October 2010.

→ Social responsibility

SEAT Pagine Gialle: a leading operator and partner

As a European leader in multimedia telephone directory publishing and a major provider of online marketing services for companies, SEAT Pagine Gialle S.p.A. is a point of reference for Italy's social and economic fabric.

For more than 80 years, the Company has offered consumers and businesses tools for getting to know people and getting yourself known - products that create relationships between buyers and sellers. As a true driver of relationships that is able to meet the requirements of citizens and businesses alike, the Group believes innovation is strategic for sustainable growth. That is why SEAT Pagine Gialle S.p.A. has long been at the forefront of initiatives that promote technological innovation, culture, training and research, commitment and active participation in society. SEAT Pagine Gialle S.p.A. is aware of the importance of synergies between national institutions, local authorities and businesses, so in 2010 it continued to team up with public and private partners to promote projects and events ranging from art to tourism, and from scientific research to social solidarity.

More specifically, in 2010 SEAT Pagine Gialle S.p.A. signed preferential agreements with leading industry associations and universities to ensure it is at the forefront of programmes to revitalise the economy. These initiatives include:

- **Partnership with the Unione Industriale di Torino (Employers' Association of Turin):** a memorandum of agreement was signed in September for the PMInt project, designed and coordinated by U.I. – Piccola Industria (U.I. – Small Business). This pilot project of around nine months uses tutoring with selected partners to encourage the internationalisation of the average business in the Piedmont region. SEAT Pagine Gialle S.p.A. identifies the company's online communication strategy, including setting up a website;
- **Draft agreement between SEAT Pagine Gialle S.p.A., the Polytechnic University of Turin and the Ministry for Innovation:** on 5 January 2011, an agreement was signed for the creation of a mobile application aimed at promoting the launch of new services for SMBs and citizens, involving new technologies and encouraging a more transparent and simple public sector. The research activity will take place over around eight months, with a mixed team of researchers from the Polytechnic University of Turin coordinated by a few managers from SEAT's Web&Mobile Business Unit.

SEAT Pagine Gialle outreach

The “Osservatori” (“Observatories”) project, which began in 2005, continued in 2010 to share data held by SEAT Pagine Gialle S.p.A. with a wider audience, reinforcing the reputation and authority of the Company in the region with newspaper editors and opinion leaders. Using its privileged view of the trends underlying Italy’s social and economic fabric, SEAT Pagine Gialle S.p.A. aims to spread “useful knowledge” among businesses and the public.

The major activities in 2009 were:

- *Furniture Observatory*: conducted in conjunction with the Milano Fiera furniture trade fair, this observatory analysed all searches in the furniture industry, from the most popular stores (led by Ikea) to design studios;
- *Mobile Consumption Observatory*: based on calls to the 89.24.24 Pronto PAGINEGIALLE® service, this observatory analysed the different types of request at certain times of the year, highlighting the most popular ones (e.g. restaurants, public utilities and supermarkets that are open on public holidays).

Passione Italia and Gemine Muse



In March 2010, SEAT Pagine Gialle S.p.A., together with the Italia 150 Committee, and with partners FIAF (the Italian Federation of Photographic Associations), Nital (the official Italian distributor of Nikon products) and Epson, launched the “Passione Italia” project, a major photography competition celebrating 150 years since the unification of Italy. The project was immediately backed by the UPI (Italian Provincial Union) and also received sponsorship from the Culture, Youth and Tourism Ministries, the Prime Minister's own technical committee on the unification anniversary celebrations and many other Italian provinces and municipalities (a full list can be found at www.passioneitalia.it).

Its aim is to find the people, places and professions that make our country one of the most fascinating in the world, getting the most out of our cultural heritage and rediscovering an Italian identity that is mindful of tradition but also looks to the future.

More than 28,000 photos were entered into the competition, and they have been seen by around 2 million people.

Passione Italia involved both amateur and professional photographers who captured a small slice of Italy and shared it online at www.passioneitalia.it. The winning photos, selected on the basis of number of votes and the opinion of a technical panel, were published on the special-edition covers of 53 million volumes of PAGINEBIANCHE®, PAGINEGIALLE® and Tuttocittà® distributed in all Italian provinces in 2011.

SEAT Pagine Gialle S.p.A. also continued to support “Gemine Muse”, the national initiative aimed at promoting young artists and their creativity by displaying their work in places that are part of Italy’s artistic and historical heritage.

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Tuttocittà® for the promotion of Italy's cultural heritage

The incredible streetview technology of www.tuttocitta.it makes it possible to walk around more than 240 locations across Italy and discover our precious cultural and artistic heritage. The application was used for the Casa dei Gladiatori di Pompei (Pompeii Gladiators' House), meaning it is still possible to see the 12 kilometres of roads and monuments when they were still intact. You can also stroll through the centre of L'Aquila and see what the city was like before the terrible earthquake it suffered in 2009.

SEAT Pagine Gialle S.p.A. is always keen to promote Italian heritage, and it uses this technology to contribute to the conservation of a precious part of Italy's artistic and cultural heritage that people can continue to enjoy.

Practical guide to the Turin Shroud Exposition

SEAT Pagine Gialle S.p.A. launched a special edition of TuttoCittà® to commemorate the Turin Shroud Exposition: a free practical guide was made available, from 10 April to 23 May, to provide information to the 2 million-plus pilgrims that came to Turin on the initiatives and services offered by the city during that period, including ways to visit the exposition, transport, city maps, exhibitions and bookings.

Visual Italy and the Puglia website

Visual Italy is a multimedia platform based on the most advanced web technologies - an innovative tourism promotion project. Following in the footsteps of Lombardy with its regional multimedia map featuring 500 points of interest, the Puglia region also decided to adopt the Visual Italy technology. The tourist website *Viaggiare in Puglia* (Travel in Puglia) was launched in conjunction with the 30th International Tourism Exchange: 1,000 kilometres in which to discover the trulli in Alberobello, the Murgia plateau at Rocorotondo, the monastery at Santo Stefano and the other places that make up Puglia's artistic and cultural heritage.

Future Cup

The Future Cup initiative, promoted by the Regional Educational Office and organised by the Turin Business Administration Company and the Dr. Schola association, is designed to educate fourth-year high-school students. The event, which involved seven high schools and as many businesses and associations, was staged in collaboration with the Turin Chamber of Commerce, API, ASCOM, CronacaQui, Extracampus, Scienza della Formazione, Suism, Cus Torino and Unione Industriale.

The students were split into teams, each one led by a tutor from the SAA, and they created an integrated multimedia marketing plan for the launch, for example, of a new product or offer. This gave them the chance to get direct understanding of the importance of roles, objectives and business processes.

The prize-giving ceremony took place on 1 June at the Torino Incontra conference centre.

Social-solidarity initiatives

Practical guide for citizens - "Non c'è cura senza cuore"

The publishing initiative "Non c'è cura senza cuore" ("There's no cure without a heart"), promoted by the Piedmont regional authorities in collaboration with the local health authorities and regional hospitals, continued in 2010. The guide, which was launched in 2009 to provide citizens with essential information on the services provided by the health authorities and hospitals in their region, was created by SEAT Pagine Gialle S.p.A. and nearly 2 million copies were distributed in 12 editions to all Piedmont households along with the residential PAGINEGIALLE®. Several thousand copies were made available at strategic public information points.

The initiative has proved very popular with the people of Piedmont.



Pagine della Salute – Health Observatory

The distribution of the "Pagine della Salute" ("Health Pages") guide inside PAGINEBIANCHE® directories was completed in April 2010. Around 24 million volumes were distributed across Italy from May 2009 with the Milan urban edition.

The guide was created by the Ministry of Employment, Health and Social Policies to bring into people's homes some general advice on how to deal with medical emergencies and common illnesses. The document also provides helpful lifestyle suggestions in the form of short sections on preventing smoking and alcohol abuse, encouraging exercise and eating healthily. To coincide with the distribution of the PAGINEBIANCHE® directories, SEAT Pagine Gialle launched the communication initiative "Osservatorio Salute" ("Health Observatory") across the 103 Italian provinces to provide Italians with a snapshot of their public and private health services in the form of press releases taken up by the main national and local media.

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SEAT Pagine Gialle side by side with people affected by natural disasters

SEAT Pagine Gialle encouraged its employees to raise money to help the people of Haiti who were affected by last year's devastating earthquake. More than € 14,000 was raised and sent to the Order of Camillian Fathers, the only health organisation still active. SEAT Pagine Gialle also promoted the 45502 number set up by the Veneto regional authorities to raise money to deal with the emergency in the region and begin reconstruction work in the wake of the floods last December. Until the end of January 2011, it was possible to donate money online by clicking on banners on the www.seat.it and PAGINEGIALLE.it® websites.



Torino 2011/2012

Casa

PAGINEGIALLE®



Verso il futuro foto di Renzo Miglio, vincitore del concorso ArticoloUno

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Consolidated financial statements



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Introduction

The amount relating to the transaction costs on the loan with Lighthouse International Company S.A. has been adjusted with reference to the amount not yet amortised as at 31 December 2008. The figures in the statement of financial position as at 31 December 2009 have therefore been restated in accordance with the provisions of IAS 8, with a view to applying the amortised cost method provided for by IAS 39 more accurately thanks to the use of more reliable calculation methods than those used on 31 December 2008.

Since the amounts recorded in the statement of operations differ slightly from the aforementioned recalculation, the adjustment has had an impact mainly on the statement of financial position, and in particular has affected equity (an increase of € 5,185 thousand) and non-current financial debts to third parties (a reduction of € 5,185 thousand), as described in more detail in point 5 of the explanatory Notes to the consolidated financial statements.

➤ Consolidated statement of financial position as at 31 December 2010

Assets

(euro/thousand)	As at 31.12.2010	As at 31.12.2009 restated	Change	Notes
Non-current assets				
Intangible assets with indefinite useful life	2,637,197	3,309,436	(672,239)	(6)
Intangible assets with finite useful life	91,240	119,169	(27,929)	(8)
Property, plant and equipment	32,217	37,207	(4,990)	(9)
Leased assets	56,445	60,173	(3,728)	(10)
Investments in associates and joint ventures	378	343	35	(11)
Other non-current financial assets	2,284	2,203	81	(12)
Deferred tax assets, net	36,666	40,562	(3,896)	(32)
Other non-current assets	746	993	(247)	(15)
Total non-current assets	(A) 2,857,173	3,570,086	(712,913)	
Current assets				
Inventories	10,399	10,482	(83)	(13)
Trade receivables	613,088	621,601	(8,513)	(14)
Current tax assets	4,300	8,376	(4,076)	(32)
Other current assets	62,401	64,973	(2,572)	(15)
Current financial assets	1,498	1,918	(420)	(19)
Cash and cash equivalents	241,728	291,991	(50,263)	(19)
Total current assets	(B) 933,414	999,341	(65,927)	
Non-current assets held for sale and discontinued operations	(C) -	329	(329)	(33)
Total assets	(A+B+C) 3,790,587	4,569,756	(779,169)	

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Liabilities

(euro/thousand)	As at 31.12.2010	As at 31.12.2009 restated	Change	Notes
Equity of the Group				
Share capital	450,266	450,266	-	(16)
Additional paid-in capital	466,843	466,843	-	(16)
Reserve for foreign exchange adjustments	(38,583)	(38,445)	(138)	(16)
Reserve for "cash flow hedge" instruments	(12,608)	(22,214)	9,606	(16)
Reserve for actuarial gains (losses)	(18,578)	(17,331)	(1,247)	(16)
Other reserves	177,866	216,274	(38,408)	(16)
Profit (loss) for the year	(667,366)	(38,041)	(629,325)	
Total equity of the Group	(A) 357,840	1,017,352	(659,512)	(16)
Non-controlling interests				
Share capital and reserves	15,176	18,478	(3,302)	
Profit (loss) for the year	1,691	3,433	(1,742)	
Total non-controlling interests	(B) 16,867	21,911	(5,044)	(16)
Total equity	(A+B) 374,707	1,039,263	(664,556)	
Non-current liabilities				
Non-current financial debts to third parties	1,327,196	1,125,960	201,236	(19)
Non-current financial debts to associates	1,276,023	1,270,052	5,971	(19)
Non-current reserves to employees	38,641	42,896	(4,255)	(22)
Deferred tax liabilities, net	10,368	14,028	(3,660)	(32)
Other non-current liabilities	36,579	29,827	6,752	(24)
Total non-current liabilities	(C) 2,688,807	2,482,763	206,044	
Current liabilities				
Current financial debts to third parties	308,789	597,948	(289,159)	(19)
Current financial debts to associates	17,375	30,901	(13,526)	(19)
Trade payables	224,326	228,947	(4,621)	(26)
Payables for services to be rendered and other current liabilities	80,043	100,493	(20,450)	(26)
Reserve for current risks and charges	45,637	49,928	(4,291)	(25)
Current tax payables	50,653	39,258	11,395	(32)
Total current liabilities	(D) 726,823	1,047,475	(320,652)	
Liabilities directly associated with non-current assets held for sale and discontinued operations	(E) 250	255	(5)	(33)
Total liabilities	(C+D+E) 3,415,880	3,530,493	(114,613)	
Total liabilities and equity	(A+B+C+D+E) 3,790,587	4,569,756	(779,169)	

From the 1st January 2010 in accordance to IAS 39 "Time value", as a part of cash flow hedge instruments, has been booked in the statement of operations. Interest expenses of the year 2009 have been restated.

➤ Consolidated statement of operations for 2010

(euro/thousand)	Year 2010	Year 2009	Change		Notes
			Absolute	%	
Sales of goods	19,961	22,300	(2,339)	(10.5)	(28)
Rendering of services	1,090,688	1,187,521	(96,833)	(8.2)	(28)
Revenues from sales and services	1,110,649	1,209,821	(99,172)	(8.2)	(28)
Other income	4,860	4,654	206	4.4	(29)
Total revenues	1,115,509	1,214,475	(98,966)	(8.1)	
Costs of materials	(37,080)	(45,408)	8,328	18.3	(29)
Costs of external services	(352,835)	(360,758)	7,923	2.2	(29)
Salaries, wages and employee benefits	(200,079)	(218,176)	18,097	8.3	(29)
Other valuation adjustments	(35,605)	(48,745)	13,140	27.0	(14)
Provisions to reserves for risks and charges, net	(2,666)	(9,257)	6,591	71.2	(24-25)
Other operating expenses	(3,754)	(4,530)	776	17.1	
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net	483,490	527,601	(44,111)	(8.4)	
Amortisation, depreciation and write-downs	(750,637)	(252,160)	(498,477)	n.s.	(6-8-9-19)
Non-recurring costs, net	(9,187)	(15,740)	6,553	41.6	(29)
Restructuring costs, net	(31,517)	(13,973)	(17,544)	n.s.	(29)
Operating result	(307,851)	245,728	(553,579)	n.s.	
Interest expense	(270,527)	(241,306)	(29,221)	(12.1)	(30)
Interest income	16,568	26,423	(9,855)	(37.3)	(30)
Gain (loss) on investments accounted for at equity	35	36	(1)	(2.8)	
Profit (loss) before income taxes	(561,775)	30,881	(592,656)	n.s.	
Income taxes for the year	(104,007)	(54,173)	(49,834)	(92.0)	(32)
Profit (loss) on continuing operations	(665,782)	(23,292)	(642,490)	n.s.	
Profit (loss) from non-current assets held for sale and discontinued operations	(240)	(12,337)	12,097	98.1	(33)
Profit (loss) for the year	(666,022)	(35,629)	(630,393)	n.s.	
- of which pertaining to the Group	(667,366)	(38,041)	(629,325)	n.s.	
- of which non-controlling interests	1,344	2,412	(1,068)	(44.3)	

From the 1st January 2010 in accordance to IAS 39 "Time value", as a part of cash flow hedge instruments, has been booked in the statement of operations. Interest expenses of the year 2009 have been restated.

	As at 31.12.2010	As at 31.12.2009
Number of SEAT Pagine Gialle S.p.A. shares	1,927,707,706	1,927,707,706
- ordinary shares	No. 1,927,027,333	1,927,027,333
- savings shares	No. 680,373	680,373
Profit (loss) for the year	€/thousand (667,366)	(38,041)
Profit (loss) par share	€ (0.346)	(0.028)

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➤ Consolidated statement of comprehensive income

(euro/thousand)		Year 2010	Year 2009	Change
Profit (loss) for the year	(A)	(666,022)	(35,629)	(630,393)
Profit (loss) for "cash flow hedge" instruments		9,606	(11,283)	20,889
Profit (loss) for foreign exchange adjustments		(138)	6,798	(6,936)
Actuarial gain (loss) recognised to equity		(1,247)	(15,776)	14,529
Total other comprehensive profit (loss) for the year, net of tax effect	(B)	8,221	(20,261)	28,482
Total comprehensive profit (loss) for the year	(A+B)	(657,801)	(55,890)	(601,911)
- of which pertaining to the Group		(659,145)	(58,302)	(600,843)
- of which non-controlling interests		1,344	2,412	(1,068)

➤ Consolidated statement of cash flows for 2010

(euro/thousand)	Year 2010	Year 2009	Change
Cash inflow (outflow) from operating activities			
Operating result	(307,851)	245,728	(553,579)
Amortisation, depreciation and write-downs	750,637	252,160	498,477
Cost for stock options	60	227	(167)
(Gains) losses on disposal of non-current assets	(845)	264	(1,109)
Change in working capital	(25,120)	(1,614)	(23,506)
Income taxes paid	(85,362)	(108,761)	23,399
Change in non-current liabilities	2,694	(12,417)	15,111
Foreign exchange adjustments and other movements	(246)	535	(781)
Cash inflow (outflow) from operating activities	(A) 333,967	376,122	(42,155)
Cash inflow (outflow) for investments			
Purchase of intangible assets with finite useful life	(34,131)	(44,984)	10,853
Purchase of property, plant and equipment	(6,213)	(6,959)	746
Other investments	(193)	(673)	480
Proceeds from disposal of non-current assets	1,425	104	1,321
Cash inflow (outflow) for investments	(B) (39,112)	(52,512)	13,400
Cash inflow (outflow) for financing			
Non-current loans proceeds	716,799	-	716,799
Repayment of non-current loans	(819,245)	(303,910)	(515,335)
Payment of transaction financial costs	(26,557)	(3,724)	(22,833)
Paid interest expense, net	(196,436)	(196,651)	215
Change in financial assets and debts	(12,710)	(19,673)	6,963
Increase in share capital	-	193,519	(193,519)
Distribution of dividends	(3,365)	(3,365)	-
Share buy-back by Telegate AG	(3,364)	-	(3,364)
Cash inflow (outflow) for financing	(C) (344,878)	(333,804)	(11,074)
Cash inflow (outflow) from non-current assets held for sale and discontinued operations	(D) (240)	(2,417)	2,177
Increase (decrease) in cash and cash equivalents in the year	(A+B+C+D) (50,263)	(12,611)	(37,652)
Cash and cash equivalents at beginning of the year	291,991	304,602	(12,611)
Cash and cash equivalents at end of the year	241,728	291,991	(50,263)

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➤ Consolidated statement of changes in equity for 2010

(euro/thousand)	Share capital	Additional paid-in capital	Reserve for foreign exchange adjustments	Reserve for "cash flow hedge" instruments	Reserve for actuarial gains and (losses)	Other reserves	Profit (loss) for the year	Total	Non-controlling interests	Total
As at 31 December 2009	450,266	466,843	(38,445)	(22,214)	(17,331)	211,089	(38,041)	1,012,167	21,911	1,034,078
Restatement due to errors						5,185		5,185		5,185
As at 31 December 2009 restated	450,266	466,843	(38,445)	(22,214)	(17,331)	216,274	(38,041)	1,017,352	21,911	1,039,263
Allocation of previous year profit (loss)						(38,041)	38,041			
Distribution of dividends									(3,365)	(3,365)
Share-based payments						46		46	14	60
Other comprehensive profit (loss) for the year			(138)	9,606	(1,247)		(667,366)	(659,145)	1,344	(657,801)
Share buy-back Telegate AG									(3,364)	(3,364)
Other movements						(413)		(413)	327	(86)
As at 31 December 2010	450,266	466,843	(38,583)	(12,608)	(18,578)	177,866	(667,366)	357,840	16,867	374,707

➤ Consolidated statement of changes in equity for 2009

(euro/thousand)	Share capital	Additional paid-in capital	Reserve for foreign exchange adjustments	Reserve for "cash flow hedge" instruments	Reserve for actuarial gains and (losses)	Other reserves	Profit (loss) for the year	Total	Non-controlling interests	Total
As at 31 December 2008	250,352	465,103	(45,243)	(10,931)	(1,555)	398,515	(179,646)	876,595	26,946	903,541
Restatement due to errors						5,037	148	5,185		5,185
As at 31 December 2008 restated	250,352	465,103	(45,243)	(10,931)	(1,555)	403,552	(179,498)	881,780	26,946	908,726
Increase in share capital	199,914	1,346				(7,741)		193,519		193,519
Allocation of previous year profit (loss)						(179,498)	179,498			
Distribution of dividends									(3,365)	(3,365)
Share-based payments						136		136	35	171
Other comprehensive profit (loss) for the year			6,798	(11,283)	(15,776)		(38,041)	(58,302)	2,412	(55,890)
Other movements		394				(175)		219	(4,117)	(3,898)
As at 31 December 2009 restated	450,266	466,843	(38,445)	(22,214)	(17,331)	216,274	(38,041)	1,017,352	21,911	1,039,263

➤ Explanatory notes

1. Company information

The SEAT Pagine Gialle group is a major multimedia platform that provides detailed information and sophisticated search tools to tens of millions of users and offers its advertisers a wide range of multiplatform advertising methods (print-online&mobile-voice). The Group specialises in highly innovative online products, print directories and directory assistance services, as well as providing a large selection of complementary advertising services.

The Parent Company, SEAT Pagine Gialle S.p.A., has its registered office in Milan at Via Grosio 10/4, and has a share capital of € 450,266 thousand.

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

2. Basis of presentation

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

The SEAT Pagine Gialle group adopted IAS/IFRS on 1 January 2005 after European Regulation No. 1606 entered into force on 19 July 2002. The consolidated financial statements were drawn up based on the historical cost principle, except for pension fund assets, derivatives and financial assets held for sale, which were recorded at fair value.

The financial statement formats adopted are in line with those provided for by IAS 1. Specifically:

- *the consolidated statement of financial position* was prepared by classifying assets and liabilities as "current/non-current" and showing "Non-current assets/liabilities held for sale and discontinued operations" as two separate items, as required by IFRS 5;
- *the consolidated statement of operations* were prepared by classifying operating costs by type, as this is considered the best way to present the Group's activities and complies with internal reporting methods. Furthermore, the economic results of continuing operations were recorded separately from "Net profit (loss) from non-current assets held for sale and discontinued operations", as required by IFRS 5. In accordance with Consob Resolution No. 15519 of 27 July 2006, income and expense from non-recurring transactions were specifically identified in the context of the statement of operations classified by type, showing their effect on the operating result.

Non-recurring income and expense included cases which, by their nature, do not occur continuously in the normal course of operations, such as:

- corporate restructuring costs;
- stock option plan costs;
- extraordinary strategic consultancy (management support in redefining business development strategies, the new reporting system and the sale of the data centre division to Engineering.it S.p.A.);

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- costs linked to director and department manager severance pay;
- the *consolidated statement of comprehensive income* shows the cost and/or revenue items not yet recognized in the statement of operations with a positive impact on Group equity as at the end of the year;
- the *consolidated statement of cash flows* was prepared by recording cash flows on operating activities according to the "indirect method", as allowed by IAS 7, showing cash flows on operating, investment and financial activities separately from those on non-current assets held for sale and discontinued operations.

The cash and cash equivalents recorded in the financial statements include cash, cheques, bank overdrafts and short-term securities that are quickly convertible into cash.

Cash flows on operating activities were recorded by adjusting the operating result for the year to take into account the effects of non-monetary transactions, any deferment or setting aside of previous or future operating collections or payments, and revenue or cost items connected with cash flows on investment or financial activities or relating to non-current assets held for sale and discontinued operations.

- The *statement of changes in equity* shows the changes that took place in equity items in relation to:
 - allocation of the profit of the Parent Company and the subsidiaries to non-controlling interests;
 - breakdown of the total profit (loss);
 - effect of any errors or changes in accounting standards.

The data are presented in euros and all figures have been rounded off to the nearest thousand, unless otherwise indicated.

2.1 Going concern evaluation

When preparing the financial statements, the directors worked on the assumption of business continuity and therefore used standards and principles applicable to going concerns.

In compliance with the provisions of the joint document of Banca d'Italia - Consob - Isvap no. 2 of 6 February 2009, the Company's Board of Directors has completed a preliminary analysis of the Company's ability to continue as a going concern in the foreseeable future, arriving at the conclusion, based on the outcome of this analysis and on the evidence currently available, that the Company can reasonably expect to enjoy a fully operational existence in the foreseeable future. More details can be found in the "Going concern evaluation" section of the Report on operations.

2.2 Consolidation principles

The consolidated financial statements include the separate financial statements of SEAT Pagine Gialle S.p.A. and its subsidiaries. Where necessary, these financial statements have been amended to make them consistent with the assessment criteria adopted by the Parent Company.

The subsidiaries were consolidated using the global integration method as of the date of acquisition, or the date on which the Group acquired control, and ceased to be consolidated on the date on which control was transferred outside of the Group. Furthermore, special-purpose entities (SPEs) were fully consolidated if the Group held most of the risks and rewards of ownership, regardless of the share of equity held. Consequently, SEAT Servizi per le Aziende S.r.l. (formerly Meliadi Finance S.r.l., the ad-hoc SPE created for the securitisation of trade receivables) was fully consolidated, despite the fact that the Group does not hold any of the company's equity.

The following principles of consolidation were also used:

- recognition of assets, liabilities, costs and revenues in their total amount, not considering the amount of equity held, and recognising to minority interests, in separate items, the share of equity and profit for the year pertaining to them;
- elimination of receivables and payables, as well as costs and revenue, with respect to intra-group transactions;
- elimination of intra-group dividends.

Unrealised intra-group profits have not been eliminated, since they are of an insignificant amount.

Associate companies and joint ventures were consolidated at equity.

The acquisition of new subsidiaries was recorded using the *purchase method*, with consequent allocation of the business combination cost at the fair value of the assets, liabilities and contingent liabilities acquired on the date of acquisition. In the year of acquisition, the consolidated financial statements include the results of these companies for the period between the date of acquisition and the end of the year.

Non-controlling interests represent the portion of the economic result and equity of the subsidiaries not held by the Group. These are presented separately from the portions pertaining to the Group in the consolidated statement of operations and equity.

2.3 Accounting estimates and assumptions

Pursuant to IAS/IFRS, when preparing consolidated financial statements and corresponding explanatory notes the management must make estimates and assumptions that affect the figures for revenue, costs, assets and liabilities in the financial statements, as well as the information on contingent assets and liabilities as at the closing date. The results produced may differ from these estimates.

The estimates are used to make accruals for credit risks and errors, amortization and depreciation, asset write-downs, employee benefits, taxes, restructuring reserves, and other provisions and reserves.

The estimates and assumptions are reviewed periodically and the effects of each change are immediately reflected in the statement of operations.

3. Accounting standards and interpretations issued by the IASB/IFRIC

3.1 Accounting standards and interpretations issued by the IASB/IFRIC and approved by the European Commission

By Commission Regulation No. 632/2010 of 19 July 2010 the revised IAS 24 "Related Party Disclosures" has been endorsed. The standard: (i) enhances the definition of a related party requiring new cases; (ii) for transactions between entities related to the same Government, allows to limit quantitative disclosures to significant transactions. The revised standard shall be applied for annual periods beginning on or after 1 January 2011.

By Commission Regulation No. 662/2010 of 23 July 2010 IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (hereinafter IFRIC 19) has been endorsed. The interpretation defines the accounting treatment to adopt when a financial liability is settled by issuing equity instruments to the creditor (debt for equity swaps).

In particular, equity instruments issued to extinguish a liability in full or in part, are measured at their fair value or, if fair value cannot be reliably measured, at the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued shall be recognized in the profit or loss account. IFRIC 19 provisions shall be applied for annual periods beginning on or after 1 July 2010 (for SEAT Group: 2011 financial statements).

By Commission Regulation No. 149/2011 of 18 February 2011, "Improvements to IFRSs" have been endorsed. The document includes only changes to the existing standards and interpretation with a technical and editorial nature. The provisions come into effect starting from 2011.

3.2 Accounting standards and interpretations not yet applicable and/or recently approved by the European Commission

On 12 November 2009 IASB issued IFRS 9 "Financial Instruments" which changes recognition and measurement criteria of financial assets and their classification in the financial statements. In particular, new provisions require, inter alia, a classification and measurement model of financial assets based exclusively on the following categories: (i) financial assets measured at amortized cost; (ii) financial assets measured at fair value.

New provisions also require that investments in equity instruments, other than subsidiaries, jointly controlled entities or associates, shall be measured at fair value with effects taken to the profit and loss account. If these investments are not held for trading purposes, subsequent changes in the fair value can be recognized in other comprehensive income, even if dividends are taken to the profit and loss account. Amounts taken to other comprehensive income shall not be subsequently transferred to the profit or loss account even at disposal. In addition, on 28 October 2010 the IASB added to IFRS 9 the requirements on the accounting for financial liabilities.

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In particular, new provisions require, inter alia, that if a financial liability is measured at fair value through profit or loss, subsequent changes in the fair value attributable to changes in the own credit risk shall be presented in the other comprehensive income; the component related to own credit risk is recognized in profit and loss account if the treatment of the changes in own credit risk would create or enlarge an accounting mismatch. IFRS 9 provisions shall be applied for annual periods beginning on or after 1 January 2013.

On 7 October 2010 the IASB issued Amendment to IFRS 7 "Disclosures - Transfers of financial assets", that provides supplementary disclosures on financial instruments, with reference to transfers of financial assets, to describe any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. New provisions shall be applied for annual periods beginning on or after 1 July 2011 (for SEAT Group: 2012 financial statements).

SEAT Group is currently reviewing these new IFRS and interpretations to determine the likely impact on the Group's results.

4. Measurement criteria

Intangible assets

Intangible assets acquired separately are initially capitalised at cost, while those acquired as part of a business combination are capitalised at fair value on the date of acquisition. After their initial recognition, intangible assets are recorded at cost, less any accumulated amortization and any accumulated impairment. Internally generated intangible assets, excluding development costs, are not capitalised and are recorded in the statement of operations for the financial year in which they are incurred. The useful life of intangible assets is assessed as either finite or indefinite.

Intangible assets with a finite useful life are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method applied are reviewed at the end of each financial year, or as often as necessary.

The amortization criteria applied are as follows:

- *industrial patent and intellectual property rights*: amortised in relation to their expected useful life. Customer databases, which are recorded following the partial allocation of merger deficits or the difference between the price paid and the share of equity acquired, are amortised on a straight-line basis over a period of 6 to 10 years, taking into account their useful life;
- *concessions, licences, trademarks and similar rights*: amortised in relation to their expected useful life;
- *acquisition costs of software applications*: amortised over a three-year period;
- *other capitalised costs*: amortised over a period of 3 to 5 years.

Gains or losses on the disposal of an intangible asset are calculated as the difference between the divestment value and the book value of the asset and are recorded in the statement of operations at the time of disposal.

Research costs are allocated to the statement of operations at the time they are incurred.

Development costs incurred in relation to a specific project are capitalised only when the company can demonstrate its ability and intention to complete the intangible asset to make it available for use or sale. The company must also be able to demonstrate how the asset will generate probable future economic benefits, the availability of technical, financial or other resources to complete its development, and its ability to reliably assess the cost attributable to the asset during its development. After their initial recognition, development costs are valued at cost, net of any amortization or accumulated impairment losses. Any development costs capitalised are amortised in relation to the period in which the relevant project is expected to generate revenues.

The carrying value of development costs is reviewed annually for the purposes of recording any impairment losses when the asset is not yet in use, or more frequently whenever events or changes in circumstance indicate that impairment losses may be incurred in the financial year.

Intangible assets with an indefinite useful life refer to goodwill. Goodwill arising from an acquisition or merger is initially valued at cost, since it represents the excess of the acquisition cost over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After its initial recognition, goodwill is measured at cost, net of any accumulated impairment losses. Pursuant to the provisions of IAS 36 (Impairment of assets), goodwill is subject to impairment tests annually, or more frequently if specific events or changes in circumstance indicate that impairment losses may have been incurred.

On the date of its initial recognition, goodwill is allocated to each of the cash generating units expected to benefit from the synergies of the acquisition. Any impairment losses are identified through assessments based on the ability of each unit to generate sufficient cash to recover the portion of goodwill allocated to it.

If the value recoverable by the cash generating unit is lower than the book value attributed to the relevant portion of goodwill, an impairment loss is recorded. If the goodwill is attributed to a cash generating unit whose assets are partially disposed of, the goodwill associated with the assets sold is taken into consideration for the purposes of calculating any capital gains (losses) on the transaction. In such circumstances, the goodwill sold is measured in relation to the assets disposed of by the cash generating unit as a proportion of the assets it still owns.

Property, plant and equipment

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

Costs incurred after the acquisition are capitalised only if they increase the future economic benefits of the asset to which they are related. All other costs are recognized in the statement of operations at the time they are incurred.

Recurring maintenance costs are expensed as incurred.

Land, including that pertaining to company buildings, is not depreciated.

Depreciation is calculated systematically based on rates considered to represent an appropriate distribution of the book value of the tangible fixed assets, according to their residual useful life.

With regard to assets disposed of during the financial year, depreciation is calculated for the portion relating to the period of availability of the assets in question, except for assets acquired during the financial year.

Leased assets

Assets acquired by financial lease, pursuant to which all risks and benefits related to ownership of the asset are essentially transferred to the Group, are recorded as assets at their fair value or, if lower, the present value of all minimum payments due pursuant to the lease, including any sums to be paid for exercising a call option. The corresponding liability due to the lessor is recognised in the financial statements as a financial liability. Interest expense is allocated directly to the statement of operations.

With regard to the Turin property complex, the assets under financial leasing are depreciated over a period that reflects their useful life, since there is a reasonable certainty that the assets will be acquired at the end of the lease term. However, if there is not a reasonable certainty that the asset in question will be acquired at the end of the lease term, assets under financial leasing are amortised over a period equal to the shorter of the term of the leasing contract or the useful life of the asset in question.

Leases pursuant to which the lessor essentially retains all risks and benefits related to ownership of the assets are classified as operational leases. Operational lease payments are recorded in the statement of operations on a straight-line basis for each financial year of the term of the lease.

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Asset impairment

At the end of each financial year, the SEAT Pagine Gialle group assesses the existence of impairment indicators. In this case, or if an annual impairment test is required, the Group estimates the recoverable amount of the asset in question. The *recoverable amount* is the greater of the fair value of an asset or cash generating unit, net of sale costs, or its value in use, and is calculated for each individual asset, except when the asset in question does not generate cash that is completely independent of that generated by other assets or groups of assets. If the carrying value of an asset is greater than its recoverable amount, the asset has been impaired and is consequently written down to its recoverable amount. When calculating an asset's value in use, the SEAT Pagine Gialle group discounts estimated future cash flows to their present value using a discount rate that reflects market valuations of the time value of money and the specific risks of the asset. Impairment losses on continuing operations are recorded in the statement of operations under the cost category relating to the function of the impaired asset.

Equity investments

The equity investments of the SEAT Pagine Gialle group in associate companies and joint ventures are measured at equity. An associate company is a company over which the Group exerts considerable influence and which cannot be classified as a subsidiary.

Under the equity method, the equity investment is recorded in the statement of financial position at cost, plus any changes (subsequent to the acquisition) in the share of the net assets of the associate company or joint venture pertaining to the Group. The goodwill relating to the associate company or joint venture is included in the carrying value of the equity investment and is not subject to amortization. After the initial recognition of an equity investment, the Group determines whether it is necessary to record any impairment losses. The statement of operations reflects the share of the associate company or joint venture's profit for the financial year pertaining to the Group. If an associate company or joint venture records adjustments directly attributable to equity, the Group records the share of the adjustments that pertains to it and, where applicable, recognises this in the statement of changes in equity.

The closing date of the financial year for associate companies and joint ventures is the same as that of the SEAT Pagine Gialle group. The accounting standards used are those used by the Group for transactions and events of the same nature and in similar circumstances.

Effects of changes in exchange rates

Financial statements of subsidiaries that are not euro denominated are translated into euros by applying year-end exchange rates (current exchange-rate method) to statement of financial position items and year-average exchange rates to statement of operations items. Translation differences arising from the conversion of opening equity and closing profit/loss are recognized in equity until disposal of the equity investment concerned. The consolidated statement of cash flows apply year-average exchange rates to the conversion of the cash flows of foreign subsidiaries.

Transactions in foreign currency are initially recorded at the existing exchange rate (relating to the functional currency) on the transition date. Monetary assets and liabilities denominated in foreign currency are reconverted into the functional currency at the existing exchange rate on the closing date of the financial year. All foreign-exchange differences are recorded in the statement of operations. Non-monetary items valued at historical cost in foreign currency are converted using the exchange rates in force on the date the transaction is initially recognized. Non-monetary items recorded at fair value in foreign currency are converted using the exchange rate in force on the date this value is determined.

The exchange rates used are as follows

Currency/euro	Average exchange rate for the year 2010	Exchange rate at December 31, 2010	Average exchange rate for the year 2009	Exchange rate at December 31, 2009
Pound sterling	1.1657	1.1618	1.1224	1.1260
Turkish lira	-	-	0.4623	0.4641

Financial assets

IAS 39 provides for the following types of financial instruments: financial assets at fair value with changes attributed to the statement of operations, loans and receivables, investments held to maturity and assets available for sale. Initially all financial assets are recorded at fair value, plus any additional costs.

The SEAT Pagine Gialle group determines how to classify its financial assets after their initial recognition and, where appropriate and allowed, reviews this classification at the end of each year.

All standardised acquisitions and sales of financial assets (acquisitions and sales of assets with delivery in the period generally provided for by the regulations and market conventions in which the exchange takes place) are recorded on the transaction date, or on the date the Group undertakes to acquire such assets.

Financial assets include:

- among the *financial assets at fair value recorded in the statement of operations* the category of "assets held for trading" that includes financial assets acquired for sale in the short term. These assets are measured at fair value. Gains or losses on assets held for trading are recognized in the statement of operations. These assets are included in the "net financial debt";
- *investments held to maturity*: non-derivative financial assets with fixed or determinable payments and a fixed maturity where an entity intends and is able to hold to maturity. They are recorded at fair value and subsequently measured at amortised cost, using the effective interest rate method. Gains and losses are recognized in the statement of operations when the investment is eliminated or impaired, and through the amortization process;
- *loans and receivables*: non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are valued at amortised cost, using the effective interest rate method. Gains and losses are recognized in the statement of operations when the loans and receivables are eliminated or impaired, and through the amortization process. Loans and receivables are included in the net financial debt;
- *financial assets available for sale*: non-derivative financial assets designated as such or not classified in any of the previous categories. This category includes equity investments in companies other than subsidiaries, associates and joint ventures. They are measured at fair value based on internal estimates, and the corresponding gains and losses are recorded in a separate item under equity until such activities are eliminated or impaired. In either of these cases, the gains or losses accumulated up to that time in equity are allocated to the statement of operations.

Tests are frequently carried out to find objective evidence of impairment of a financial asset or group of assets. If there is objective evidence, the impairment is recorded as a cost in the statement of operations for the financial year.

Cash and cash equivalents

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

Financial debts

Financial debts are recorded at amortised cost.

Medium- and long-term loans are recorded net of additional transaction costs incurred.

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Derivatives

The SEAT Pagine Gialle group uses derivatives exclusively to hedge interest- and exchange-rate risk.

In accordance with the provisions of IAS 39, derivatives financial instruments qualify for hedge accounting only if, at the inception of the hedge, the derivative is formally designated as such, and the hedge is highly effective and this effectiveness can be reliably measured. Such derivatives are measured at market value.

If derivative financial instruments qualify for hedge accounting, they are treated as follows:

- *fair value hedge*: if the derivative is designated as a hedge against exposure to changes in the current value of a balance sheet asset or liability attributable to a particular risk that may have an effect on the statement of operations, the gain or loss arising from subsequent valuations of the current value of the hedge are recorded in the statement of operations. Gains or losses on the hedged item that are attributable to the hedged risk change the book value of this item and are recorded in the statement of operations;
- *cash flow hedge*: if a financial instrument is designated as a hedge against exposure to changes in the cash flows of an asset or liability recorded on the balance sheet or a highly probable transaction that may have an impact on the statement of operations, the effective portion of the gains or losses on the financial instrument is recorded in the corresponding reserve under equity. The accumulated gains or losses are removed from this reserve and recognized in the statement of operations in the period in which the hedged transaction is recorded. The gains or losses associated with a hedge or the ineffective portion of the hedge are immediately recorded in the statement of operations.

Inventories

Inventories are valued at the lesser of the acquisition or production cost or the value inferred from market trends.

To be more specific, they include:

- *raw materials*, which are valued at acquisition cost, including additional costs, calculated using the progressive weighted average cost method;
- *products in process*, which are valued based on directly attributable costs, taking into account auxiliary production costs and the depreciation and amortization of assets used;
- *contract work in progress*, comprising services not yet completed at the end of the financial year in relation to contracts for inseparable services that will be completed in the next 12 months, which are valued at production cost;
- *finished products*, comprising telephone directory products, which are valued at production cost and may be adjusted via a corresponding write-down in relation to the period of publication;
- *goods*, relating to the merchandising of products acquired for resale, which are valued at acquisition cost.

Trade and other receivables

Trade receivables arising from the sale of goods or services produced or marketed by the Group, including those with a maturity of greater than 12 months, are included in current assets. They are recorded at the nominal invoice amount, net of allowance for doubtful receivables, which is set aside based on estimates of the risk of existing receivables being irrecoverable at the end of the financial year.

Securitised trade receivables

In the event of securitisation of trade receivables, the receivables concerned will remain recorded on the balance sheet of the seller if the risks and benefits associated with the receivables are not transferred as part of the transaction.

The special-purpose entity created for the transaction pursuant to Law 130/99, which does not belong to the Seat Pagine Gialle group, is fully consolidated pursuant to SIC 12.

Transaction costs are recorded under financial expense on a pro-rata basis over the expected duration of the securitisation program.

Reserves for risks and charges

These reserves are recorded when, pursuant to a legal or implicit obligation to a third party, it is likely that the company will have to use financial resources to fulfil its obligation, and when the value of the obligation can be reliably estimated.

Changes in the estimate are reflected in the statement of operations in the financial year they take place.

In the case of reserves for future risks (beyond 12 months), the liability, if significant, is discounted at a pre-tax discount rate that reflects the current market valuation of the time cost of money. The increase in the reserves due to the passage of time is recognized as financial expense.

They can be broken down into:

- *reserve for taxes*: this includes a provision that corresponds to a prudential assessment of fiscal risks;
- *reserve for sale agents' termination indemnities*: this represents the debt due at the end of the financial year to active sales agents for the indemnities owed to them in the event of termination of the agency contract, based on the Collective Economic Agreement;
- *reserve for commercial and contractual risks and other charges*: this is designed to cover risks associated with the execution of contractual commitments and legal disputes in progress, as well as any other contingent liabilities;
- *reserve for risks and charges related to equity investments*: this is designed to cover balance sheet deficits incurred by subsidiaries, associates and joint ventures in excess of the direct write-down recorded in relation to these companies; the reserve also covers the risks and contingent liabilities arising from the restructuring of equity investments held for sale or liquidation.
- *reserve for restructuring expenses*: covers the risks associated with the implementation of a planned program under the control of management that significantly modifies the scope of an activity undertaken by a company, or the way in which the company is managed

Employee benefits

Pension plans

The SEAT Pagine Gialle group operates various types of defined-benefit and defined-contribution pension plans, in accordance with the conditions and local practices of the countries in which it operates. Defined-benefit pension plans are based on the expected remaining average working life of the employees paying into the plans and the remuneration they receive throughout a predetermined period of service.

Assets intended to fund the reserves for defined-benefit pension plans and the related annual cost recorded in the statement of operations are valued by independent actuaries using the projected unit credit method.

Actuarial gains and losses are immediately recognized on the balance sheet in the year they occur, with a counter-entry made in "Reserves for actuarial gains (losses)" under shareholders' equity.

Accrued liabilities are recorded net of assets intended to fund their future extinction.

Defined-contribution pension plan payments are recorded in the statement of operations as a cost, where applicable.

Severance indemnities

The reserve for severance indemnities held by Italian companies, insofar as it continues to represent an obligation for the Company, is considered to be a defined-benefit plan and is accounted for in the same way as other defined-benefit plans.

Share-based payment

The SEAT Pagine Gialle group grants additional benefits to specific categories of Parent Company and subsidiary employees considered to be "key", due to their responsibilities and/or skills, through stock option plans. Pursuant to the provisions of IFRS 2 (Share-based payment), the total amount of the fair value of the stock options on the grant date is recognized in the statement of operations as a cost during the vesting period in equal monthly instalments, with a counter-entry made in a dedicated reserve under equity. The fair value is calculated by an external valuer using a lattice model, which does not take into account conditions relating to the achievement of objectives (performance), but does consider conditions that influence the SEAT Pagine Gialle group's share price (market conditions). Changes in the fair value after the grant date do not have an impact on the initial valuation. The accumulated costs recorded on the closing date of each financial year are based on the best available estimate of the number of equity instruments that will actually come to maturity. The cost in the statement of operations for the financial year represents the change in the accumulated cost recorded at the beginning and end of the year. The dilutive effect of options not yet exercised is reflected in the calculation of dilution of profit per share.

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Non-current assets held for sale and discontinued operations - disposal groups

Non-current assets held for sale and discontinued operations - disposal groups refer to assets (or groups of assets) sold or being disposed of whose carrying value has been or will be recovered mainly through the sale thereof, rather than through continued use. Non-current assets held for sale and discontinued operations are valued at the lesser of net carrying value or fair value, net of sale costs. In accordance with IFRS, the data are presented as follows:

- in two specific statement of financial position items: "Non-current assets held for sale and discontinued operations"/"Liabilities directly related to non-current assets held for sale and discontinued operations";
- in a specific statement of operations item: "Net gain (loss) on non-current assets held for sale and discontinued operations".

Recognition of revenues

Revenues are recorded to the extent that the corresponding economic benefits are likely to be achieved by the Group and the related amount may be reliably calculated. The following criteria must be met when allocating revenues to the statement of operations:

- *sale of assets*: the revenue is recognized when the company has transferred all significant risks and benefits associated with ownership of the asset to the acquirer;
- *provision of services*: the revenue is recognized when the service has been provided. Consequently, the amount relating to advertising services already invoiced that will be executed after the closing date of the financial year is recorded under liabilities in the statement of financial position, under the item "Payable for services to be rendered";
- *interest*: this is recorded as financial income following an assessment of relevant interest income using the effective interest rate method;
- *dividends*: these are recorded when the shareholders are entitled to receive the payment.

Public contributions

Public contributions are recorded when there is a reasonable certainty that they will be received and all the conditions relating thereto are met. When contributions relate to cost components they are recorded as revenues, but are systematically distributed between several financial years so as to be proportionate to the costs they are intended to offset. If contributions relate to an asset, their fair value is recorded in the statement of financial position as an adjustment to the carrying value of the asset.

Income taxes

Current taxes

Current income taxes, which are recorded in the statement of operations, are accounted for based on the rates in force on the reporting date in the various countries in which the SEAT Pagine Gialle group operates.

Income taxes relating to items recorded directly in equity are allocated directly to equity and are accounted for using the tax rates in force.

Taxes not relating to income, such as property and capital taxes, are included in other operating expenses.

Deferred taxes

Deferred taxes are calculated at the end of each financial year, using the liability method, on temporary differences on the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position at the end of the previous year.

Deferred tax liabilities are recorded for all taxable temporary differences on the most recent reporting date between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position.

Deferred tax assets are recorded for all deductible temporary differences and for tax assets and liabilities carried forward to the extent that they are likely to be able to be recovered against future taxable income. An exception is made for the following:

- deferred taxes arising from the initial recognition of goodwill or of an asset or liability in a non-business-combination transaction that does not have an impact on either the result for the financial year calculated for the financial statements or the result for the financial year calculated for tax purposes;

- taxable temporary differences associated with equity investments in subsidiaries and associates if the reversal of such differences can be controlled and it is likely that this will not take place in the foreseeable future.

The value of deferred tax assets recorded at the beginning of the financial year is reviewed at the end of the year and reduced to the extent that it is no longer likely that the asset will be used in future. Deferred tax assets not recorded are reviewed annually and recorded to the extent that it becomes likely that they will be used in future.

Deferred tax assets and liabilities are calculated using the tax rates expected to be applicable, pursuant to the respective regulations of the countries in which the SEAT Pagine Gialle group operates, in the financial years in which the temporary differences will be realised or eliminated.

Current and deferred tax assets and liabilities are offset if the entity has a legally enforceable right to offset current tax assets with current tax liabilities and the deferred taxes relate to the same tax entity and the same tax authority.

Value-added tax

Revenues, costs, and intangible and tangible assets are recognized net of value-added tax, except where such tax applied to the acquisition of goods or services:

- is not deductible, in which case it is recorded as part of the acquisition cost of the intangible or tangible asset or part of the cost item recognized in the statement of operations;
- relates to receivables and/or payables recorded gross of the amount of the tax.

The net amount of value-added tax is included on the balance sheet under tax receivables or payables, depending on whether it is to be recovered or paid to the Treasury.

Profit (loss) par share

Profit (loss) par ordinary share is calculated by dividing the Group's profit or loss by the average number of ordinary shares in circulation during the financial year.

5. Restatement due to errors

The amount relating to the transaction costs on the loan with Lighthouse International Company S.A. has been adjusted in respect of the amount not yet amortised as at 31 December 2008. The figures in the statement of financial position as at 31 December 2009 have therefore been restated in accordance with the provisions of IAS 8, with a view to applying the amortised cost method provided for by IAS 39 more accurately thanks to the use of more reliable calculation methods than those used on 31 December 2008. Since the amounts recorded in the statement of operations differ slightly from the aforementioned recalculation, the adjustment has mainly affected the financial position, and in particular has affected equity and non-current financial debts to third parties, as shown in the table below

	As at 31.12.2010	As at 31.12.2009	As at 01.01.2009
(euro/thousand)			
Impact on Group equity	-	5,185	5,185
Non-current financial liabilities to third parties	-	(5,185)	(5,185)
Impact on total non-current liabilities	-	(5,185)	(5,185)

As restatement due to errors has only regarded the above mentioned items the statement of financial position as of 1st January 2009 has not been compiled.

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6. Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life entirely made up of goodwill totalled € 2,637,197 thousand as at 31 December 2010 (€ 3,309,436 thousand as at 31 December 2009) and can be analysed as follows

	Year 2010	Year 2009
(euro/thousand)		
Balance at beginning of the year	3,309,436	3,393,998
Foreign exchange adjustments	1,577	9,148
Transfers to non-current assets held for sale	(673,816)	(91,297)
Impairment	-	(2,413)
Balance at end of the year	2,637,197	3,309,436

In particular:

- € 2,532,337 thousand as at 31 December 2010 (€ 3,182,784 thousand as at 31 December 2009), relate mainly to merger deficits arising from transactions carried out in previous financial years by the Parent Company, SEAT Pagine Gialle S.p.A. A write-down of € 650,447 thousand was made on 31 December 2010 in relation to the Parent Company following an impairment test (more details can be found in point 7 of these Notes);
- € 104,860 thousand as at 31 December 2010, (€ 126,652 thousand as at 31 December 2009), are related to the difference between the acquisition value of fully consolidated equity investments and the value of their corresponding share of equity at the time of acquisition. The item increased by € 1,577 thousand over the financial year due to a change in the euro/sterling exchange rate. It decreased by € 23,369 thousand due to the write-down recorded following impairment tests, of which € 15,173 thousand related to the TDL Infomedia group, € 8,095 thousand to the Telegate group and € 101 thousand to Prontoseat (more details can be found in point 7 of these Notes).

7. Impairment testing of intangible assets with an indefinite useful life

Goodwill resulting from the business combinations was allocated – on the date of acquisition – to the respective companies acquired, which constitute separate cash generating units (CGUs) for the purposes of ascertaining any impairment.

The following table details goodwill allocated to the various CGUs in 2010 and 2009

	As at 31.12.2010	As at 31.12.2009
(euro/thousand)		
SEAT Pagine Gialle S.p.A.	2,529,727	3,180,174
Telegate Group	70,423	78,518
TDL Infomedia Group	34,437	48,033
Consodata S.p.A.	2,610	2,610
Prontoseat S.r.l.	-	101
Total	2,637,197	3,309,436

For the purposes of impairment tests on the long lived asset of each CGU, the same choice of recoverable amount used (the value in use) was used in the 30 June 2010 and 31 December 2009 tests. However, since the market capitalisation of SEAT Pagine Gialle S.p.A. and the market performance of its debt instruments fell sharply in the last months of 2010 and the first few months of 2011, the Group was particularly cautious in estimating recoverable amounts with regard to both estimating expected cash flows and identifying discount rates and terminal value growth rates. For the purposes of estimating cash flows, the Group used the 2011 budget results, which were extrapolated for 2012 and projected for 2013 onwards based on a growth rate inferred from the expectations of the equity analysts who follow SEAT's shares. The discount rates were also inferred from equity analyst reports in order to give more weight to externally sourced information pursuant to IAS 36.33, letter a). These rates take into account the Company's refinancing risk insofar as they are higher than those used by equity analysts for comparable companies with a more balanced debt structure. The 2011 budget results and the extrapolated values for 2012 were revised downwards for the purposes of the impairment tests in order to reflect in the cash flows some components of non-systematic risk that the discount rates do not necessarily reflect. The adjusted cash flows were therefore essentially in line with the estimated EBITDA for 2011 and 2012 according to a consensus of equity analysts.

The discount rates and terminal value growth rates (g) used for each CGU are as follows

	Discount rate	Growth rate
SEAT Pagine Gialle S.p.A.	8.95%	(0.11)%
TDL Infomedia Group	9.07%	(0.11)%
Telegate Group	9.00%	2.50%
Consodata S.p.A.	8.95%	-
Prontoseat S.r.l.	9.00%	-

With the exception of Consodata, all CGUs suffered impairment in 2010 totalling € 673,816 thousand. The largest charge was suffered by the Parent Company (€ 650,447 thousand). The following table lists the impairment recognized in each CGU as at 31 December 2010

	Year 2010	Year 2009
(euro/thousand)		
SEAT Pagine Gialle S.p.A.	(650,447)	-
TDL Infomedia Ltd.	(15,173)	(91,297)
Telegate Group	(8,095)	-
Prontoseat S.r.l.	(101)	-
Total	(673,816)	(91,297)

Impairment losses are essentially attributable to external financial variables (market capitalisation and market performance of debt instruments), which reflect the Group's high refinancing risk. The Company met all the 2010 operating targets it had announced to the market and, in preparing its new 2011 budget and forecasted figures for 2012, projected average representative cash flows that constituted the best possible forecasts by the management based on reasonable and demonstrable assumptions, unlike those of the previous impairment test, which were made on a prudential basis. The impairment losses are therefore attributable mainly to the methods chosen to estimate the value in use, all of which are orientated towards attributing less weight to the Group's ability to generate cash flows beyond the 2011-2012 periods (to reflect the refinancing risk incorporated in the external variables), and which are attributable to:

- an explicit projection period limited to two years (the 2011 budget, the 2012 forecasted cash flows derived from the 2011 budget and perpetuity calculation for the periods behind 2012);
- a consensus cost of capital (discount rate) that already incorporates refinancing risk (rather than the rates estimated internally irrespective of the specific financial structure of the Company, as in previous tests, pursuant to appendix A of IAS 36);
- a terminal value growth rate (g) in line with analyst consensus forecasts for the Parent Company. It should be noted that the analysts use explicit projection periods, extending well behind 2012 period which are in line with the expected drop in EBITDA between 2011 and 2012.

These choices are based on the provisions of IAS 36.33, letter a), which requires more weight to be given to external evidence and resulted in the recognition of significant impairment losses, despite the absence of internal impairment indicators.

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The main variables affecting impairment test results are as follows:

- with regard to cash flows: all the main components of unlevered cash flow (EBITDA, capital expenditure, changes in working capital);
- with regard to rates: the cost of capital and the terminal value growth rate (as measured by equity analysts).

The basic assumptions taken into account when predicting the main components of cash flow of the main CGU (SEAT Pagine Gialle S.p.A.) are as follows:

- 2011 revenues: expected to fall, but the drop should be several percentage points lower than in 2010, when revenues fell by 8.1% in total.
- 2011 EBITDA and cash flow generation: in a contest of lower revenues they will be supported by specific cost-cutting measures and working capital.

8. Intangible assets with a finite useful life

Intangible assets with a finite useful life totalled € 91,240 thousand as at 31 December 2010 (€ 119,169 thousand as at 31 December 2009) and can be analysed as follows

	Year 2010					Year 2009
	Customer database	Software	Patents, concessions, brands and licenses	Other intangible assets	Total	Total
(euro/thousand)						
Cost	1,003,698	254,112	27,038	26,567	1,311,415	1,274,468
Accrued amortisation	(977,877)	(176,706)	(18,560)	(19,103)	(1,192,246)	(1,054,716)
Balance at beginning of the year	25,821	77,406	8,478	7,464	119,169	219,752
- Investments	-	25,167	2,220	6,744	34,131	44,984
- Amortisation	(3,130)	(43,266)	(5,475)	(1,546)	(53,417)	(144,874)
- Write-downs	(8,633)	(83)	-	(113)	(8,829)	(38)
- Disposals	-	(2)	(1)	-	(3)	-
- Transfers to non-current assets held for sale	-	-	-	-	-	(713)
- Exchange adjustments and other movements	-	3,498	132	(3,441)	189	58
Cost	1,003,698	282,404	29,206	30,507	1,345,815	1,311,415
Accrued amortisation	(989,640)	(219,684)	(23,852)	(21,399)	(1,254,575)	(1,192,246)
Balance at end of the year	14,058	62,720	5,354	9,108	91,240	119,169

Intangible assets with a finite useful life can be broken down into:

- *customer database*, which totalled € 14,058 thousand as at 31 December 2010 (€ 25,821 thousand as at 31 December 2009). The item decreased by € 11,763 thousand in 2010, due mainly to the extraordinary write-down of € 8,633 thousand in relation to the Telegate AG customer database as a result of the impairment test conducted at the end of the financial year, which revised the value of the customer database downwards from the value calculated during allocation of the price paid to acquire Telegate Media AG, and amortization for the year, which totalled € 3,130 thousand (€ 97,667 thousand in 2009). The amortization of the customer database was completed in July 2009. The amortization was recorded under SEAT Pagine Gialle S.p.A. as a partial allocation of the merger deficit arising from the transactions that took place in December 2003 (€ 972,400 thousand);
- *software*, worth € 62,720 thousand as at 31 December 2010 (€ 77,406 thousand as at 31 December 2009), including costs relating to acquisitions from third parties and the internal creation of proprietary programs and programs under licence, particularly in the commercial, publishing and administrative areas, to support the new online&mobile products on offer and to improve the algorithms used by SEAT Pagine Gialle search engines;
- *patents, concessions, brands and licences*, which totalled € 5,354 thousand as at 31 December 2010 (€ 8,478 thousand as at 31 December 2009), referring mainly to Telegate group licences relating to voice portals and PAGINEGIALLE.it® video rights held by SEAT Pagine Gialle S.p.A.;
- *other intangible assets* totalled € 9,108 thousand as at 31 December 2010, (€ 7,464 thousand as at 31 December 2009), referring mainly to software designs in progress.

Investments in 2010, which totalled € 34,131 thousand (€ 44,984 thousand in 2009), mainly focused on product innovation and revising the Company's main processes with a view to simplifying operating activities. Investments covered the following business areas:

- for the Parent Company (€ 27,967 thousand, against € 38,305 thousand in 2009):
 - consolidation of the new SAP/front-end CRM system now on stream;
 - a review of the Company's main processes with a view to developing its products from a customer-centric perspective, capitalising on the release of the new management platforms (SAP/front-end CRM system) and adopting a single-contract approach;
 - updating the IT systems following the introduction of the "Prodotto MIX" to enable acquisition of pre-defined and multimedia packages on the same order form;
 - improvements to IT systems to meet the new requirements of marketing plans, with the launch of new products and improvements made to existing print-online&mobile-voice platforms. More specifically, SEAT has launched a special application for the iPad, featuring photos, audio and video that provide a quicker search for services;
 - a review of administrative processes and management reporting to create a unique corporate performance management application interfaced with the Company's data warehouse (DWH);
- for Consodata S.p.A. (€ 3,594 thousand, against € 2,659 thousand in 2009):
 - implementing and expanding the lifestyle database, which is used for one-to-one marketing services, and the MF Honyvem database, which contains information sourced from chambers of commerce;
 - expanding databases that list and georeference street numbers (Google project);
 - the internal creation of geomarketing software and development of forecasting and production programs, as well as the implementation of projects relating to Lineaffari, Kompass and Alberghieturismo;
- for the Telegate group (€ 1,205 thousand, against € 3,547 thousand in 2009):
 - the development of software and IT infrastructure to expand online systems in Germany (customer relationship management system).

9. Property, plant and equipment

Property, plant and equipment totalled € 32,217 thousand as at 31 December 2010 (€ 37,207 thousand as at 31 December 2009). This item was recorded net of reserves for depreciation totalling € 103,882 thousand as at the end of the financial year, which as a proportion of the gross value was 76.33% (74.14% as at 31 December 2009).

The item can be analysed as follows

(euro/thousand)	Year 2010				Year 2009
	Property	Plant and equipment	Other fixed assets	Total	Total
<i>Cost</i>	21,216	52,612	70,035	143,863	164,920
<i>Depreciation</i>	(7,402)	(44,997)	(54,257)	(106,656)	(121,204)
Balance at beginning of the year	13,814	7,615	15,778	37,207	43,716
- Investments	111	1,303	4,799	6,213	6,959
- Depreciation and write-downs	(678)	(3,601)	(6,568)	(10,847)	(12,146)
- Transfers to non-current assets held for sale	-	-	-	-	(1,661)
- Disposals and other movements	76	(29)	(403)	(356)	339
<i>Cost</i>	21,191	48,726	66,182	136,099	143,863
<i>Depreciation</i>	(7,868)	(43,438)	(52,576)	(103,882)	(106,656)
Balance at end of the year	13,323	5,288	13,606	32,217	37,207

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This item includes:

- property worth € 13,323 thousand as at 31 December 2010 (€ 13,814 thousand as at 31 December 2009), referring mainly to the Milan and Catania sites where Cipi S.p.A. carries out its operations;
- plant and equipment worth € 5,288 thousand as at 31 December 2010 (€ 7,615 thousand as at 31 December 2009). Investments in 2010 totalled € 1,303 thousand (€ 1,674 thousand in 2009), including € 987 thousand of investments in technological infrastructure for the Telegate group;
- other fixed assets worth € 13,606 thousand as at 31 December 2010 (€ 15,778 thousand as at 31 December 2009), including € 6,885 thousand relating to IT equipment and systems. Investments for the year totalled € 4,799 thousand (€ 5,001 thousand in 2009), of which € 2,836 thousand related to the acquisition of centralised hardware (data centre) for SEAT Pagine Gialle S.p.A. to replace obsolete machines with new ones that perform better and use less energy.

The current reserves for depreciation (€ 103,882 thousand) are considered to be adequate, for each fixed asset class, to cover the depreciation of the assets in relation to their estimated residual useful life.

The following table gives an overview of the depreciation rates used

	Year 2010	Year 2009
Property	3%	3%
Plant and equipment	10-25%	10-25%
Other fixed assets	10-40%	10-40%

10. Leased assets

Leased assets totalled € 56,445 thousand as at 31 December 2010 and related to the property complex where the Parent Company has its offices in Turin.

The assets that make up the property complex, pursuant to IAS 17, were initially recorded in the financial statements at fair value, since this was lower than the discounted value of the minimum payments due under the lease.

The Company believes that the property complex has retained its market value throughout the year.

The item can be analysed as follows

(euro/thousand)	Year 2010				Total	Year 2009
	Leased land	Leased property	Leased plant	Other leased assets		Total
Cost	10,500	33,076	16,524	4,354	64,454	63,383
Depreciation	-	(978)	(2,183)	(1,120)	(4,281)	(497)
Balance at beginning of the year	10,500	32,098	14,341	3,234	60,173	62,886
- Investments	-	-	-	-	-	1,091
- Depreciation and write-downs	-	(992)	(2,211)	(525)	(3,728)	(3,804)
Cost	10,500	33,076	16,524	3,859	63,959	64,454
Depreciation	-	(1,970)	(4,394)	(1,150)	(7,514)	(4,281)
Balance at end of the year	10,500	31,106	12,130	2,709	56,445	60,173

11. Investments measured at equity

The changes that occurred throughout the financial year are as follows

(euro/thousand)	As at 31.12.2010	As at 31.12.2009	Change
Associates			
Lighthouse International Company S.A.	378	343	35
Total investments accounted for at equity	378	343	35

12. Other non-current financial assets

Other non-current financial assets totalled € 2,284 thousand as at 31 December 2010 (€ 2,203 thousand as at 31 December 2009), and include:

- loans to employees worth € 1,494 thousand, issued at market rates for transactions of this kind;
- assets held for sale, including € 110 thousand relating to the 2.2% stake held in Emittenti Titoli S.p.A..

13. Inventories

This item can be broken down as follows

(euro/thousand)	Year 2010					Year 2009
	Raw material, suppliers and consumables	Merchandising products	Work in progress and semi-finished goods	Finished goods	Total	Total
Balance at beginning of the year	6,291	2,415	1,382	394	10,482	15,211
Increase (Decrease)	(218)	(486)	609	(213)	(308)	(4,718)
(Provision) Reversals of allowance	-	210	-	-	210	(79)
Foreign exchange adjustments, change in the scope of consolidation and other movements	15	-	-	-	15	68
Balance at end of the year	6,088	2,139	1,991	181	10,399	10,482

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14. Trade receivables

This item can be broken down as follows

(euro/thousand)	Year 2010			Year 2009
	Trade receivables	Allowance for doubtful trade receivables	Net value	Net value
Balance at beginning of the year	736,855	(115,254)	621,601	671,014
Provision in the statement of operations	-	(34,758)	(34,758)	(48,845)
Utilisation	-	40,838	40,838	44,543
Transfers to non-current assets held for sale	-	-	-	(2,780)
Foreign exchange adjustments, change in the scope of consolidation and other movements	(14,506)	(87)	(14,593)	(42,331)
Balance at end of the year	722,349	(109,261)	613,088	621,601

Trade receivables totalled € 613,088 thousand as at 31 December 2010 (net of the allowance for doubtful receivables totalling € 109,261 thousand).

Securitized receivables continue to be recorded under the item "Trade receivables", pursuant to IAS 39, because SEAT Pagine Gialle S.p.A. still holds the risks and benefits.

The allowance for doubtful trade receivables totalled € 109,261 thousand as at 31 December 2010, including € 100,282 thousand relating to the Parent Company, and is considered to be adequate to cover expected losses.

€ 40,838 thousand of the allowance was used in 2010 (against € 44,543 thousand in 2009). This was attributable mainly to the Parent Company (€ 32,705 thousand, against € 37,681 thousand in 2009).

A provision of € 34,758 thousand was added to the allowance for doubtful trade receivables (€ 48,845 thousand in 2009), meaning that the coverage of overdue receivables remained sufficient.

For a more detailed analysis of the Group's credit risk, see point 21 of this explanatory Notes.

15. Other assets (current and non-current)

Other current and non-current assets totalled € 63,147 thousand as at 31 December 2010, against € 65,966 thousand as at 31 December 2009, and can be broken down as follows

(euro/thousand)	As at 31.12.2010	As at 31.12.2009	Change
Advances on sales commissions and other receivables from agents	41,393	47,113	(5,720)
Advances to suppliers	9,034	6,448	2,586
Prepaid expenses	5,020	4,838	182
Other receivables	6,954	6,574	380
Total other current assets	62,401	64,973	(2,572)
Other non-current assets	746	993	(247)
Total other current and non-current assets	63,147	65,966	(2,819)

To be more specific:

- *advances on sales commission and other receivables from agents* totalled € 41,393 thousand as at 31 December 2010 (€ 47,113 thousand as at 31 December 2009) and were recorded net of reserves for write-down, which totalled € 2,922 thousand as at 31 December 2010 (€ 2,338 thousand as at 31 December 2009). This includes € 205 thousand of receivables with a maturity of over 12 months, which are classified under "Other current assets", since they fall within the normal company operating cycle. These receivables were discounted using an average market rate for receivables with the same maturity;
- *advances to suppliers*, which totalled € 9,034 thousand as at 31 December 2010 (€ 6,448 thousand as at 31 December 2009) include € 8,504 thousand relating to advances paid to ILTE S.p.A., the printing company (€ 6,239 thousand as at 31 December 2009).

16. Equity

Il patrimonio netto risulta così composto

(euro/thousand)	As at 31.12.2010	As at 31.12.2009 restated	Change
Share capital	450,266	450,266	-
- <i>ordinary shares</i>	446,184	446,184	-
- <i>savings shares</i>	4,082	4,082	-
Additional paid-in capital	466,843	466,843	-
Reserve for foreign exchange adjustments	(38,583)	(38,445)	(138)
Reserve for "cash flow hedge" instruments	(12,608)	(22,214)	9,606
Reserve for actuarial gains (losses)	(18,578)	(17,331)	(1,247)
Other reserves	177,866	216,274	(38,408)
- <i>Reserve for transition to IAS/IFRS</i>	181,570	181,570	-
- <i>Reserve for stock option</i>	1,011	3,271	(2,260)
- <i>Retained earnings (losses)</i>	(4,715)	31,433	(36,148)
Profit (loss) for the period	(667,366)	(38,041)	(629,325)
Total equity of the Group	357,840	1,017,352	(659,512)
Share capital and reserves	15,176	18,478	(3,302)
Profit (loss) for the year	1,691	3,433	(1,742)
Total non-controlling interests	16,867	21,911	(5,044)
Total equity	374,707	1,039,263	(664,556)

Share capital

Share capital totalled € 450,266 thousand as at 31 December 2010, remaining unchanged from 31 December 2009.

As at 31 December 2010, the share capital comprised 1,927,027,333 ordinary shares and 680,373 savings shares. None of the shares has a face value.

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

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Additional paid-in capital

This item totalled € 466,843 thousand as at 31 December 2010, remaining unchanged from 31 December 2009.

Of the additional paid-in capital, € 142,619 thousand was considered to be subject to taxation in case of distribution due to the realignment carried out in 2005 between the book value and the tax value of the customer database, pursuant to Law No. 342/2000. Deferred tax liabilities were not calculated on this amount, since the Parent Company is not planning to pay it out.

Reserve for foreign-exchange adjustments

The reserve for foreign-exchange adjustments was negative for € 38,583 thousand as at 31 December 2010 (negative for € 38,445 thousand as at 31 December 2009) and related to the consolidation of the TDL Infomedia group, whose financial statements are expressed in sterling.

Reserve for cash flow hedge instruments

The reserve for cash flow hedge instruments was negative for € 12,608 thousand as at 31 December 2010, (negative for € 22,214 thousand as at 31 December 2009). This reserve represents the market value of the cash flow hedge instruments against interest rate risk in place on the date of the financial statements or, if already closed out, cash flow hedge instruments that will become effective in future periods.

For a more detailed description of the hedging transactions carried out by the Group, see point 21 of these explanatory Notes.

Reserve for actuarial gains (losses)

The reserve for actuarial gains (losses) was negative for € 18,578 thousand (negative for € 17,331 thousand as at 31 December 2009) and included the cumulative effect of recording actuarial gains (losses) on defined-benefit pension plans (TDL Infomedia group pension funds and, for Italian companies, the reserve for severance indemnities) due to their recognition in the financial statements pursuant to IAS 19, paragraph 93A.

For more details on how these amounts were determined, see point 22 of these explanatory Notes.

Other reserves

Other reserves totalled € 177,866 thousand as at 31 December 2010 (€ 216,274 thousand as at 31 December 2009) and relate to:

- *Reserve for adoption of IAS/IFRS*, which totalled € 181,570 thousand as at 31 December 2010;
- *Reserve for stock options*, which totalled € 1,011 thousand as at 31 December 2010 (€ 3,271 thousand as at 31 December 2009). It decreased by € 2,260 thousand in 2010, due mainly to the reclassification of the portion relating to options expired during the year to "Retained earnings (losses)";
- *Other reserves and retained earnings (losses)* were negative for € 4,715 thousand as at 31 December 2010 (€ 31,433 thousand as at 31 December 2009 restated and related to the legal reserve of SEAT Pagine S.p.A. (€ 50,071 thousand) and the retained earnings (losses) reserve, which underwent changes due to the loss suffered in 2009 and stock options expired during the year.

Following the restatement of the amount relating to transaction costs on the loan with Lighthouse International Company S.A., the figures for this reserve as at 31 December 2009 were restated pursuant to IAS 8, increasing by € 5,185 thousand.

17. Total other comprehensive profit (loss)

(euro/thousand)	Year 2010	Year 2009 restated	Change
Profit (loss) for "cash flow hedge" instruments for the year	(11,373)	(33,515)	22,142
Loss (profit) for "cash flow hedge" instruments reclassified to statement of operations	20,979	22,232	(1,253)
Profit (loss) for "cash flow hedge" instruments	9,606	(11,283)	20,889
Profit (loss) for foreign exchange adjustments	(138)	6,517	(6,655)
Loss (profit) for foreign exchange adjustments reclassified to statement of operations	-	281	(281)
Profit (loss) for foreign exchange adjustments	(138)	6,798	(6,936)
Actuarial gain (loss) recognised to equity	(1,441)	(21,900)	20,459
Tax effect of actuarial gain (loss) recognised to equity	194	6,124	(5,930)
Actuarial gain (loss) recognised to equity, net of tax effect	(1,247)	(15,776)	14,529
Total other comprehensive profit (loss), net of tax effect	8,221	(20,261)	28,482

Comments on individual items can be found in the previous point of these explanatory Notes.

18. Profit (loss) par share

	As at 31.12.2010	As at 31.12.2009
Number of SEAT Pagine Gialle S.p.A. shares	1,927,707,706	1,927,707,706
- <i>ordinary shares</i>	No. 1,927,027,333	1,927,027,333
- <i>savings shares</i>	No. 680,373	680,373
Profit (loss) for the year	€/thousand (667,366)	(38,041)
Profit (loss) par share	€ (0.346)	(0.028)

Profit (loss) par share is calculated by dividing the Group's profit or loss by the average number of shares in circulation throughout the year.

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19. Net financial debt

As at 31 December 2010, this was structured as follows

	As at 31.12.2010	As at 31.12.2009	Change	Notes
(euro/thousand)		restated		
Net financial debt	2,731,032	2,762,782	(31,750)	
Transaction costs on loans and securitisation costs not yet amortised	(60,823)	(56,403)	(4,420)	
Net market value of "cash flow hedge" instruments	13,780	22,485	(8,705)	
Net financial debt - "book value"	2,683,989	2,728,864	(44,875)	
- <i>Non-current financial assets to third parties (*)</i>	<i>(2,168)</i>	<i>(2,088)</i>	<i>(80)</i>	
Net financial debt in accordance with CONSOB N. DEM/6064293/2006	2,686,157	2,730,952	(44,795)	
- <i>Non-current financial debts to third parties</i>	<i>1,327,196</i>	<i>1,125,960</i>	<i>201,236</i>	<i>(a)</i>
- <i>Non-current financial debts to associates</i>	<i>1,276,023</i>	<i>1,270,052</i>	<i>5,971</i>	<i>(a)</i>
- <i>Current financial debts to third parties</i>	<i>308,789</i>	<i>597,948</i>	<i>(289,159)</i>	<i>(b)</i>
- <i>Current financial debts to associates</i>	<i>17,375</i>	<i>30,901</i>	<i>(13,526)</i>	<i>(b)</i>
- <i>Current financial assets to third parties</i>	<i>(1,498)</i>	<i>(1,918)</i>	<i>420</i>	<i>(c)</i>
- <i>Cash and cash equivalents</i>	<i>(241,728)</i>	<i>(291,991)</i>	<i>50,263</i>	<i>(d)</i>

(*) This item, described in note 13 of these Notes, does not include financial assets available for sale.

Net financial debt, which totalled € 2,731,032 thousand as at 31 December 2010 (€ 2,762,782 thousand as at 31 December 2009), differs from net financial debt (book value), described below, in that it is recorded gross of costs incurred in relation to: i) transaction costs relating to the medium- and long-term senior bank debt with The Royal Bank of Scotland, ii) the subordinated loan with Lighthouse International Company S.A., iii) the Senior Secured Bond issue and iv) the launch of the trade receivables securitisation programme. These costs, net of accumulated amortization, totalled € 60,823 thousand as at 31 December 2010.

Net financial debt does not include the net value arising from the measurement at market values of the cash flow hedge instruments in place on the reporting date or, if closed early, cash flow hedge instruments that will become effective in subsequent periods. As at 31 December 2010, this item amounted in total to net liabilities of € 13,780 thousand (€ 22,485 thousand as at 31 December 2009).

The various items that make up the net financial debt "book value" are described below.

a) Non-current financial liabilities

These can be broken down as follows

(euro/thousand)	As at 31.12.2010	As at 31.12.2009 restated	Change
<i>Debts due to The Royal Bank of Scotland Plc. (gross value)</i>	596,116	838,953	(242,837)
<i>less transaction costs</i>	(16,533)	(26,026)	9,493
Debts due to The Royal Bank of Scotland Plc. (net value)	579,583	812,927	(233,344)
<i>Debts due to Bondholders (Senior Secured Bond)</i>	718,587	-	718,587
<i>less transaction costs</i>	(20,313)	-	(20,313)
Debts due to Bondholders (Senior Secured Bond net value)	698,274	-	698,274
<i>Asset backed securities (gross value)</i>	-	256,000	(256,000)
<i>less transaction costs</i>	-	(429)	429
Asset backed securities (net value)	-	255,571	(255,571)
Debt due to Leasint S.p.A.	49,336	52,067	(2,731)
Debts due to other lenders	3	21	(18)
Negative non-current adjustments to the financial asset/liability hedging contracts	-	5,374	(5,374)
Total non-current financial debts to third parties	1,327,196	1,125,960	201,236
<i>Debts due to Lighthouse International Company S.A. (gross value)</i>	1,300,000	1,300,000	-
<i>less transaction costs</i>	(23,977)	(29,948)	5,971
Debts due to Lighthouse International Company S.A. (net value)	1,276,023	1,270,052	5,971
Total non-current financial debts to associates	1,276,023	1,270,052	5,971

Non-current financial debts to third parties

- *Non-current debts due to The Royal Bank of Scotland* totalled € 596,116 thousand as at 31 December 2010 (€ 579,583 thousand net of transaction costs not yet amortised). Including the current portion of € 70,391 thousand, the senior loan with The Royal Bank of Scotland totalled € 666,507 thousand as at 31 December 2010 and is structured as follows:
 - tranche A (€ 219,713 thousand), repayable in variable half-yearly instalments until June 2012 and bearing a floating interest rate as at 31 December 2010 equal to Euribor plus a spread of 3.41% p.a.;
 - tranche B (€ 446,794 thousand), repayable in a single instalment in June 2013 and bearing a floating interest rate as at 31 December 2010 equal to Euribor plus a spread of 3.91% p.a.;
 - a revolving credit line of € 90,000 thousand, which has not yet been drawn down, designed to cover any working capital requirements of SEAT Pagine Gialle S.p.A. or its subsidiaries, available until May 2012, bearing a floating interest rate in the event of drawdown equal to that applicable to tranche A. The unused portion of the credit line will incur a non-use charge of 0.56% p.a.

In 2010 the Company repaid a total of € 749,839 thousand of these debts, including € 732,090 thousand relating to the instalments of tranche A due in December 2010 and June 2012 and € 17,749 thousand in relation to tranche B, which is due to mature in June 2013. Of the total of € 749,839 thousand, € 679,582 related to the net proceeds of the two Senior Secured Bonds issues in January and October, while the remaining € 70,257 thousand related to the two instalments of € 35,128 each that were paid in advance in February and September in relation to tranche A, as restructured due to the aforementioned bond issue, which were due in June and December 2010 respectively.
- *Debts due to Senior Secured Bondholders* totalled € 698,274 thousand, net of € 20,313 thousand for transaction costs not yet amortised at the end of the period. The bonds are due to mature on 31 January 2017 and carry a nominal coupon of 10.5%, to be paid half-yearly at the end of January and July each year. The yield at issue of the bonds was 11% p.a. for the first issue and 12.85% for the second due to the issue discount of € 13,201 thousand and € 20,000 thousand respectively. The total issue discount accrued as at 31 December 2010 was € 1,788 thousand. The comprehensive nominal value of the Senior Secured Bond is € 750,000 thousand.

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- *Asset-backed securities* were initially issued for a gross value of € 256,000 thousand by the special-purpose entity, Seat Servizi per le Aziende S.r.l. (formerly Meliadi Finance S.r.l.), to finance the acquisition on a revolving basis of receivables portfolios sold by SEAT Pagine Gialle S.p.A. to the special-purpose entity within the context of the five-year securitisation programme for its trade receivables, which was launched in June 2006. These securities, which are backed by the receivables portfolio subject to securitisation, were subscribed through private placement with an institutional investor. They are due to mature in 2014 and will be repaid through the collection of receivables sold at the end of the securitisation programme. The securities bear variable interest at rates applicable to three-month commercial papers, with a cap equal to the corresponding three-month Euribor rate plus 5 basis points. To support the securitisation programme, two one-year credit lines have been arranged that are due to mature at the end of the programme. In the second half of 2010, the value of the programme was reduced to reflect the changes in the profile of the Company's turnover since 2006, when the programme was launched. Consequently, a total of € 66,000 thousand of the € 256,000 thousand of securities was repaid before maturity in July and November using cash from the special-purpose entity. In the table below, which shows the maturity of the Company's debt, the entire residual amount relating to the asset-backed securities (€ 190,000 thousand) has been recorded as short-term debt, despite its contractual maturity of 2014, because the Company has decided not to renew the programme in light of investors' unfavourable attitude towards operations of this kind. The Company therefore chose to make a repayment of € 35,000 thousand of this € 190,000 on 17 January 2011, under the same terms as the aforementioned early repayments made in the second half of 2010. The residual amount of € 155,000 thousand will therefore be repaid using the proceeds of the collection of the receivables that will be sold up to March 2011, when the Company has decided to end the programme. In light of the average collection time for SEAT Pagine Gialle S.p.A. receivables, the estimated period required for full repayment of the asset-backed securities is approximately 180 days from the end of the programme.
- *Debts due to Leasint S.p.A.* totalled € 49,336 thousand (including the current portion of € 52,199 thousand) as at 31 December 2010. They relate to seven financial leasing contracts (six contracts with effect from December 2009 and one with effect from the end of October 2010) in relation to the purchase of the Turin property complex, Corso Mortara, which now houses the Company's offices. These leasing contracts mature in December 2023 and October 2024 respectively, and will be repaid in deferred quarterly instalments subject to a floating interest rate equal to three-month Euribor plus a spread of around 65 basis points p.a.. The residual value is fixed at around 1% of the value of the property complex.

Non-current financial debts to related parties

Non-current financial debts to related parties refer to the subordinated loan due to Lighthouse International Company S.A. (in which the Group holds a 25% stake). This loan totalled € 1,276,023 thousand as at 31 December 2010 (€ 1,270,052 thousand as at 31 December 2009 restated) net of € 23,977 thousand for transaction costs not yet amortised at the end of the year. The 10-year loan is due to mature in 2014 and is subject to a fixed interest rate of 8% p.a..

b) Current financial liabilities

These can be broken down as follows

(euro/thousand)	As at 31.12.2010	As at 31.12.2009	Change
Current portion of non-current financial debt	263,270	580,343	(317,073)
Debts for accrued interest expense not yet paid	29,946	1,359	28,587
Other financial debts	8,313	8,402	(89)
Liabilities adjustments instruments "cash flow hedges"	7,260	7,844	(584)
Total current financial debts to third parties	308,789	597,948	(289,159)
Current financial debts to associates	17,375	17,375	-
Financial debts to companies with significant influence	-	13,526	(13,526)
Current financial debt to related parties	17,375	30,901	(13,526)

Current financial debts to third parties

This item includes:

- € 263,270 thousand relating to the current portion of financial debts on the senior loan with The Royal Bank of Scotland, maturing in June and December 2011 (€ 70,391 thousand), asset-backed securities (€ 190,000 thousand) and the short-term portion of the loan with Leasint S.p.A. (€ 2,863 thousand);
- € 29,946 thousand relating to debts for interest accrued but not yet paid, including € 28,904 thousand pertaining to the Senior Secured Bond;
- € 8,313 thousand relating to other financial debts (€ 8,402 thousand as at 31 December 2009), relating mainly to debts due to banks for derivative hedge instruments, payment of € 7,066 thousand of which has been deferred until the end of June 2011;
- € 7,260 thousand relating to net liabilities (current portion) arising from the valuation at fair value of the cash flow hedge instruments in place as at 31 December 2010 (€ 7,844 thousand as at 31 December 2009);

The Company also has a committed short-term credit line of € 30.0 million, maturing on 31 March 2011, which has not been drawn down as yet. In the event of drawdown the credit line will be subject to a margin of 5% p.a. on the benchmark Euribor rate, and in case of non-utilisation charges will be 2% p.a..

The Company is currently arranging the conversion of this loan into a credit line for the disposal of trade receivables.

Current financial debts to related parties

This item includes:

- € 17,375 thousand as at 31 December 2010 (unchanged from 31 December 2009) relating to current financial debts due to associates for interest accrued but not yet paid at the end of the financial year on the loan with Lighthouse International Company S.A.;
- financial debts due to companies with significant influence over SEAT Pagine Gialle S.p.A., which totalled € 13,526 thousand as at 31 December 2009, were repaid in full in September 2010.

c) Current financial assets due from third parties

Current financial assets, which totalled € 1,498 thousand as at 31 December 2010 (€ 1,918 thousand as at 31 December 2009), relate mainly to other financial receivables (€ 828 thousand) and loans to employees (€ 436 thousand).

d) Cash and cash equivalents

(euro/thousand)	Aa at 31.12.2010	As at 31.12.2009	Change
Bank deposits	241,171	290,870	(49,699)
Postal deposits	508	1,048	(540)
Cash	49	73	(24)
Total cash and cash equivalents	241,728	291,991	(50,263)

Cash and cash equivalents totalled € 241,728 thousand as at 31 December 2010 (€ 291,991 thousand as at 31 December 2009), including € 84,941 thousand of bank deposits for the special-purpose entity, Seat Servizi per le Aziende S.r.l. (formerly Meliadi Finance S.r.l.) resulting from collections of the receivables sold by SEAT Pagine Gialle S.p.A. as part of its securitisation programme.

In case of use, this cash is subordinate to the payment of debt to the special-purpose entity.

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20. Guarantees provided, main commitments and contractual rights

The obligations arising from the facilities with The Royal Bank of Scotland are secured, among other things, by pledges over shares in SEAT Pagine Gialle S.p.A. and other companies of the SEAT Pagine Gialle group, a pledge over the main proprietary trademarks of the SEAT Pagine Gialle group, and a special lien on certain capital goods of SEAT Pagine Gialle S.p.A., as well as a fixed and floating charge under English law on assets of TDL Infomedia and Thomson. The same guarantees, with the exception of the special lien on capital goods of SEAT Pagine Gialle S.p.A., also apply to the Senior Secured Bonds issued by SEAT Pagine Gialle S.p.A. in January and October 2010. Obligations arising from the indenture on the bonds issued by Lighthouse International Company S.A. in 2004 and guaranteed by SEAT Pagine Gialle S.p.A. are guaranteed by, among other things, a second-degree pledge on SEAT Pagine Gialle S.p.A. shares. As regards the asset-backed securities issued by the special purpose entity, Seat Servizi per le Aziende S.r.l. (formerly Meliadi Finance S.r.l.), as part of the securitisation of trade receivables of SEAT Pagine Gialle S.p.A. launched in June 2006, the obligations relating to these are secured by the portfolio of receivables subject to securitisation owned by Seat Servizi per le Aziende S.r.l. (formerly Meliadi Finance S.r.l.). The obligations relating to the leasing contracts signed between SEAT Pagine Gialle S.p.A. and Leasint S.p.A. are secured by the leased properties owned by Leasint S.p.A., which may, in the event of default by SEAT Pagine Gialle S.p.A., fulfil the debt by selling the properties themselves.

Pursuant to the indenture relating to the notes issued by Lighthouse International Company S.A. in 2004, SEAT Pagine Gialle S.p.A. issued a personal guarantee concerning the fulfilment by Lighthouse International Company S.A. of all obligations (for principal, interest and additional costs) arising from the notes issued by the latter. More specifically, said guarantee is limited to € 350,000 thousand in relation to additional costs.

The loan agreement between SEAT Pagine Gialle S.p.A. and Lighthouse International Company S.A. dated 22 April 2004 provides for, among other things, a commitment by SEAT Pagine Gialle S.p.A. to pay the lender (in addition to principal and interest) an amount equal to any additional amount paid by the latter in relation to the 2004 bond and to hold the lender harmless from any charge that may reduce the amount of interest paid to said lender. With regard to this latter commitment, SEAT Pagine Gialle S.p.A., to the extent of its knowledge on the reporting date, may have to pay Lighthouse International Company S.A. up to € 3.4 million; no provisions have been made to the risks reserve insofar as such an eventuality is not deemed likely.

The facilities agreement with The Royal Bank of Scotland requires that SEAT Pagine Gialle S.p.A. comply with specific financial covenants, which are monitored quarterly and relate to the maintaining of certain ratios between *i*) net debt and EBITDA; *ii*) EBITDA and interest on debt; *iii*) cash flow and debt service (including interest and capital payable in each reference period).

As is customary for transactions of this kind, the aforementioned facilities agreement also governs other aspects by establishing limits and operating conditions, including investments and the possibility of recourse to additional debt, making acquisitions, distributing dividends and carrying out capital transactions. Similar provisions are also contained in the three indentures under US law which respectively govern the notes (bonds) issued by Lighthouse International Company S.A. in 2004 and secured by SEAT Pagine Gialle S.p.A., and the notes issued by SEAT Pagine Gialle S.p.A. in January 2010 and October 2010.

SEAT Pagine Gialle S.p.A. constantly monitors current and future compliance with all the conditions of the aforementioned agreements.

The outcome of the checks on the financial covenants and compliance with all the obligations imposed by the aforementioned agreements as at 31 December 2010 (the date of these financial statements) was positive.

In the event that adverse market and/or business conditions for the Company cause breach of the financial covenants with The Royal Bank of Scotland at a reference date, The Royal Bank of Scotland may rescind the facilities agreement, causing all or any financing already drawn down (including interest accrued but not yet paid and all other amounts due to the bank under the agreement) to become immediately payable. This could force SEAT Pagine Gialle S.p.A. to seek funds on the market to repay its debt and would allow The Royal Bank of Scotland to call on the security given for the facility if SEAT Pagine Gialle S.p.A. is unable to pay its debt. This situation could be remedied only by waiver on the part of The Royal Bank of Scotland of its rights with respect to such breach and, if necessary, by a restructuring of the financial covenants contained in the facilities agreement.

21. Information on financial risks

Market risk

In the normal course of business, the SEAT Pagine Gialle group is subject to interest rate risk and foreign-exchange risk. These market risks concern in particular the debt due to The Royal Bank of Scotland, the debt arising from the issue of asset-backed securities by the special-purpose entity, Seat Servizi per le Aziende S.r.l. (formerly Meliadi Finance S.r.l.), as part of the securitisation programme, the debts due to Leasint S.p.A., the leasing company, and receivables and payables in foreign currency (particularly sterling).

The SEAT Pagine Gialle group constantly monitors the financial risks to which it is exposed, in order to assess the potential negative effects of these risks in advance and take appropriate action to mitigate them. These risks are managed through the use of derivatives, in line with the Group's risk management policies. Within the framework of these policies, the use of derivatives is reserved for managing exposure to fluctuations in exchange rates and interest rates related to cash flows and assets and liabilities. No speculative transactions are carried out.

Financial market risk policy of the SEAT Pagine Gialle group

This policy provides for:

- constant monitoring of the level of exposure to interest rate risk and foreign-exchange risk, and assessment of the maximum levels of risk exposure;
- the use of cash flow hedge instruments to manage these risks and not for speculative purposes;
- constant assessment of the level of reliability of financial counterparties in order to minimise non-performance risk.

All cash flow hedge instruments are entered into with leading financial and banking institutions. In the event that the counterparty is a subsidiary, the transaction is carried out under market conditions.

Interest rate hedging derivatives

The senior bank debt with The Royal Bank of Scotland, as well as the debt arising from the issue of asset-backed securities by the special-purpose entity, Seat Servizi per le Aziende S.r.l. (formerly Meliadi Finance S.r.l.), for the securitisation programme and the debt due to Leasint S.p.A., is subject to a floating interest rate based on Euribor. Therefore, of the € 2,958,725 thousand of facilities in place as at 31 December 2010, € 908,706 thousand was subject to a floating interest rate. In order to limit its exposure to interest rate risk, SEAT Pagine Gialle S.p.A. also entered into interest rate hedging derivatives with leading international financial operators.

At the end of December 2010, in light of the reduction of the amount of debt subject to a floating rate following the Senior Secured Bond issues, certain derivative hedge instruments were reclassified so as to no longer be accounted for using hedge accounting, with a corresponding charge of € 1,925 thousand allocated to the statement of operations.

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As at the end of December 2010, with reference to the 2011-2013 period, the average total protection against interest rate risk was equal to around 85% of total debt, with 80% pertaining to fixed-rate debt, 3% to Interest Rate Swap transactions and 1% to Interest Rate Collar transactions.

As regards the 2014-2015 period, around 95% of the total expected debt will be fixed-rate debt.

To determine the market value of the derivatives, SEAT Pagine Gialle S.p.A. referred to valuations provided by independent organisations (banks and financial institutions). When calculating their estimates, these institutions used data observed on the market directly (interest rates) or indirectly (interpolation curves for directly observed interest rates). Consequently, for the purposes of IFRS 7, the fair value used by the Company to measure the derivative hedge instruments in place at the end of the year comes under level 2 of the fair value hierarchy.

The market value of Interest Rate Swaps is the current value of the difference between fixed-rate interest payable and/or receivable and interest valued using the market rate curves applicable upon the maturities of the derivative contracts.

Interest Rate Swaps involve, or may involve, the exchange of interest rate payments calculated using the notional value of the derivative at a fixed or variable rate on the maturity dates agreed between the parties. The notional value is not the amount exchanged between the parties, and therefore is not a measure of exposure to credit risk, which is the difference between the interest rates swapped on the settlement dates.

The market value of Interest Rate Collars is the difference between the price payable to buy back floor options and the price receivable for reselling cap options. The price of these options is calculated using interest rates forecast on maturity, strike price at each maturity and interest rate volatility.

As at 31 December 2010, the following derivative hedge instruments were in place:

- Interest Rate Swap* (negative market value of € 3,711 thousand) for July 2011 to December 2011, with variable six-month Euribor replaced by an average 2.94% fixed rate on a notional value of € 470 million;
- Interest Rate Collar* (negative market value of € 1,757 thousand) for July 2011 to December 2011, subject to variable six-month Euribor with an average cap of 4.70% and an average floor of 3.68% on a notional value of € 150 million;
- Interest Rate Swap* (negative market value of € 147 thousand) for mid-January 2011 to April 2011, hedging part of the interest on the debt due as a result of the securitisation programme, with variable three-month Euribor replaced by a fixed rate of around 1.85% on a notional value of € 75 million;
- Interest Rate Swap* (negative market value of € 560 thousand) for March 2011 to December 2011, hedging part of the interest on the financial leases, with variable three-month Euribor replaced by a 3.60% fixed rate on a notional value of € 30 million.

Hedging interest rates enables changes in the cost of debt due to interest rate fluctuations to be kept under control. The table below illustrates the estimated effects of a hypothetical change of +50/-50 basis points in the Euribor rate curve compared with the rates actually applied in 2010. With regard to the sensitivity analysis for costs in the statement of operations, the figures indicated below are recorded gross of any tax effect.

(euro/million)	Estimated change in 2010 interest expense	Estimated change in net liabilities from the valuation of "cash flow hedge" contracts at fair value
+50 bps	2.4	(1.56)
-50 bps	(2.4)	1.56

Risk from high levels of financial debt

As at the end of December 2010, the SEAT Pagine Gialle group presented a high level of debt, characterised by financial leverage equal to around five times its EBITDA. The loan repayment plan in place as at 31 December 2010 is structured as follows

(euro/thousand)	Due date - by						Total
	31.12.2011	31.12.2012	31.12.2013	31.12.2014	31.12.2015	Beyond five years	
Senior Secured Bond (*)	-	-	-	-	-	750,000	750,000
The Royal Bank of Scotland Plc.	70,391	149,322	446,794	-	-	-	666,507
Lighthouse International Company S.A.	-	-	-	1,300,000	-	-	1,300,000
Asset backed securities(**)	190,000	-	-	-	-	-	190,000
Debts due to Leasint S.p.A.	2,863	3,010	3,173	3,339	3,514	36,300	52,199
Debts due to other lenders	16	3	-	-	-	-	19
Total non-current financial debts (gross value)	263,270	152,335	449,967	1,303,339	3,514	786,300	2,958,725

(*) In the financial statement such amount is posted for an amount of € 718,587 thousand net of the discount on issue price.

(**) The amount has been already paid for € 35,000 thousand on January 17, 2011: the balance for € 155,000 thousand has been posted with maturity during 2011 as a consequence of a) company decision to not renew the Sec Program and b) the forecast of the requested time (approximately 180 days) for the full repayment of the securitized receivables that will allow the amortization of the ABS notes (whose contractual maturity date is in 2014 year).

The average life of loans in place as at the end of 2010 was 3.71 years. As at 31 December 2009, prior to the Senior Secured Bond issue, this figure was 3.35 years

If, as a result of market conditions or other circumstances, SEAT Pagine Gialle S.p.A. is unable to find sufficient financial resources to fulfil its financial obligations on the maturity dates and subject to the terms and conditions provided for, or, more generally, if other obligations provided for by the aforementioned financial agreements are not fulfilled, or in the event of insolvency proceedings or non-fulfilment of obligations arising from any other debt instrument or guarantee of SEAT Pagine Gialle S.p.A. or a company of the SEAT Pagine Gialle group, the sums granted must be repaid early and in full, together with the interest accrued and any other sums due pursuant to such agreements, with consequent negative effects on the business and the economic and financial position of the Company and the SEAT Pagine Gialle group.

Liquidity risk - obtaining financial resources

The SEAT Pagine Gialle group monitors the risk that the financial resources available may be insufficient to cover its short-term obligations (€ 263,270 thousand by 31 December 2011, including two repayment instalments of tranche A and the closure of the securitisation programme, as well as the instalments relating to the leasing contracts). Thanks to the cash flow generation that characterises its activities and the availability of credit lines, the SEAT Pagine Gialle group believes it has sufficient financial resources to meet its short-term commitments.

After 31 December 2011, SEAT Pagine Gialle S.p.A. will have to repay considerable sums in relation to existing loans. The Group's financial resources may prove insufficient to meet these commitments, meaning that the Group will have to have recourse to new financing.

Throughout 2010, the continued crisis on financial markets consolidated a widespread and growing risk aversion among investors, resulting in an increase in credit default swap spreads and a sharp fall in high-yield securities in particular.

Consequently, if for any reason SEAT Pagine Gialle S.p.A. is unable to generate sufficient financial resources to fulfil its financial obligations and has to renegotiate the terms and conditions of its financial obligations prior to maturity or has to seek the resources necessary for repayment on the bank and/or financial markets, it might not manage to raise the funds or it might raise them under terms and conditions that may be more expensive than the current terms and conditions, with consequent negative effects on the economic and financial position of the Group.

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Such difficulty in raising financial resources could occur if the rating assigned to SEAT Pagine Gialle S.p.A. by Standard & Poor's and Moody's is downgraded.

The ratings reflect the agencies' assessment of the probability of default by the Company and are the result of an analysis of (i) the Group's prospects in terms of profitability, cash flow generation and debt sustainability and (ii) expected market situations. In the last quarter of 2010, the ratings assigned by the aforementioned agencies were lowered from B to B- and from B2 to Caa1 respectively. Subsequently, in March 2011, as already mentioned in the section relating to "Post-balance sheet events", Standard & Poor's downgraded its rating of the company from B- to CCC+.

The need for and extent of such a requirement cannot be accurately predicted beyond the short term, since they depend on variable factors such as business performance and financial market trends.

With regard to the first point, the Group is showing positive signs, including strong growth in online&mobile revenues driven by the new online marketing services, and better-than-expected results from "package" sales, which are described in more detail above. The Group's strategy is expected to continue to boost this trend by using financial and other resources which are available and considered sufficient. With regard to the financial aspects, the Company has formally begun identifying options for reorganising its financial structure.

Impact of "change of control" on the facilities agreements in place (article 123-bis, letter I of Legislative Decree No. 58/1998)

Both the senior loan agreement with The Royal Bank of Scotland and the three indentures under US law, which govern, respectively, the notes (bonds) issued by (i) Lighthouse International Company S.A. in 2004 for a total of € 1,300 million, maturing in 2014 and secured by SEAT Pagine Gialle S.p.A., (ii) SEAT Pagine Gialle S.p.A. in January 2010 for a total of € 550 million, maturing in 2017, and (iii) SEAT Pagine Gialle S.p.A. in October 2010 for a total of € 200 million, maturing in 2017, provide for compulsory early repayment upon the occurrence of certain events, which are described in detail in each of the aforementioned documents and are commonly referred to as "change of control". Pursuant to the loan agreement with The Royal Bank of Scotland, in the event that there is a "change of control" (as defined in said agreement), the commitment made by The Royal Bank of Scotland pursuant to the loan agreement to disburse the amounts provided for therein is no longer applicable, and SEAT Pagine Gialle S.p.A. must immediately provide early repayment of all amounts it received pursuant to the loan agreement and all amounts relating to the letters of credit issued in its interest, as well as unpaid accrued interest and all other amounts due to The Royal Bank of Scotland pursuant to the loan agreement and to related documents.

Pursuant to the three indentures, in the event that there is a "change of control" (as defined in each of the three documents), each bondholder will have the right to have its securities redeemed by Lighthouse International Company S.A. or SEAT Pagine Gialle S.p.A. (where appropriate) at a price equal to 101% of the nominal value of the notes plus unpaid accrued interest as at the redemption date. Where one or more bondholders exercise such a right, SEAT Pagine Gialle S.p.A., pursuant to the loan agreement with Lighthouse International Company S.A., must provide sufficient early repayment of the loan extended to it by Lighthouse International Company S.A. to enable the latter to cover any such redemptions. The same amount must be paid directly to bondholders by SEAT Pagine Gialle S.p.A. in the event of non-fulfilment by Lighthouse International Company S.A., in accordance with the provisions of the indenture, pursuant to which SEAT Pagine Gialle S.p.A. is expressly and irrevocably committed to guaranteeing all obligations of Lighthouse International Company S.A. to the bondholders. Any payment by SEAT Pagine Gialle S.p.A. pursuant to the loan agreement with Lighthouse International Company S.A. or the aforementioned indentures must, in any case, be made in compliance with the provisions of the loan agreement with The Royal Bank of Scotland and of the intercreditor agreement entered into, inter alia, by SEAT Pagine Gialle S.p.A., Lighthouse International Company S.A. and The Royal Bank of Scotland on 25 May 2005 (when the loan agreement was stipulated with The Royal Bank of Scotland), as subsequently amended, which governs, among other things, transactions between SEAT Pagine Gialle S.p.A., The Royal Bank of Scotland, in its capacity as senior creditor, Lighthouse International Company S.A. and the bondholders (in the form of a representative for each bond issue by Lighthouse International Company S.A. and SEAT Pagine Gialle S.p.A., where appropriate).

More information on this subject, and in particular a description of which cases constitute a "change of control", can be found in the "Annual report on corporate governance", which is published together with these financial statements and is available to the public on the Company's official website, www.seat.it.

Foreign-exchange risk

The consolidated financial statements of the SEAT Pagine Gialle group are prepared in euros. However, since some Group companies operate in other currencies (mainly sterling), the Group is exposed to foreign-exchange risk.

As at 31 December 2010, revenues in sterling generated by the Group's activities in the UK and converted into euros accounted for 6.4% of total revenues. Changes in the euro/sterling exchange rate could give rise to a change in the conversion reserve under net equity.

The Company is also exposed to foreign-exchange risk in relation to an intra-group loan in sterling to the TDL Infomedia group.

The Company has put a number of exchange-rate hedges in place, the effects of which are reflected in the consolidated statement of operations.

Credit risk

The SEAT Pagine Gialle group operates in the online directional advertising market, where there is a large number of clients. 90.0% of the Group's commercial receivables as at 31 December 2010 (89.7% as at 31 December 2009) related to the Parent Company, SEAT Pagine Gialle S.p.A., which has around 486,000 clients throughout Italy, consisting mainly of small and medium-sized businesses. Each year, the Parent Company alone issues some 810,000 invoices, each providing on average for payment in 2.5 instalments of around € 527 each, meaning more than 1.9 million of receipts.

There is, therefore, no concentration of credit risk on trade receivables.

The large volume of transactions generates a high number of payments in arrears, hence the need for an effective credit management system. Over time, the Parent Company has introduced a widespread and continually strengthened team that is able to efficiently manage all phases of the payment request process. The in-house team, call centres, collection agencies and legal experts employ in total approximately 1,400 staff.

Credit risk exposure – represented by the provisions for doubtful receivables on the statement of financial position – is measured using a statistical model that breaks down the client base by location and seniority, which reflects the historical experience of SEAT Pagine Gialle S.p.A. in debt collection and projects it into future estimates.

At 31 December 2010, Group provisions for doubtful trade receivables totalled € 109,261 thousand, down from € 115,254 thousand as at 31 December 2009. Provisions from the statement of operations fell from € 48,845 thousand to € 34,758 thousand owing to a broadly stable and appropriate coverage ratio for overdue payments.

The collection process will be fully reviewed as of 2011 in order to maximise collections and reduce DSO (Days of Sales Outstanding) by selecting call centres and collection agencies, categorising similar debtors and rethinking collection strategies.

22. Non-current reserves for employees

SEAT Pagine Gialle group companies provide benefits to current and former employees and to its Chief Executive Officer, both directly and through contributions to external funds. The terms under which these benefits are provided vary depending on the legislative, fiscal and economic conditions in each country in which the Group operates. Employee benefits are usually based on remuneration and length of service.

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

Under defined-contribution plans, the Group pays contributions to public or private insurers pursuant to a statutory or contractual obligation, or on a voluntary basis. The Group fulfils all its obligations by paying these contributions. The cost for the year is accrued based on the employee's service and is recorded in the statement of operations (€ 5,217 thousand in 2010).

Defined-benefit plans are either unfunded, as in the case of the reserve for severance indemnities, or fully funded by the contributions paid by the Company and its employees to a legally separate entity or fund that provides employee benefits, as in the case of the TDL Infomedia group pension fund.

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The table below shows the changes in the various types of plans in place during 2010

	Year 2010			Year 2009		
	Net liabilities for defined benefit pension plans	Reserve for severance indemnities	Reserve for defined contribution pension plans	Net liabilities for termination indemnities	Total	Total
(euro/thousand)						
Balance at beginning of the year	20,213	20,742	1,841	100	42,896	34,767
Provisions	155	-	5,217	150	5,522	7,261
Contributions	(3,050)	-	473	-	(2,577)	(9,221)
Benefits paid/received	-	(4,523)	(5,952)	-	(10,475)	(9,535)
Discounting losses	3,091	985	-	-	4,076	5,636
Expected return on plan assets	(1,593)	-	-	-	(1,593)	(4,292)
Actuarial losses (gains) recognised to equity	1,542	(101)	-	-	1,441	21,901
Curtailment and settlement gain	(178)	268	-	-	90	(3,563)
Foreign exchange adjustments and other adjustments	641	(1,403)	23	-	(739)	(58)
Balance at end of the year	20,821	15,968	1,602	250	38,641	42,896

Net liabilities for defined-benefit pension plans

Net liabilities for defined-benefit pension plans totalled € 20,821 thousand as at 31 December 2010 (€ 20,213 thousand as at 31 December 2009). They are recorded net of assets (€ 35,863 thousand) designated to finance these pension plans (€ 56,684 thousand). Almost all this amount refers to the TDL Infomedia group pension plan.

The figures for pension plans, payables to employees and related costs in the statement of operations were determined based on valuations carried out by an independent expert using the *Projected Unit Method*, in accordance with the provisions of IAS 19.

The enhanced transfer value programme was completed in 2010 in order to encourage employees who subscribe to the Thomson pension fund to move to pension schemes outside the TDL Infomedia group chosen by them. This programme offered members an incentive which, at the choice of the individual member, could be either added to the sum transferred to another pension fund or paid out immediately when the transfer was made. Incentives paid out under the programme in 2010 totalled € 643 thousand (€ 5,709 thousand in 2009).

As a result of changes made to the methods of calculating benefits paid to members, non-recurring income of € 382 thousand was recorded.

Actuarial losses of € 1,542 thousand were also generated in 2010. Pursuant to IAS 19, paragraph 93A, the losses were recognized directly to equity, net of tax effect.

(euro/thousand)	As at 31.12.2010	As at 31.12.2009
A. Change in benefit obligation		
1. Benefit obligation at the beginning of the year	55,092	69,246
2. Current service cost	155	851
3. Interest expense	3,091	4,554
4. Plan participants' contributions	-	557
5. Actuarial (gains) losses recognised to equity	2,238	23,741
6. Benefits paid from plan/company	(5,447)	(45,229)
7. Curtailment	-	(2,787)
8. Settlement	(178)	(776)
9. Exchange rate adjustments	1,733	4,935
Benefit obligation at the end of the year	(A) 56,684	55,092
B. Change in plan assets		
1. Fair value of plan assets at the beginning of the year	(34,879)	(58,601)
2. Expected return on plan assets	(1,593)	(4,292)
3. Actuarial (gains) losses recognised to equity	(696)	(3,209)
4. Employer contributions	(3,050)	(9,316)
5. Member contributions	-	(557)
6. Benefits paid from plan/company	5,447	45,229
7. Exchange rate adjustments	(1,092)	(4,133)
Fair value of plan assets at the end of the year	(B) (35,863)	(34,879)
C. Account recognised in the statement of financial position		
1. Present value of defined-benefit obligation at the end of the year	56,684	55,092
2. Fair value of plan assets at the end of the year	(35,863)	(34,879)
Net liability (asset) recognised in the statement of financial position	(A+B) 20,821	20,213
D. Components of pension cost		
<i>Amounts recognised in the statement of operations</i>		
1. Current service cost	155	851
2a. Interest expense	3,091	4,554
2b. Expected return on plan assets	(1,593)	(4,292)
2. Interest expense (income)	1,498	262
<i>Actual return on plan assets</i>		
Actual return on plan assets	(2,289)	(7,501)
E. Principal actuarial assumptions		
<i>Weighted-average assumptions to determine benefit obligation</i>		
1. Discount rate	5.40%	5.70%
2. Rate of compensation increase		
3. Rate of price inflation	2.90%	3.45%
4. Rate of pension increase	3.40%	3.45%
<i>Weighted-average assumptions to determine net pension cost</i>		
1. Discount rate	5.70%	6.30%
2. Expected rate of return on plan assets	4.55%	6.58%
3. Expected rate of compensation increase		
4. Rate of price inflation	3.45%	2.75%
5. Rate of pension increase	3.45%	2.70%
F. Plan assets		
Asset categories	% of plan asset categories on total 2010	Expected rate of return on plan assets 2010
1. Shares	43.0%	7.7%
2. Government securities	37.0%	4.2%
3. Bonds	16.0%	5.4%
4. Other	4.0%	0.5%
Total	100.0%	5.7%

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Reserve for severance indemnities

The *reserve for severance indemnities*, which totalled € 15,968 thousand as at 31 December 2010 (€ 20,742 thousand as at 31 December 2009) is considered a defined-benefit plan and was valued in accordance with the provisions of IAS 19.

Following the reform of the supplementary pensions system introduced by Legislative Decree no. 252 of 5 December 2005, the reserve for severance indemnities was converted from a defined-benefit plan into a defined-contribution plan from 1 January 2007. Consequently, the debt recorded in the statement of financial position represents liabilities for defined-benefit plans (valued using IAS 19 criteria) for employees relating to benefits given up to 31 December 2006.

The portion of the reserve for severance indemnities accrued subsequently and paid to supplementary pension funds was, as in previous years, considered a defined-contribution fund, since the Company's obligation towards the employee is terminated upon payment of the portions accrued to the pension funds. Payments of portions of the reserve for severance indemnities accrued to the treasury fund managed by the national social security institution (INPS) were also accounted for as payments to a defined-contribution fund, since the Company is not obligated to make any further payments other than those provided for by the Ministerial Decree of 30 January 2007 if the fund does not have sufficient assets to grant the benefit to the employee.

The following table shows the key figures relating to the reserve for severance indemnities

(euro/thousand)	As at 31.12.2010	As at 31.12.2009
A. Change in benefit obligation		
1. Benefit obligation at the beginning of the year	20,742	21,821
2. Current service cost	-	2
3. Interest expense	985	1,082
4. Actuarial (gains) losses recognised to equity	(101)	1,369
5. Benefits paid from plan/company	(4,523)	(2,831)
6. Curtailment	268	-
7. Other movements	(1,403)	(701)
Benefit obligation at the end of the year	15,968	20,742
B. Account recognised in the statement of financial position		
<i>Plans that are wholly unfunded and plans that are wholly or partly funded</i>		
1. Present value of defined-benefit unfunded obligation at the end of the year	15,968	20,742
Net liability recognised in the statement of financial position	15,968	20,742
<i>Amounts in the statement of financial position:</i>		
1. Liabilities	15,968	20,742
C. Components of pension cost		
<i>Amounts recognised in the statement of operations:</i>		
1. Current service cost	-	2
2. Interest expense	985	1,082
Total pension cost recognised in the statement of operations	985	1,084
D. Principal actuarial assumptions		
<i>Weighted-average assumptions to determine benefit obligation</i>		
1. Discount rate	4.75%	5.00%
2. Salary increase	n.a.	n.a.
2. Rate of price inflation	2.00%	2.00%
<i>Weighted-average assumptions to determine net pension cost</i>		
1. Discount rate	5.00%	5.70%
2. Expected rate of salary increase	n.a.	n.a.
2. Rate of price inflation	2.00%	2.00%

23. Share-based payment

The stock option plans in place as at 31 December 2010, which are described in the statement of operations, under the heading "Human resources", are recorded in the financial statements in accordance with the provisions of IFRS 2.

The stock option plans issued by SEAT Pagine Gialle S.p.A. were valued by an independent expert using the lattice model recommended by the IASB, based on the following assumptions:

- the current share price corresponds to the share price on the grant date;
- the historical volatility of SEAT Pagine Gialle S.p.A. shares (calculated as of 1 August 2003) is considered indicative of expected future volatility;
- dividend yield = 0. The Group has a very short history, 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 government securities maturing during the exercise period were used as a reference;
- strike price: it was assumed that employees would exercise their options throughout the exercise period, in proportion to the increase in the share price.

The valuation of the stock option plan issued by Telegate AG was based on similar assumptions, although these assumptions relate to Telegate AG shares, which are listed on the Frankfurt stock exchange.

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 31.12.2010	Number of outstanding options	Fair value (euro/thousand)	of which accrued in the 2010
2005 stock option plans										
Employees of SEAT PG group	08.04.2005	312,500	(9,750)	30-09-06	64.42	(166,725)	(136,025)		5,211	-
Employees of SEAT PG group	04.11.2005	8,000		30-09-06	78.3		(8,000)		200	-
Total		320,500	(9,750)			(166,725)	(144,025)		5,411	-
2005 Telegate's stock option plans										
Directors and employees	12.05.2005	293,000	(43,500)	12-05-07	14.28	(240,500)		9,000	467	-
Directors and employees	01.06.2006	400,000	(158,350)	01-06-08	16.09			241,650	551	-
Directors and employees	01.06.2008	319,000	(37,500)	01-06-10	11.01			281,500	417	60
Total		1,012,000	(239,350)			(240,500)		532,150	1,435	60
Total for the SEAT PG group		1,332,500	(249,100)			(407,225)	(144,025)	532,150	6,846	60

Costs for stock options, which totalled € 60 thousand in 2010 (€ 227 thousand in 2009), are included in the statement of operations under non-recurring costs.

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24. Other non-current liabilities

Other non-current liabilities totalled € 36,579 thousand as at 31 December 2010 (€ 29,827 thousand as at 31 December 2009) and can be broken down as follows

(euro/thousand)	Year 2010					Year 2009
	Reserve for sale agents' termination indemnities	Reserve for operating risks and charges	Reserve for restructuring expenses	Other non-operating liabilities	Total	Total
Balance at beginning of the year	23,186	798	4,915	928	29,827	26,170
Provision	4,277	64	12,121	862	17,324	6,986
Utilisation/repayment	(5,288)	-	-	-	(5,288)	(3,673)
Reversal to statement of operations	-	(39)	-	-	(39)	(130)
Discounting losses (gains)	244	8	63	(60)	255	462
Other movements	556	(101)	(4,978)	(977)	(5,500)	12
Balance at end of the year	22,975	730	12,121	753	36,579	29,827

As at 31 December 2010 non-current reserves were discounted, taking into consideration expected future cash flows, using the pre-tax discount rate that reflects the current market valuation of the cost of money over time. The increase due to the passage of time and changes in the discount rate applied was recorded as financial expense (€ 255 thousand).

The *reserve for sale agents' termination indemnities*, which totalled € 22,975 thousand as at 31 December 2010 (€ 23,186 thousand as at 31 December 2009), represents the debt due at the end of the year to active sales agents for the indemnities owed to them in the event of termination of the agency contract, as provided for by current legislation.

The *restructuring reserve (non-current portion)*, which totalled € 12,121 thousand as at 31 December 2010 (€ 4,915 thousand as at 31 December 2009), increased in 2010 following a provision of € 12,121 thousand, including € 12,103 thousand relating to the extension until 2013 of the corporate restructuring programme begun in 2009 at SEAT Pagine Gialle S.p.A.. This plan was agreed with the trade unions and approved at the end of December 2008 by the Board of Directors. A trade union agreement was then formalised in February 2011 at the Ministry of Employment and Social Policies and ratified by the Company's Board of Directors, authorising the corporate restructuring process, which had originally been scheduled for 2009-2011, to continue until 2013 through the compulsory management of redundant employees using the special wage guarantee fund and early retirement.

This reserve should be considered in conjunction with the current portion of the restructuring reserve, which increased by € 17,206 thousand (with € 14,066 thousand pertaining to SEAT Pagine Gialle S.p.A.).

25. Reserve for (operating and non-operating) current risks and charges

This can be broken down as follows

(euro/thousand)	Year 2010				Year 2009
	Reserve for commercial risks	Reserves for contractual and other operating risks	Non-operating reserves	Total	Total
Balance at beginning of the year	15,575	19,900	14,453	49,928	52,460
Provision	8,310	1,227	17,206	26,743	23,278
Utilisation	(9,981)	(3,557)	(14,883)	(28,421)	(20,117)
Reversal to the statement of operations	(100)	(6,796)	(143)	(7,039)	(5,635)
Other movements		(772)	5,198	4,426	(58)
Balance at end of the year	13,804	10,002	21,831	45,637	49,928

The reserve for current risks and charges totalled € 45,637 thousand as at 31 December 2010, down by € 4,291 thousand compared with 31 December 2009. It breaks down as follows:

- *the reserve for commercial risks*, which totalled € 13,804 thousand as at 31 December 2010, covers any costs incurred due to failure to properly perform contractual services in respect of PAGINEGIALLE® and PAGINEBIANCHE®;
- *reserves for contractual and other operating risks*, which totalled € 10,002 thousand as at 31 December 2010, include € 3,644 thousand relating to legal disputes and € 3,534 thousand relating to pending litigations with agents and employees. The change since 31 December 2009 (€ 19,900 thousand) was mainly caused by the reversal of a provision of € 4,500 thousand made in 2007 due to the expiration of contractual risks with telephone operators in relation to mobile network call origination charges, which arose following an AGCom decision and subsequent dispute;
- *non-operating reserves* (current portion) totalled € 21,831 thousand as at 31 December 2010 (€ 14,453 thousand as at 31 December 2009). This item includes € 17,753 thousand relating to the restructuring reserve which increased by € 17,206 thousand in 2010. Of this increase, € 1,130 thousand relates to the Telegate group and € 14,066 thousand to the Parent Company, in connection with its corporate restructuring plan.

26. Trade payables and other current liabilities

Trade payables and other current liabilities can be broken down as follows

(euro/thousand)	As at 31.12.2010	As at 31.12.2009	Change
Payables due to suppliers	150,920	149,439	1,481
Payables due to sales agents	43,247	46,874	(3,627)
Payables due to employees	19,985	21,161	(1,176)
Payables due to social security institutions	9,508	10,541	(1,033)
Payables due to other	666	932	(266)
Total trade payables	224,326	228,947	(4,621)
Payables for services to be rendered	46,174	57,038	(10,864)
Advances from customers	2,954	5,194	(2,240)
Deferred income and other current liabilities	30,915	38,261	(7,346)
Total payables for services to be rendered and other current liabilities	80,043	100,493	(20,450)

All trade payables have a maturity of less than 12 months.

To be more specific, they include:

- *payables to suppliers* totalled € 150,920 thousand as at 31 December 2010, up by € 1,481 thousand compared with 31 December 2009 (€ 149,439 thousand);
- *payables to sales agents*, which totalled € 43,247 thousand as at 31 December 2010 (€ 46,874 thousand as at 31 December 2009), should be considered in conjunction with the item "Advances on sales commission", recorded under "Other current assets", which amounted to € 41,393 thousand as at 31 December 2010 (€ 47,113 thousand as at 31 December 2009).

Payables for services to be rendered and other current liabilities totalled € 80,043 thousand as at 31 December 2010 (€ 100,493 thousand as at 31 December 2009). The item includes € 28 thousand relating to payables with a maturity of over 12 months (€ 47 thousand as at 31 December 2009).

To be more specific, they include:

- *payables for services to be rendered*, which totalled € 46,174 thousand as at 31 December 2010 (€ 57,038 thousand as at 31 December 2009), refer to advance invoicing for print directory advertising. The decrease since 31 December 2009 (€ 10,864 thousand) is attributable to the Company's new revenue mix, with strong growth from online activities and a reduction in revenues from the print business, which affects this item.

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27. Information by Business Area

The primary presentation of the SEAT Pagine Gialle group is by Business Areas, since the risks and profitability of the Group are significantly affected by the differences between the products and services they offer. The secondary breakdown is by geographical area.

The Group's activities are organised and managed separately depending on the nature of the products and services provided, with each area representing a strategic business unit that offers different products and services to different markets.

Prices of intercompany transfers between areas are defined using the same conditions that apply to transactions with third parties.

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

The geographical areas of the Group are identified based on the location of the Group's activities and more or less equate to the legal entities operating in each Business Area.

The table below details the main economic-financial data of the business areas of the SEAT Pagine Gialle group

		Italian	UK	Directory	Other	Aggregate	Elimination	Consolidated
		Directories	Directories	Assistance	Activities	Total	and other	Total
		(euro/thousand)						
Revenues from sales and services	Year 2010	875,543	70,625	142,278	54,818	1,143,264	(32,615)	1,110,649
	Year 2009	952,225	81,394	165,439	63,853	1,262,911	(53,090)	1,209,821
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	Year 2010	446,849	8,356	24,585	3,845	483,635	(145)	483,490
	Year 2009	470,724	13,792	36,258	6,816	527,590	11	527,601
Operating result (EBIT)	Year 2010	(288,031)	(10,678)	(6,434)	(2,569)	(307,712)	(139)	(307,851)
	Year 2009	305,403	(84,041)	24,679	(374)	245,667	61	245,728
Total assets	31 December 2010	3,526,093	100,735	214,689	245,196	4,086,713	(296,126)	3,790,587
	31 December 2009	4,239,036	118,449	254,443	317,503	4,929,431	(359,675)	4,569,756
Total liabilities	31 December 2010	3,288,629	119,691	71,975	228,778	3,709,073	(293,193)	3,415,880
	31 December 2009	3,381,661	121,263	82,375	298,230	3,883,529	(353,036)	3,530,493
		<i>restated (*)</i>						
Net invested capital	31 December 2010	2,921,281	31,347	91,838	20,973	3,065,439	(6,743)	3,058,696
	31 December 2009	3,600,063	43,349	111,085	20,270	3,774,767	(6,640)	3,768,127
Capital expenditure	Year 2010	31,256	2,072	2,659	4,357	40,344	-	40,344
	Year 2009	41,866	1,138	5,783	3,572	52,359	(416)	51,943
Average workforce	Year 2010	1,129	676	2,327	361	4,493	-	4,493
	Year 2009	1,336	728	2,476	407	4,947	-	4,947
Average number of sales agents	Year 2010	1,565	-	2	41	1,608	-	1,608
	Year 2009	1,682	-	20	36	1,738	-	1,738

(*) See paragraph "Introduction" for further details of 2009 restated.

28. Revenues from sales and services

Revenues from sales and services totalled € 1,110,649 thousand, down from € 1,209,821 thousand in 2009. The breakdown by Business Area is as follows:

- Revenues from sales and services related to "Directories Italia" (SEAT Pagine Gialle S.p.A.): € 875,543 thousand in 2010, down 8.1% with respect to the previous year (€ 952,225 thousand). Revenues from core products (print-online&mobile-voice) fell by 7.0% compared with 2009, with a growth of 36.7% in online revenues, driven by the traditional advertising offering and by online marketing services. The growth of these two segments, together with a new way of accounting for the online component of PAGINEBIANCHE® revenues, which

were previously included among print revenues, boosted the weighting of online revenues to around 41% of total revenue. As in the previous quarters, the overall drop in revenue growth was caused by a fall in revenues from voice traffic generated by the 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE® services and some minor products (particularly promotional items), which were affected by the sales network's greater focus on core products, particularly online activities;

- revenues from the "UK directories" Business Area (TDL Infomedia group) totalled € 70,625 thousand in 2010, down by 13.3% (16.4% at constant exchange rates) compared with 2009. Despite the slight growth of the UK economy, TDL Infomedia group revenues were still hit by the effects of the global economic crisis. The TDL Infomedia group dealt with this situation by continuing to develop its commercial offering and restructure its sales area, which was necessary for effectively bringing to the market new products with innovative content. Printed directories suffered a bigger drop in revenues as they were more severely affected by the difficult economic and market conditions. Online revenues went against the trend with a growth of 7.7% (in currency terms) compared with the previous year, owing mainly to the launch of web-driven multimedia packages;
- revenues from the "Directory Assistance" Business Area (Telegate group, Pagine Gialle Phone Service and Prontoseat) totalled € 142,278 thousand in 2010, down by 14.0% compared with 2009 (€ 165,439 thousand). This reduction was due mainly to the Pagine Gialle Phone Service subsidiary, which recorded revenues of € 6,959 thousand in 2010 (€ 20,829 thousand in 2009). The decrease compared with the previous year is attributable to the May 2010 sale of the call centre business units in Livorno and Turin to People Care S.r.l. and Voice Care S.r.l., which are part of the Contacta group. The Telegate group generated revenues of € 124,648 thousand (-6.4% compared with 2009). More specifically, revenues from Germany totalled € 113,641 thousand, a fall of 6.7% compared with 2009 (€ 121,683 thousand) due to the structural difficulties of the directory assistance services market, where there was a decline in call volumes. In terms of turnover, this fall was partially mitigated by an increase in call duration and tariffs.
Revenues from Prontoseat S.r.l. amounted to € 10,675 thousand in 2010, down by € 1,019 thousand compared with the previous year. The increase in revenues from telephone sales (+18.5% compared with 2009) offset the reduction in inbound revenues, which was attributable mainly to the 89.24.24 Pronto PagineGialle® service and to a drop in call volumes to the latter service;
- revenues from the "Other activities" Business Area (Europages, Consodata and Cipi), totalling € 54,818 thousand in 2010, down by 14.2% compared with the previous year (€ 63,853 thousand). Cipi in particular suffered a drop in revenues (-33.2% compared with 2009) owing to lower revenues from "Special" product lines, sales of directly imported custom items to large customers and to a reduction in sales through the network of SEAT Pagine Gialle S.p.A. agents. This reduction was partly offset by an increase in revenues for Consodata owing to the implementation of a new product mix with higher margins.

29. Other operating costs and income

29.1 Other revenues and income

Other revenues and income totalled € 4,860 thousand (€ 4,654 thousand in 2009). The item includes € 1,889 thousand relating to the recovery of postal, legal and administrative costs from third parties (€ 2,633 thousand in 2009) and € 1,477 thousand relating to other revenues and income (€ 1,452 thousand in 2009).

29.2 Costs of materials

Costs of materials totalled € 37,080 thousand, down by € 8,328 thousand compared with 2009.

Of this figure, € 29,483 thousand relates to paper consumption, with a fall of 18.0% compared with 2009, as a direct result of a reduction in publications printed.

The item also includes € 6,800 thousand relating to consumption of products for resale (€ 8,476 thousand in 2009), which concerned the acquisition of promotional items.

29.3 Costs of external services

Costs of external services totalled € 352,835 thousand in 2010, down by € 7,923 thousand on 2009.

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This item includes:

- *industrial processing costs*, which totalled € 102,626 thousand, with an increase of € 1,008 thousand on 2009. The change was basically due to the combined effect of:
 - lower production costs, down by € 8,308 thousand due to the reduction in revenues from the print business which involved a reduction in the number of copies printed and consequently a reduction in printing costs;
 - lower distribution and storage costs, down by € 1,918 thousand and stabilizing at €18,452 thousand in 2010 (€20,370 thousand in 2009);
 - higher data transmission costs related to online services (€ 15,252 thousand in 2010; € 9,411 thousand in 2009);
- *commissions and other agent costs*, which totalled € 106,432 thousand, an increase of € 5,142 thousand on 2009 (€ 101,290 thousand), in relation to incentives paid to promote the new online offers and attract new customers;
- *consultancy and professional service costs*, which totalled € 26,774 thousand (€ 33,844 thousand in 2009), down by € 7,070 thousand, mainly as a result of cost-cutting measures in 2010;
- *advertising and promotional costs* which totalled € 27,747 thousand in 2010 (€ 34,457 thousand in 2009), down by € 6,710 thousand, were incurred by the Parent Company in particular to support the 89.24.24 Pronto PAGINEGIALLE® and PAGINEGIALLE.it®.

29.4 Salaries, wages and employee benefits

Salaries, wages and employee benefits, which totalled € 200,079 thousand in 2010, fell by € 18,097 thousand compared with 2009 (€ 218,176 thousand). SEAT Pagine Gialle S.p.A, the Group's Parent Company, was largely responsible for this change, accounting for € 9,393 thousand of the figure due to the reduction in its average workforce from 1,336 employees in 2009 to 1,129 in 2010 as part of its reorganisation plan. The reduction was also attributable to the savings of € 8,617 thousand made by subsidiary Pagine Gialle Phone Service S.r.l. thanks to the sale of its Livorno and Turin call centres and transfer of the employees concerned.

The Group's workforce, including directors, project workers and trainees, consisted of 4,810 employees as at 31 December 2010 (against 6,088 employees as at 31 December 2009). The average workforce in 2010 was 4,493, down from 4,947 in 2009.

29.5 Other operating expenses

Other operating expenses, which totalled € 3,754 thousand (€ 4,530 thousand in 2009), include € 1,672 thousand relating to indirect taxes and operating taxes, € 356 thousand relating to promotion and entertainment expenses and € 119 thousand relating to losses on receivables.

29.6 Net non-recurring costs

Net non-recurring costs totalled € 9,187 thousand (€ 15,740 thousand in 2009) and can be broken down as follows

(euro/thousand)	Year 2010	Year 2009	Change	
			Absolute	%
Stock options related costs	60	227	(167)	(73.6)
Other non-recurring costs	9,514	20,777	(11,263)	(54.2)
Non-recurring income	(387)	(5,264)	4,877	92.6
Total non-recurring costs, net	9,187	15,740	(6,553)	(41.6)

Non-recurring costs include:

- € 6,832 thousand relating costs incurred by the Parent Company for management support in defining new business development strategies and the new reporting system, the sale of the data centre division to Engineering.it S.p.A. and tax consultancy;
- € 643 thousand relating to incentives paid to members of the TDL Infomedia group pension fund who subscribed to the enhanced transfer value programme begun at the end of 2009.

Non-recurring income totalled € 387 thousand, including € 382 thousand relating to the defined-benefit pension fund for TDL Infomedia group employees, as described in paragraph 22 of these Notes.

29.7 Net restructuring costs

Net restructuring costs totalled € 31,517 thousand (€ 13,973 thousand in 2009) and can be broken down as follows

(euro/thousand)	Year 2010	Year 2009	Change	
			Absolute	%
Provision to reserves for restructuring expenses	29,327	11,134	18,193	n.s.
Restructuring costs	2,233	2,845	(612)	(21.5)
Reversal to the statement of operations	(43)	(6)	(37)	n.s.
Total restructuring costs, net	31,517	13,973	17,544	n.s.

Net restructuring costs totalled € 31,517 thousand (€ 13,973 thousand in 2009), including € 26,169 thousand relating to the corporate restructuring plan begun in 2009 by the Parent Company. This plan was agreed with the trade unions and approved at the end of December 2008 by the Board of Directors; subsequently, in February 2011 the company formalised an agreement with the trade unions at the Ministry of Employment and Social Policies that was ratified by the Board of Directors and that enabled the company to extend up to 2013 the Company Restructuring Plan that was originally planned for the 2009-2011 period, using the non-voluntary special wage guarantee fund and early retirement to deal with the problem of redundant employees.

30. Interest income and expense

30.1 Interest expense

Interest expense, which totalled € 270,527 thousand (€ 241,306 thousand in 2009), can be broken down as follows

(euro/thousand)	Year 2010	Year 2009	Change	
			Absolute	%
Interest expense on the loan with Lighthouse International Company S.A.	110,221	110,017	204	0.2
Interest expense on the loan with The Royal Bank of Scotland Plc.	68,467	96,588	(28,121)	(29.1)
Interest expense on Senior Secured Bond	61,863	-	61,863	n.s.
Interest expense on asset backed securities	5,283	6,184	(901)	(14.6)
Interest expense on leasing debt	2,289	1,974	315	16.0
Foreign exchange losses	10,930	16,043	(5,113)	(31.9)
Other financial expenses	11,474	10,500	974	9.3
Total interest expense	270,527	241,306	29,221	12.1

Interest expense increased by € 29,221 thousand compared with 2009 and includes:

- € 110,221 thousand of interest expense (€ 110,017 thousand in 2009) on the Subordinated loan with associate Lighthouse International Company S.A. This amount includes € 5,971 thousand in relation to the amortization of transaction costs for the period;
- € 68,467 thousand of interest expense (€ 96,588 thousand in 2009) relating to the *Senior Credit Agreement* between SEAT Pagine Gialle S.p.A. and The Royal Bank of Scotland. This amount includes € 13,923 thousand relating to transaction costs for the year (€ 22,716 thousand in 2009), and € 19,332 thousand relating to the negative impact of derivatives used to hedge interest rate risk (€ 22,233 thousand in 2009).

Both these items include a non-recurring component (€ 5,692 thousand) resulting from the early repayments of the Senior Bank Debt (€ 679,582 thousand in total) made in January and October 2010 using the proceeds of the two Senior Secured Bond issues. These bond issues, which involved the early repayment of a portion of the Group's Senior Bank Debt, gave rise to changes to the

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- repayment. Moreover, considering the amount of debt subject to a variable rate following the above mentioned transaction relating to the issue of the Senior Secured Bond, certain derivative hedge instruments were reclassified so as to no longer be accounted for as hedge funds, with a corresponding charge of €1,925 thousand recorded in the statement of operations;
- € 61,863 thousand of interest expense on the Senior Secured Bonds issued in January and October 2010. This amount includes € 1,814 thousand relating to the amortization of transaction costs for the year and € 1,788 thousand pertaining to the issue discount;
 - € 5,283 thousand (€ 6,184 thousand in 2009) of interest expense on the asset-backed securities issued by the special-purpose entity, Seat Servizi per le Aziende S.r.l. (formerly Meliadi Finance S.r.l.), as part of the ongoing five-year trade receivables securitisation programme begun by SEAT Pagine Gialle S.p.A. in June 2006. This amount includes € 429 thousand relating to the amortization of transaction costs for the period and € 779 thousand relating to the negative impact of derivatives used to hedge interest rate risk;
 - € 2,289 thousand (€ 1,974 thousand in 2009) of interest expense on debts due to Leasint S.p.A. in relation to seven financial leasing contracts raised for the purchase of the Turin property complex. This amount includes € 868 thousand relating to the negative impact of derivatives used to hedge interest rate risk;
 - € 11,474 thousand of interest and other financial expense (€ 10,500 thousand in 2009), including € 4,723 thousand resulting from discounting non-current assets and liabilities (€ 6,211 thousand in 2009), and € 5,693 thousand relating to other interest and financial expense (€ 2,933 thousand in 2009);
 - € 10,930 thousand of foreign-exchange losses (€ 16,043 thousand in 2009), which were broadly in line with the foreign-exchange gains of € 11,137 thousand recorded under financial income.

30.2 Financial income

Financial income totalled € 16,568 thousand (€ 26,423 thousand in 2009) and includes:

- € 1,279 thousand of interest income (€ 2,676 thousand in 2009) from the investment of short-term liquidity in the banking system at market rates, which fell in 2010 due to the fall in average deposits and the reduction in the average investment rate;
- € 4,091 thousand of other financial income (€ 4,434 thousand in 2009), including € 2,426 thousand pertaining to the capital gain on the sale to third parties of receivables relating to derivatives used to hedge interest rate risk in place with Lehman Brothers Special Financing (USA) at the time of its declaration of Chapter 11 bankruptcy and consequently closed out ahead of maturity, and € 1,560 thousand relating to assets intended to finance the TDL Infomedia group pension fund (€ 4,266 thousand in 2009);
- € 11,137 thousand of foreign-exchange gains (€ 19,268 thousand in 2009), pertaining mainly to euro/sterling foreign-exchange risk.

In 2010, the average total cost of the Group's financial debt (excluding the cost of amortising transaction costs on existing loans) was around 7.6%, compared with 5.8% in 2009. The year-on-year increase in the average cost of borrowing was due to a change in the structure of the debt following the issue of the € 750 million 10.5% fixed-rate Senior Secured Bond in January and October 2010 and the simultaneous early repayment of € 679,582 thousand of the Senior bank loan at a considerably lower floating rate, as well as the advance of costs relating to derivatives for 2011 that are no longer classified as hedging instruments.

31. Gains (losses) on investments measured at equity

Gains (losses) on investments measured at equity were € 35 thousand (€ 36 thousand in 2009) and relate to the measurement of Lighthouse International Company S.A.

32. Income taxes for the year

Income taxes for the year totalled € 104,007 thousand, against € 54,173 thousand in 2009, and can be broken down as follows

(euro/thousand)	Year 2010	Year 2009	Change	
			Absolute	%
Current income taxes	77,887	78,509	(622)	(0.8)
Reversal (provision) of deferred tax assets	(94)	2,519	(2,613)	n.s.
Provision (reversal) of deferred tax liabilities	177	(26,681)	26,858	n.s.
Income taxes referred to the previous years	26,037	(174)	26,211	n.s.
Total income taxes for the year	104,007	54,173	49,834	92.0

Current income taxes totalled € 77,887 thousand in 2010, down by € 622 thousand year on year (€ 78,509 thousand).

Income tax relating to previous years showed an increase of € 26,211 thousand compared with 2009, of which € 26,034 thousand resulted from the effect of the decision to resolve the tax potential claims which emerged during the fiscal year with a settlement agreement. During March 2010, the Italian Tributary Police gave notice of a tax inspection report which contested the deductibility of interest expense relating to various debt incurred in 2004 and amortization expense relating to the Customer Database. In December 2010 the Company and the Italian Tax Authorities entered into a settlement agreement regarding potential claims arising from such tax assessment.

The decision to enter into the settlement agreement was due to strategic reasons, including preventing the Company from engaging in lengthy litigation, which, even if the outcome had ultimately been successful, would have affected the Company's activity significantly.

The settlement agreement allows the Company to finally resolve the dispute while at the same time granting full recognition of the amortization charges relating to the Customer Database as well as a significant reduction of the claim regarding the interest expense.

The settlement agreement also resolved a dispute relating to an audit of the fiscal year 2004 (notified in December 2009), the cost of which was approximately € 1 million (which had already been provided for in the 2009 financial statements).

The settlement agreement finally resolved all claims arising from the tax assessment report with respect to the period 2003-2008 and will not result in an increase of taxes for the subsequent fiscal years.

The *reconciliation* of the income taxes reported in the financial statements and the theoretical income taxes resulting from the application of the tax rates in force in Italy to pre-tax income for the financial years ended 31 December 2010 and 31 December 2009 respectively is as follows

(euro/thousand)	Year 2010	Year 2009
Income before income taxes	(561,775)	31,152
Current income taxes calculated with the theoretical tax rate (31.40%)	176,397	(9,782)
Fiscal effect on non-deductible expenses for IRAP purposes (personnel expenses, interest income and expenses, etc.)	(41,083)	(13,875)
Tax realignment on intangible assets	-	31,566
Substitute tax on tax adjustments on intangible assets	31	(15,816)
Benefits on non-recognised tax losses of previous years	-	45
Effects of different tax rates in foreign countries	(278)	784
Income taxes referred to previous years	(26,037)	174
Permanent differences	(213,037)	(47,270)
Total income taxes for the year	(104,007)	(54,173)

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Permanent differences and other adjustments (€ 213,037 thousand in 2010 and € 47,720 thousand in 2009) are attributable mainly to the non-deductibility of components related to impairment. Permanent differences and other adjustments also include non-deductible interest expense pertaining to SEAT Pagine Gialle S.p.A. pursuant to article 96 of the Income Tax Law, insofar as it is not likely that, within the timeframe foreseeable at present, the Group will generate gross operating revenues pursuant to article 96 of the aforementioned law to a sufficient extent to deduct interest expense not deducted in the current financial year in future. Consequently, deferred tax assets totalling € 27,496 thousand were not recorded.

Net deferred tax assets and liabilities

Net deferred tax assets and liabilities are detailed in the table below

(euro/thousand)	As at 31.12.2009	Change during the period			As at 31.12.2010
		Income taxes accounted for in the statement of operations	Income taxes accounted for the equity	Foreign exchange adjustments and other movements	
Deferred tax assets					
Tax losses	76	1,990	-	1,460	3,526
Allowance for doubtful trade receivables	36,182	(1,864)	-	-	34,318
Reserves for contractual risks	14,109	1,649	-	(1,013)	14,745
Write-downs of investments	36	-	-	-	36
Reserves for doubtful financial assets	1,667	(1,667)	-	-	-
Reserves to employees	4,555	18	224	-	4,797
Other	13,970	(32)	-	(837)	13,101
Total deferred tax assets	70,595	94	224	(390)	70,523
Deferred tax liabilities					
Customer Databases	(119)	3,760	-	-	3,641
Goodwill amortisation	(28,530)	(4,165)	-	-	(32,695)
Reserves to employees	(706)	-	(28)	41	(693)
Other	(14,706)	228	-	-	(14,478)
Total deferred tax liabilities	(44,061)	(177)	(28)	41	(44,225)
Total	26,534	(83)	196	(349)	26,298
shown in the statement of financial position as:					
<i>net deferred tax assets</i>	<i>40,562</i>				<i>36,666</i>
<i>net deferred tax liabilities</i>	<i>(14,028)</i>				<i>(10,368)</i>

Current tax assets

Current tax assets totalled € 4,300 thousand as at 31 December 2010 (€ 8,376 thousand as at 31 December 2009) and can be broken down as follows

(euro/thousand)	As at 31.12.2010	As at 31.12.2009	Change
Income tax receivables	3,759	7,387	(3,628)
Other tax receivables	541	989	(448)
Total current tax assets	4,300	8,376	(4,076)

Current tax payables

Current tax payables totalled € 50,653 thousand as at 31 December 2010 (€ 39,258 thousand as at 31 December 2009) and can be broken down as follows

(euro/thousand)	As at 31.12.2010	As at 31.12.2009	Change
Income tax payables	32,277	17,209	15,068
Other tax payables	18,376	22,049	(3,673)
Total current tax payables	50,653	39,258	11,395

33. Non-current assets held for sale and discontinued operations

The economic and financial results of non-current assets held for sale and discontinued operations are listed below.

Statement of operations

The statement of operations item "Net profit (loss) from non-current assets held for sale and discontinued operations" as at 31 December 2010 includes those further and residual costs related to the sale of 118 000 SAS which took place in 2009. The loss sustained in 2009 mainly related to the write-down of the goodwill recorded in relation to the Group's French subsidiary 118 000 SAS (€ 2,413 thousand) and to the impairment of its equity investment in the Turkish joint venture Katalog Yayin ve Tanitim Hizmetleri A.S. (€ 2,596 thousand).

(euro/thousand)	Year 2010	Year 2009
Revenues	-	10,405
Operating costs	(240)	(12,948)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	(240)	(2,543)
Amortisation, depreciation, write-downs, non recurring and restructuring costs net	-	(3,734)
Operating result (EBIT)	(240)	(6,277)
Interest (expense) income, net	-	(700)
Gain (loss) from valuation of investments	-	(2,596)
Income taxes for the year	-	(84)
Net income from non-current assets held for sale and discontinued operations	(240)	(9,657)
Losses on disposal of subsidiaries and other sale expenses	-	(2,680)
Profit (loss) from non current assets held for sale and discontinued operations	(240)	(12,337)

Statement of financial position

The statement of financial position items "Non-current assets held for sale and discontinued operations" and "Liabilities directly related to non-current assets held for sale and discontinued operations" can be broken down as follows

(euro/thousand)	As at 31.12.2010	As at 31.12.2009
Tax receivables	-	326
Cash and cash equivalent	-	3
Non-current assets held for sale and discontinued operations	-	329
Trade payables	-	5
Reserves for operating risks and charges	250	250
Liabilities directly associated with non-current assets held for sale and discontinued operations	250	255

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Statement of cash flows

The item "Cash inflow (outflow) from non-current assets held for sale and discontinued operations" can be broken down as follows

	Year 2010	Year 2009
(euro/thousand)		
Cash inflow (outflow) from operating activities	(240)	(2,047)
Cash inflow (outflow) for investments	-	
Cash inflow (outflow) for financing	-	(759)
Net proceeds on disposal of consolidated subsidiaries	-	389
Cash flow on non-current assets held for sale/discontinued operations	(240)	(2,417)

34. Related-party transactions

With reference to the provisions of IAS 24 and pursuant to article 2, letter h) of Consob Issuers' Regulation no. 11971/1999 (as subsequently amended), the economic and financial effects of transactions with related parties on the consolidated financial statements of the SEAT Pagine Gialle group for 2010 are listed below.

The economic and financial effects of intra-group transactions between consolidated companies have been eliminated in the consolidated data.

Transactions carried out by group companies with related parties, including intra-group transactions, come under ordinary operating activities and are subject to market conditions or specific legislative provisions. No atypical and/or unusual transactions or transactions potentially giving rise to a conflict of interest were carried out, with the exception of the agreement to extend the dividend payment deadline for companies with significant influence over the Company (leading shareholders). For more details, see point 19 of these explanatory Notes.

Statement of operations

	Year 2010	Associates	Companies with significant influence	Other related parties (*)	Total related parties year 2010	% impact on item
(euro/thousand)						
Costs of materials and external services	(389,915)	-	-	(149)	(149)	<i>n.s</i>
Salaries, wages and employee benefits	(200,079)	-	-	(6,156)	(6,156)	<i>3.1</i>
Non-recurring costs	(9,187)	-	-	(73)	(73)	<i>0.8</i>
Interest expense	(270,527)	(110,221)	(29)	-	(110,250)	<i>40.8</i>

(*) Directors, statutory auditors and executives with strategic responsibility.

	Year 2009	Associates	Companies with significant influence	Other related parties (*)	Total related parties year 2009	% impact on item
(euro/thousand)						
Costs of materials and external services	(406,166)	-	-	(233)	(233)	<i>n.s</i>
Salaries, wages and employee benefits	(218,176)	-	-	(9,885)	(9,885)	<i>4.5</i>
Non-recurring costs	(15,740)	-	-	(782)	(782)	<i>5.0</i>
Interest expense	(241,306)	(110,017)	(586)	-	(110,603)	<i>45.8</i>
Profit (loss) from non current assets held for sale and discontinued operations	(12,337)	(3,641)	-	(131)	(3,772)	<i>30.6</i>

(*) Directors, statutory auditors and executives with strategic responsibility.

Statement of financial position

	As at 31 December 2010	Associates	Companies with significant influence	Other related parties (*)	Total related parties at 31 December 2010	% impact on item
(euro/thousand)						
Non-current financial liabilities	(2,603,219)	(1,276,023)	-	395	(1,275,628)	<i>49.0</i>
Non-current reserves to employees	(38,641)	-	-	(250)	(250)	<i>0.6</i>
Current financial liabilities	(326,164)	(17,375)	-	-	(17,375)	<i>6.3</i>
Trade payables	(224,326)	(29)	-	(647)	(676)	<i>0.3</i>

(*) Directors, statutory auditors and executives with strategic responsibility.

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	As at 31 December 2009	Associates	Companies with significant influence	Other related parties (*)	Related parties at 31 December 2009	% impact on item
(euro/thousand)						
Cost of the capital increase accounted for the equity	10,671	-	-	1,281	1,281	12.0
Non-current financial liabilities	(2,396,012)	(1,270,052)	-	204	(1,269,848)	53.0
Non-current reserves to employees	(42,896)	-	-	(100)	(100)	0.2
Current financial liabilities	(628,849)	(17,375)	(13,526)	-	(30,901)	4.9
Trade payables	(228,947)	(29)	-	(729)	(758)	0.3
Payables for services to be rendered and other current liabilities	(100,493)	-	-	(1,600)	(1,600)	1.6

(*) Directors, statutory auditors and executives with strategic responsibility.

Statement of cash flows

	Year 2010	Associates	Companies with significant influence	Other related parties (*)	Related parties year 2010	% impact on item
(euro/thousand)						
Cash inflow (outflow) from operating activities	333,967	-	-	(7,910)	(7,910)	(2.4)
Cash inflow (outflow) for investments	(39,112)	-	-	-	-	-
Cash inflow (outflow) for financing	(344,878)	(104,250)	(13,555)	(395)	(118,200)	(34.3)
Cash flow on non-current assets held for sale and discontinued operations	(240)	-	-	-	-	-
Cash flow for the year	(50,263)	(104,250)	(13,555)	(8,305)	(126,110)	n.s.

	Year 2009	Associates	Companies with significant influence	Other related parties (*)	Related parties year 2009	% impact on item
(euro/thousand)						
Cash inflow (outflow) from operating activities	376,122	29	-	(15,210)	(15,181)	(4.0)
Cash inflow (outflow) for investments	(52,512)	-	-	-	-	-
Cash inflow (outflow) for financing	(333,804)	(104,250)	(17,522)	(1,485)	(123,257)	(36.9)
Cash flow on non-current assets held for sale and discontinued operations	(2,417)	(774)	-	(131)	(905)	(37.4)
Cash flow for the year	(12,611)	(104,995)	(17,522)	(16,826)	(139,343)	n.s.

(*) Directors, statutory auditors and executives with strategic responsibility.

Main economic and financial items relating to associates, joint ventures and companies with significant influence over SEAT Pagine Gialle S.p.A.

Statement of operations

(euro/thousand)	Year 2010	Year 2009	Type of transaction
INTEREST EXPENSE	(110,250)	(110,603)	
of which:			
Lighthouse International Company S.A.	(110,221)	(110,017)	interest expense, changes and write-down of multi-year charges on long-term subordinated facilities
Leading shareholders	(29)	(586)	interest expense on dividends to leading shareholders
PROFIT (LOSS) ON NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	-	(3,772)	
of which:			
Katalog Yayin ve Tanitim Hizmetleri A.S.	-	(3,641)	recovery of seconded personnel expense and repayments for services

Statement of financial position

(euro/thousand)	As at 31.12.2010	As at 31.12.2009	
NON-CURRENT FINANCIAL DEBTS	(1,275,628)	(1,269,848)	
of which:			
Lighthouse International Company S.A.	(1,276,023)	(1,270,052)	subordinated financing
CURRENT FINANCIAL DEBTS	(17,375)	(30,901)	
of which:			
Lighthouse International Company S.A.	(17,375)	(17,375)	outstanding interest expense for the period
Leading shareholders		(13,526)	dividends interest-bearing to leading shareholders

Details on relations with directors, statutory auditors, the general manager and managers with strategic responsibility can be found in point 33 of the explanatory Notes to the separate financial statements of SEAT Pagine Gialle S.p.A. as at 31 December 2010.

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35. Other information

Statement of fees paid to the External Auditors and related entities

Pursuant to article 149-duodecies of Consob Issuers' Regulation no. 11971/1999 (as subsequently amended), the following table shows the fees for 2010 for auditing and other services carried out for SEAT Pagine Gialle group companies by Reconta Ernst & Young and related entities.

(euro/thousand)	Year 2010	Year 2009
Reconta Ernst & Young group		
SEAT Pagine Gialle S.p.A.		
- Audit	266	245
- Other services	753	631
- Assignments to the entities in Reconta Ernst & Young S.p.A. network	27	10
Total	1,046	886
Subsidiaries		
- Audit	499	602
- Other services	6	37
- Tax advice	8	11
Total	513	650

Equity investments included in the consolidated financial statements using the full consolidation method
(Consob Communication DEM/6064293 of 28 July 2006)

Table 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	100.00	SEAT Pagine Gialle S.p.A.	100.00
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 (in liquidation) (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
PAGINE GIALLE PHONE SERVICE S.r.l. (call center services)	Turin (Italy)	Euro 129,000	100.00	SEAT Pagine Gialle S.p.A.	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
THOMSON DIRECTORIES PENSION COMPANY Ltd. (administration of Thomson Directories Pension Fund)	Hampshire (United Kingdom)	Sterling 2	100.00	Thomson Directories Ltd.	100.00
MOBILE COMMERCE Ltd. (call center services)	Cirencester (United Kingdom)	Sterling 497	10.00	TDL Infomedia Ltd.	10.00
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
WerWieWas GmbH (call center services)	Munich (Germany)	Euro 25,000	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
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
UNO UNO OCHO CINCO CERO GUIAS S.L. (call center services)	Madrid (Spain)	Euro 3,100	100.00	Telegate AG	77.37
TELEGATE MEDIA AG (sale of on-line directories)	Essen (Germany)	Euro 4,050,000	100.00	Telegate AG	77.37
TELEGATE LLC (internet services)	Yerevan (Armenia)	AMD 50,000	100.00	Telegate AG	77.37
SEAT SERVIZI PER LE AZIENDE S.r.l. (*) (special purpose entity)	Milan (Italy)	Euro 10,000	-	-	-

(*) SPE set up for the securitization of trade account receivables within the meaning of Law 130/99, not owned by the SEAT Pagine Gialle group but fully consolidated in accordance with SIC 12.

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Table 2

Company (thousand)	Currency	Equity (1) (2)	Profit (loss) (1)	% held by SEAT Pagine Gialle S.p.A.	Equity held by SEAT Pagine Gialle
CIPI S.p.A.	Euro	7,275	(1,183)	100.00	7,275
CONSODATA S.p.A.	Euro	11,636	173	100.00	11,636
EUROPAGES S.A. ⁽³⁾	Euro	(3,820)	(1,442)	93.562	(3,574)
PRONTOSEAT S.r.l.	Euro	1,036	(89)	100.00	1,036
SEAT CORPORATE UNIVERSITY S.c.a.r.l.	Euro	6	(4)	100.00	6
TDL INFOMEDIA Ltd. ⁽³⁾	Sterling	(3,300)	329		
	Euro	(3,834)	384	100.00	(3,834)
TELEGATE HOLDING GmbH	Euro	63,097	11,418	100.00	63,097
TELEGATE AG ⁽³⁾	Euro	74,847	7,318	77.37	57,909

(1) Data adduced from the latest financial statements

(2) Includes profit (loss) for the period

(3) Refers to the most recent consolidated financial statements of the subsidiary

Investments measured at equity (Consob Communication DEM/6064293 of 28 July 2006)

Table 1

Company (business)	Registered office	Share capital	Ordinary shares held		% held by SEAT Pagine Gialle S.p.A.
			%	by	
Imprese collegate					
LIGHTHOUSE INTERNATIONAL COMPANY S.A. (holding)	Lussembourg	Euro	31,000	25.00	SEAT Pagine Gialle S.p.A.
TDL BELGIUM S.A. (in liquidation) (publishing and distribution of directories)	Brussels (Belgium)	Euro	18,594,176	49.60	TDL Infomedia Ltd.

Table 2

Company (thousand)	Currency	Equity (1) (2)	Profit (loss) (1)	% held by SEAT Pagine Gialle S.p.A.	Equity held by SEAT Pagine Gialle
LIGHTHOUSE INTERNATIONAL COMPANY S.A.	Euro	691	141	25.00	173
TDL BELGIUM S.A. (in liquidation)	Euro	(9,616)	(12,286)	49.60	(4,769)

(1) Data adduced from the latest financial statements

(2) Includes profit (loss) for the period

➤ Certification of the consolidated financial statements pursuant to Article 81-ter of Consob Regulation No. 11971 of 14 May 1999 as subsequently amended

1. The undersigned Alberto Cappellini, acting in his capacity as Chief Executive Officer, and Massimo Cristofori, acting in his capacity as Manager Responsible for the Preparation of the Financial Statements of SEAT Pagine Gialle S.p.A., hereby declare, taking due account of section 154-bis, sub-sections 3 and 4 of Legislative Decree No. 58 of 24 February 1998, that in the preparation of the Financial Statements for the period all administrative and accounting procedures considered appropriate to the nature of the undertaking were applied in 2010.
2. All administrative and accounting procedures relating to the preparation of the Consolidated Financial Statements as at 31 December 2010 were critically reviewed during the year to ensure their relevance and full application. The review did not reveal any anomalies.
3. We furthermore declare that:
 - 3.1. the Consolidated Financial Statements as at 31 December 2010:
 - have been prepared in accordance with the IAS/IFRS recognized as applicable by the European Community and under section 9 of Legislative Decree 38/2005 and that they offer a true and fair view of the Company's assets and economic and financial position;
 - agree with the books and accounting records;
 - offer a true and fair view of the assets and economic and financial position of the Company;
 - 3.2. the Report on Operations includes a reliable analysis of operating performance and results, of the position of the Company and a description of the main risks and uncertainties to which it is exposed.

Milan, 16 March 2011

Chief Executive Officer
Alberto Cappellini

Manager responsible for the
preparation of the financial statements
Massimo Cristofori

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➤ Report of the Board of Statutory Auditors on the consolidated financial statements of the SEAT Pagine Gialle group as at 31 December 2010

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

The present report concerns the Consolidated Financial Statements of the SEAT Pagine Gialle group as at 31 December 2010.

It takes account of the duties of the Board of Statutory Auditors as set out in Legislative Decree 58 of 24 February 1998 and consequently to the Report on the Financial Statements as at 31 December 2010 of SEAT Pagine Gialle S.p.A..

On this basis, the Statutory Auditors have:

- investigated and ensured, within the scope of their authority, that the organisation of the Company is adequate and that there is compliance with the principles applying to proper administration. They have done this through direct observation, the obtaining of information from management and through meetings with Reconta Ernst & Young S.p.A. to exchange relevant data and information;
- received as required by law from the Board of Directors the Balance Sheet for the financial year 2010, the Report on Operations and the Consolidated Financial Statements and associated report;
- checked compliance with the laws governing Consolidated Financial Statements and Reports on Operations;
- have taken account of the 29 March 2011 report of the Independent Auditors, which provides a clean opinion which does not contain comments on the Financial Statements and refers to information in the "Going concern evaluation" section in the financial statements;
- the financial statements of the leading subsidiaries have been audited by their own statutory auditors and by an Independent Auditor.

Our supervision has revealed no material events requiring comment in this Report.

For the sake of completion, we refer to our Report on the Separate Financial Statements of SEAT Pagine Gialle S.p.A., which provides all the information required by the Italian stock market authorities.

In our opinion the Consolidated Financial Statements as a whole offer a correct view of the assets, finances and economic position of the SEAT Pagine Gialle group (which shows a loss of € 666,022 thousand) for the financial year as at 31 December 2010 and comply with the above regulations governing consolidated financial statements.

It is also our opinion that the Group's Report on Operations is correct and consistent with the Consolidated Financial Statements.

Milan, 29 March 2011

The Statutory Auditors

Enrico Cervellera

Vincenzo Ciruzzi

Andrea Vasapolli



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Independent auditors' report
pursuant to Article 14 and 16 of Legislative Decree No. 39 of January 27, 2010
(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 its subsidiaries, (the "SEAT Group") as of and for the year ended December 31, 2010, comprising the statement of financial position, the statement of operations, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n.º 38/2005 is the responsibility of the SEAT Pagine Gialle S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, 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.

The consolidated financial statements of the prior year are presented for comparative purposes. As reported in the explanatory notes, management has restated certain comparative data related to the prior year with respect to the data previously presented, on which we issued our auditor's report dated March 31, 2010. We have examined the methods adopted to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of expressing our opinion as of and for the year ended December 31, 2010.

3. In our opinion, the consolidated financial statements of the SEAT Group at December 31, 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n.º 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and the cash flows of the SEAT Group for the year then ended.
4. The paragraph "Going Concern Evaluation", of the explanatory notes and of the Report on Operations, summarizes management's assessment on the going concern assumption underlying the preparation of the consolidated financial statements, despite the significant net loss reported in the year ended December 31, 2010. It also discusses management's actions to achieve long-term financial stability.

Reconta Ernst & Young S.p.A.
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5. The management of SEAT Pagine Gialle S.p.A. is responsible for the preparation of the Report on Operations and the Report on Corporate Governance and on the ownership structures of SEAT Pagine Gialle S.p.A. published in the section "Governance" of the website of SEAT Pagine Gialle S.p.A. in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n.º 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and on the ownership structures of SEAT Pagine Gialle S.p.A., with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n.º 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the Report on Corporate Governance and on the ownership structures of SEAT Pagine Gialle S.p.A., are consistent with the consolidated financial statements of SEAT Pagine Gialle S.p.A. as of December 31, 2010.

Turin, March 29, 2011

Reconta Ernst & Young S.p.A.
signed by: Luigi Conti, partner



Milano 2011/2012

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Separate financial statements of SEAT Pagine Gialle S.p.A.



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Introduction

The amount relating to the transaction costs on the loan with Lighthouse International Company S.A. has been adjusted with reference to the amount not yet amortised as at 31 December 2008. The figures in the statement of financial position as at 31 December 2009 have therefore been restated in accordance with the provisions of IAS 8, with a view to applying the amortised cost method provided for by IAS 39 more accurately thanks to the use of more reliable calculation methods than those used on 31 December 2008.

Since the amounts recorded in the statement of operations differ slightly from the aforementioned recalculation, the adjustment has mainly affected the financial position and in particular has affected equity (an increase of € 5,185 thousand) and non-current financial debts to third parties (a reduction of € 5,185 thousand), as described in more detail in point 5 of the explanatory Notes to these financial statements.

➤ Statement of financial position of SEAT Pagine Gialle S.p.A. as at 31 December 2010

Assets

(euro/thousand)	As at 31.12.2010	As at 31.12.2009 restated	Change	Notes
Non-current assets				
Intangible assets with indefinite useful life	2,536,714	3,187,161	(650,447)	(6)
Intangible assets with finite useful life	62,465	76,338	(13,873)	(8)
Property, plant and equipment	10,095	11,690	(1,595)	(9)
Leased assets	56,451	60,081	(3,630)	(10)
Investments	138,761	165,892	(27,131)	(11)
Other non-current financial assets from third parties	1,730	2,198	(468)	(12)
Deferred tax assets, net	19,772	25,193	(5,421)	(30)
Other non-current assets	139	75	64	(15)
Total non-current assets	(A) 2,826,127	3,528,628	(702,501)	
Current assets				
Inventories	7,603	7,260	343	(13)
Trade receivables	551,897	557,307	(5,410)	(14)
Current tax assets	644	2,945	(2,301)	(30)
Other current assets	58,925	65,037	(6,112)	(15)
Current financial assets from third parties	670	1,918	(1,248)	(19)
Current financial assets from associates	85,081	85,853	(772)	(19)
Cash and cash equivalents	133,698	155,445	(21,747)	(19)
Total current assets	(B) 838,518	875,765	(37,247)	
Non-current assets held for sale and discontinued operations	(C) -	326	(326)	(31)
Total assets	(A+B+C) 3,664,645	4,404,719	(740,074)	

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Liabilities

(euro/thousand)	As at 31.12.2010	As at 31.12.2009 restated	Change	Notes
Equity				
Share capital	450,266	450,266	-	(16)
Additional paid-in capital	466,843	466,843	-	(16)
Legal reserve	50,071	50,071	-	
Retained earnings (losses)	(84,423)	(47,976)	(36,447)	(16)
Reserve for "cash flow hedge" instruments	(12,608)	(22,214)	9,606	(16)
Reserve for actuarial gains (losses)	873	765	108	(16)
Other reserves	161,750	163,765	(2,015)	(16)
Profit (loss) for the year	(656,756)	(38,462)	(618,294)	
Total equity	(A) 376,016	1,023,058	(647,042)	
Non-current liabilities				
Non-current financial debts to third parties	1,327,193	870,368	456,825	(19)
Non-current financial debts to associates	1,276,023	1,408,807	(132,784)	(19)
Non-current reserves to employees	15,089	19,189	(4,100)	(22)
Other non-current liabilities	35,311	28,295	7,016	(24)
Total non-current liabilities	(B) 2,653,616	2,326,659	326,957	
Current liabilities				
Current financial debts to third parties	117,183	596,836	(479,653)	(19)
Current financial debts to associates	184,486	111,981	72,505	(19)
Trade payables	193,696	202,291	(8,595)	(26)
Payables for services to be rendered and other current liabilities	54,619	68,757	(14,138)	(26)
Reserve for current risks and charges	40,762	40,857	(95)	(25)
Current tax payables	44,017	34,030	9,987	(30)
Total current liabilities	(C) 634,763	1,054,752	(419,989)	
Liabilities directly associated with non-current assets held for sale and discontinued operations	(D) 250	250	-	(31)
Total liabilities	(B+C+D) 3,288,629	3,381,661	(93,032)	
Total liabilities and equity	(A+B+C+D) 3,664,645	4,404,719	(740,074)	

From the 1st January 2010 in accordance to IAS 39 "Time value", as a part of cash flow hedge instruments, has been booked in the statement of operations. Interest expenses of the year 2009 have been restated.

➤ Statement of operations of SEAT Pagine Gialle S.p.A. for 2010

(euro/thousand)	Year 2010	Year 2009	Change		Notes
			Absolute	%	
Sales of goods	6,361	7,883	(1,522)	(19.3)	(26)
Rendering of services	869,182	944,342	(75,160)	(8.0)	(26)
Revenues from sales and services	875,543	952,225	(76,682)	(8.1)	(26)
Other income	8,331	7,719	612	7.9	(27)
Total revenues	883,874	959,944	(76,070)	(7.9)	
Costs of materials	(28,822)	(41,507)	12,685	30.6	(27)
Costs of external services	(296,699)	(310,491)	13,792	4.4	(27)
Salaries, wages and employee benefits	(75,754)	(85,147)	9,393	11.0	(27)
Other valuation adjustments	(28,814)	(40,935)	12,121	29.6	(13-14)
Provisions to reserves for risks and charges, net	(4,234)	(7,690)	3,456	44.9	(24)
Other operating expenses	(2,702)	(3,450)	748	21.7	(27)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net	446,849	470,724	(23,875)	(5.1)	
Amortisation, depreciation and write-downs	(700,326)	(143,129)	(557,197)	n.s.	(5; 7-9)
Non-recurring costs, net	(8,274)	(13,015)	4,741	36.4	(27)
Restructuring costs, net	(26,280)	(9,177)	(17,103)	n.s.	(27)
Operating result	(288,031)	305,403	(593,434)	n.s.	
Interest expense	(273,256)	(238,302)	(34,954)	(14.7)	(28)
Interest income	37,035	33,609	3,426	10.2	(28)
Gains (losses) on disposal of investments	(30,816)	(87,752)	56,936	64.9	(10)
Profit (loss) before income taxes	(555,068)	12,958	(568,026)	n.s.	
Income taxes for the year	(101,688)	(42,409)	(59,279)	n.s.	(10)
Profit (loss) on continuing operations	(656,756)	(29,451)	(627,305)	n.s.	
Profit (loss) from non-current assets held for sale and discontinued operations	-	(9,011)	9,011	100.0	(30)
Profit (loss) for the year	(656,756)	(38,462)	(618,294)	n.s.	

From the 1st January 2010 in accordance to IAS 39 "Time value", as a part of cash flow hedge instruments, has been booked in the statement of operations. Interest expenses of the year 2009 have been restated.

	As at 31.12.2010	As at 31.12.2009
Number of SEAT Pagine Gialle S.p.A. shares	1,927,707,706	1,927,707,706
- ordinary shares	1,927,027,333	1,927,027,333
- savings shares	680,373	680,373
Profit (loss) for the year	€/thousand (656,756)	(38,462)
Profit (loss) par share	€ (0.341)	(0.0280)

Profit (loss) par share were calculated by dividing operating result by the average number of shares outstanding over the year.

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➤ Statement of comprehensive income of SEAT Pagine Gialle S.p.A. for 2010

(euro/thousand)		Year 2010	Year 2009	Change
Profit (loss) for the year	(A)	(656,756)	(38,462)	(618,294)
Profit (loss) for "cash flow hedge" instruments		9,606	(11,283)	20,889
Actuarial gain (loss) recognised to equity		108	(952)	1,060
Total other comprehensive profit (loss) for the year, net of tax effect	(B)	9,714	(12,235)	21,949
Total comprehensive profit (loss) for the year	(A+B)	(647,042)	(50,697)	(596,345)

➤ Statement of cash flows of SEAT Pagine Gialle S.p.A. for 2010

(euro/thousand)	Year 2010	Year 2009	Change
Cash inflow (outflow) from operating activities			
Operating result	(288,031)	305,403	(593,434)
Amortisation, depreciation and write-downs	700,326	143,129	557,197
(Gains) losses on disposal of non-current assets	(803)	73	(876)
Change in working capital	(22,156)	(21,393)	(763)
Income taxes paid	(79,377)	(87,042)	7,665
Other movements	7,766	309	7,457
Cash inflow (outflow) from operating activities	(A)	340,479	(22,754)
Cash inflow (outflow) for investments			
Purchase of intangible assets with finite useful life	(27,967)	(38,305)	10,338
Purchase of property, plant and equipment	(3,289)	(3,561)	272
Equity investments and other financial investments	(6,203)	-	(6,203)
Proceeds from disposal of non-current assets	1,318	431	887
Proceeds from disposal of investments	2,419	-	2,419
Cash inflow (outflow) for investments	(B)	(41,435)	7,713
Cash inflow (outflow) for financing			
Proceeds from Senior Secured Bonds	716,799	-	716,799
Repayment of non-current loans	(753,136)	(303,690)	(449,446)
Paid interest expense, net	(176,463)	(186,669)	(10,206)
Change in financial assets and liabilities	(26,557)	(3,724)	(22,833)
Variazione di altre attività e passività finanziarie	(66,393)	(37,596)	(28,797)
Capital increase	-	193,519	(193,519)
Distribution of dividends	-	-	-
Cash inflow (outflow) for financing	(C)	(338,160)	32,410
Cash inflow (outflow) from non-current assets held for sale and discontinued operations	(D)	(4,303)	4,303
Increase (decrease) in cash and cash equivalents in the year	(A+B+C+D)	(43,419)	21,672
Cash and cash equivalents at beginning of the year	155,445	198,864	(43,419)
Cash and cash equivalents at end of the year	133,698	155,445	(21,747)

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➤ Statement of changes in equity of SEAT Pagine Gialle S.p.A. for 2010

(euro/thousand)	Share capital	Additional paid-in capital	Reserve for "cash flow hedge" instruments	Reserve for actuarial gains and (losses)	Other reserves	Profit (loss) for the year	Total
As at 31 December 2009	450,266	466,843	(22,214)	765	160,675	(38,462)	1,017,873
Restatement due to errors	-	-	-	-	5,185	-	5,185
As at 31 December 2009 restated	450,266	466,843	(22,214)	765	165,860	(38,462)	1,023,058
Allocation of previous year profit (loss)	-	-	-	-	(38,462)	38,462	-
Capital increase	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Profit (loss) for the period	-	-	-	-	-	(656,756)	(656,756)
Other comprehensive profit (loss) for the year	-	-	9,606	108	-	-	9,714
As at 31 December 2010	450,266	466,843	(12,608)	873	127,398	(656,756)	376,016

➤ Statement of changes in equity of SEAT Pagine Gialle S.p.A. for 2009

(euro/thousand)	Share capital	Additional paid-in capital	Reserve for "cash flow hedge" instruments	Reserve for actuarial gains and (losses)	Other reserves	Profit (loss) for the year	Total
As at 31 December 2008	250,352	465,103	(10,931)	1,717	379,833	(211,417)	874,657
Restatement due to errors	-	-	-	-	5,037	148	5,185
As at 31 December 2008 restated	250,352	465,103	(10,931)	1,717	384,870	(211,269)	879,842
Allocation of previous year profit (loss)	-	-	-	-	(211,269)	211,269	-
Fair value of stock option plans and other changes	-	394	-	-	-	-	394
Capital increase	199,914	1,346	-	-	(7,741)	-	193,519
Profit (loss) for the period	-	-	-	-	-	(38,462)	(38,462)
Other comprehensive profit (loss) for the year	-	-	(11,283)	(952)	-	-	(12,235)
As at 31 December 2009 restated	450,266	466,843	(22,214)	765	165,860	(38,462)	1,023,058

➤ Explanatory notes

1. Company information

SEAT Pagine Gialle S.p.A. is a joint-stock company listed on the Milan stock exchange.

The Company is a major multimedia platform that provides detailed information and sophisticated search tools to tens of millions of users and offers its advertisers a wide range of multiplatform advertising methods (print-online&mobile-voice). It specialises in highly innovative online products, print directories and directory assistance services, as well as providing a large selection of complementary advertising services.

The Company has its registered office in Milan at Via Grosio 10/4, and has share capital of € 450,266 thousand (unchanged from 31 December 2009).

Its main activities are described in the report on operations, in the "Economic and financial performance by Business Area" section, under the heading "Italian directories".

2. Basis of presentation

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

The Company adopted IAS/IFRS on 1 January 2005, after European Regulation no. 1606 entered into force on 19 July 2002.

The financial statements were drawn up based on the historical cost principle, except for derivatives and financial assets held for sale, which were recorded at fair value.

The financial statement formats adopted are in line with those provided for by IAS 1. Specifically:

- the statement of financial position was prepared by classifying assets and liabilities as "current/non-current" and showing "Non-current assets/liabilities held for sale and discontinued operations" as two separate items, as required by IFRS 5;
- the statement of operations were prepared by classifying operating costs by type, as this is considered the best way to present the Company's specific business and complies with internal reporting methods. Furthermore, economic and financial results of continuing operations were recorded separately from "Net profit (loss) from non-current assets held for sale and discontinued operations", as required by IFRS 5. In accordance with Consob Resolution no. 15519 of 27 July 2006, income and expense from non-recurring transactions were specifically identified in the context of the statement of operations classified by type, showing their effect on operating result.

Non-recurring income and expense included cases which, by their nature, do not occur continuously in the normal course of operations, such as:

- corporate restructuring costs;
- stock option plan costs;
- extraordinary strategic consultancy (preparation of the business plan, definition of strategies for developing core products, valuation of the equity investment portfolio, analysis aimed at optimising operating costs, etc.);
- costs linked to director and department manager severance pay;
- the *statement of comprehensive income* shows the cost and/or revenue items not yet recognised in the statement of operations with a positive impact on equity as at the end of the year;
- the *statement of cash flows* was prepared by recording cash flows on operating activities according to the "indirect method", as allowed by IAS 7, showing cash flows on operating, investment and financial activities separately from those on non-current assets held for sale and discontinued operations.

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The cash and cash equivalents recorded in the statement of financial position include cash, cheques, bank overdrafts and short-term securities that are quickly convertible into cash.

Cash flows on operating activities were recorded by adjusting the operating result for the year to take into account the effects of non-monetary transactions, any deferment or setting aside of previous or future operating collections or payments, and revenue or cost items connected with cash flows on investment, financial activities or relating to non-current assets held for sale and discontinued operations.

- The *statement of changes in equity* shows the changes that took place in equity items in relation to:
 - allocation of the profit of the Parent Company;
 - breakdown of the total profit (loss);
 - effect of any errors or changes in accounting standards.

The data are presented in euros and all figures have been rounded off to the nearest thousand, unless otherwise indicated.

2.1 Going concern evaluation

When preparing the financial statements, the directors worked on the assumption of business continuity and therefore used standards and principles applicable to going concerns.

In compliance with the provisions of the joint document of Banca d'Italia – Consob – Isvap no. 2 of 6 February 2009, the Company's Board of Directors has completed a preliminary analysis of the Company's ability to continue as a going concern in the foreseeable future, arriving at the conclusion, based on the outcome of this analysis and on the evidence currently available, that the Company can reasonably expect to enjoy a fully operational existence in the foreseeable future. More details can be found in the "Going concern evaluation" section of the report on operations.

2.2 Accounting estimates and assumptions

Pursuant to IAS/IFRS, when preparing financial statements and corresponding explanatory notes, management must make estimates and assumptions that affect the figures for revenues, costs, assets and liabilities recorded in the financial statements, as well as information on contingent assets and liabilities as at the closing date. The results produced may differ from these estimates.

The estimates are used to measure provisions for risks on receivables and errors, amortization and depreciation, asset write-down, employee benefits, taxes, restructuring reserves, and other provisions and reserves.

The estimates and assumptions are reviewed periodically and the effects of each change are immediately reflected in the statement of operations.

3. Accounting standards not yet applicable and/or recently approved by the European Commission

See the relevant section of the explanatory Notes to the consolidated financial statements as at 31 December 2010.

4. Measurement criteria

See the relevant section of the explanatory Notes to the consolidated financial statements as at 31 December 2010, with the exception of the measurement criteria used for equity investments, which are detailed below.

Equity investments

Equity investments in subsidiaries, associates and joint ventures are measured at acquisition cost pursuant to the provisions of IAS 27. Any positive differences arising at the acquisition date between the book value of such equity investments and their corresponding portion of equity at current values is included in the value of the equity investments, which are subjected to an impairment test at least once a year. The resulting impairment losses are recorded in the statement of operations under the item "Value adjustments to equity investments" when they are identified.

If the portion of these impairment losses pertaining to the Company exceeds the book value of the equity investment, the value of the equity investment is reduced to zero and the relevant portion of any further impairment losses is recorded in the reserve for risks and charges related to equity investments, if the Company is obligated to incur such impairment charges.

The cost of equity investments in foreign companies is converted into euros at the exchange rates in force on the acquisition date and the subscription date.

5. Restatement due to errors

The amount relating to the transaction costs on the loan with Lighthouse International Company S.A. has been adjusted in respect of the amount not yet amortised as at 31 December 2008. The figures in the statement of financial position as at 31 December 2009 have therefore been restated in accordance with the provisions of IAS 8, with a view to applying the amortised cost method provided for by IAS 39 more accurately thanks to the use of more reliable calculation methods than those used on 31 December 2008. Since the amounts recorded in the statement of operations differ slightly from the aforementioned recalculation, the adjustment has mainly affected the financial position, and in particular has affected equity and non-current financial debts to third parties, as shown in the table below.

(euro/thousand)	As at 31.12.2010	As at 31.12.2009	As at 01.01.2009
Impact on Group equity	-	5,185	5,185
Non-current financial liabilities to third parties	-	(5,185)	(5,185)
Impact on total non-current liabilities	-	(5,185)	(5,185)

6. Intangible assets with an indefinite useful life

This item totalled € 2,536,714 thousand as at 31 December 2010 (€ 3,187,161 thousand as at 31 December 2009) and related to merger deficits arising from transactions carried out in previous years. This goodwill was allocated to a single cash generating unit (CGU) corresponding to the Company as a whole, since different CGUs within the Company had not been established. A write-down of € 650,447 thousand was made on 31 December 2010 following an impairment test (more detail can be found in point 7 of the Notes).

7. Impairment testing of intangible assets with an indefinite useful life

For the purposes of impairment tests on the goodwill, the same choice of recoverable amount used in the 30 June 2010 and 31 December 2009 tests (the value in use) was used. However, since the market capitalisation of SEAT Pagine Gialle S.p.A. and the market performance of its debt instruments fell sharply in the last months of 2010 and the first few months of 2011, the Group was extremely cautious in estimating recoverable amounts with regard to both estimating expected cash flows and identifying discount rates and terminal value growth rates. For the purposes of estimating cash flows, the Group used the 2011 budget results, which were extrapolated for 2012 and projected for 2013 onwards based on a growth rate inferred from the expectations of the equity analysts who follow SEAT's shares. The discount rate was also inferred from equity analyst reports in order to give more weight to externally sourced information pursuant to IAS 36.33, letter a). This rate takes into account the Company's refinancing risk insofar as it is higher than those used by equity analysts for comparable companies with a more balanced debt structure. The 2011 budget results and the extrapolated values for 2012 were revised downwards for the purposes of the impairment tests in order to reflect in the cash flows some components of non-systematic risk that the discount rates do not necessarily reflect. The adjusted cash flows were therefore essentially in line with the estimated EBITDA for 2011 and 2012 according to a consensus of equity analysts.

The discount rates and terminal value growth rates (g) used were 8.95% and -0.11% respectively.

These impairment losses are essentially attributable to external financial variables (market capitalisation and market performance of debt instruments), which reflect the Company's high refinancing risk. The Company met all the 2010 operating targets it had announced to the market and, in preparing its new 2011 budget and forecasted figures for 2012, projected average representative cash flows that constituted the best possible forecasts by management based on reasonable and demonstrable assumptions, unlike those of the previous impairment test, which were made on a prudential basis. The impairment losses are therefore attributable mainly to the methods chosen to estimate the value in use, all of which are orientated towards attributing less weight to the Group's ability to generate cash flows beyond the 2011-2012 periods (to reflect the refinancing risk incorporated in the external variables), and which are attributable to:

- an explicit projection period limited to two years (the 2011 budget, the 2012 forecasted cash flows derived from the 2011 budget and perpetuity calculation for periods behind 2012);
- a consensus cost of capital (discount rate) that already incorporates refinancing risk (rather than the rates estimated internally irrespective of the specific financial structure of the Company, as in previous tests, pursuant to appendix A of IAS 36);

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- a terminal value growth rate (g) in line with analyst consensus forecasts with extended explicit projection periods, in line with the expected drop in EBITDA between 2011 and 2012.

These choices are based on the provisions of IAS 36.33, letter a), which requires more weight to be given to external evidence and resulted in the recognition of significant impairment losses, despite the absence of internal impairment indicators.

The main variables affecting impairment test results are as follows:

- with regard to cash flows: all the main components of unlevered cash flow (EBITDA, capital expenditure, changes in working capital);
- with regard to rates: the cost of capital and the terminal value growth rate (as measured by equity analysts).

The basic assumptions taken into account when predicting the main components of cash flow of SEAT Pagine Gialle S.p.A. are as follows:

- 2011 revenues: expected to fall, but the decline should be several percentage points lower than in 2010, when revenues fell by -8.1% in total.
- 2011 EBITDA and cash flow generation: in a context of lower revenues they will be supported by specific cost-cutting measures and working capital.

8. Intangible assets with a finite useful life

(euro/thousand)	Year 2010				Year 2009
	Customer Data Base	Software	Other intangible assets	Total	Total
Cost	972,400	221,276	19,988	1,213,664	1,183,692
Accrued amortisation	(972,400)	(151,275)	(13,651)	(1,137,326)	(1,011,609)
Balance at beginning of the year	-	70,001	6,337	76,338	172,083
- Investments	-	22,020	5,947	27,967	38,305
- Disposals	-	-	-	-	(384)
- Amortisation and write-downs	-	(39,286)	(2,554)	(41,840)	(133,666)
- Other movements	-	2,958	(2,958)	-	-
Cost	972,400	246,202	22,977	1,241,579	1,213,664
Accrued amortisation	(972,400)	(190,509)	(16,205)	(1,179,114)	(1,137,326)
Balance at end of the year	-	55,693	6,772	62,465	76,338

Intangible assets with a finite useful life can be broken down as follows:

- *software* totalled € 55,693 thousand as at 31 December 2010 (€ 70,001 thousand as at 31 December 2009). This item includes costs relating to acquisitions from third parties and the internal creation of proprietary programs and programs under licence in the commercial and administrative areas to support the new online&mobile products on offer and to improve the algorithms used by search engines;
- *other intangible assets* totalled € 6,772 thousand as at 31 December 2010 (€ 6,337 thousand as at 31 December 2009), including mainly € 5,937 thousand relating to assets under development, mainly internally developed software projects not yet on stream, and € 726 thousand relating to concessions, licences, trademarks and similar rights, particularly PAGINEGIALLE.it® video rights.

Investments totalled € 27,967 thousand, with a year-on-year fall of € 10,338 thousand. More detail can be found in the report on operations, in the "Economic and financial performance by Business Area" section, under the heading "Italian directories".

9. Property, plant and equipment

This item amounted to € 10,095 thousand as at 31 December 2010 (€ 11,690 thousand as at 31 December 2009), net of amortization totalling € 34,209 thousand (€ 36,165 thousand as at 31 December 2009).

It can be analysed as follows

(euro/thousand)	Year 2010				Year 2009
	Property	Plant and equipment	Other fixed assets	Total	Total
Cost	1,970	4,580	41,305	47,855	66,952
Depreciation	(1,262)	(2,871)	(32,032)	(36,165)	(52,832)
Balance at beginning of the year	708	1,709	9,273	11,690	14,120
- Investments	111	228	2,950	3,289	3,561
- Disposals	(138)	(3)	(334)	(475)	(110)
- Depreciation and write-downs	(157)	(348)	(3,904)	(4,409)	(5,881)
Cost	1,624	4,347	38,333	44,304	47,855
Depreciation	(1,100)	(2,761)	(30,348)	(34,209)	(36,165)
Balance at end of the year	524	1,586	7,985	10,095	11,690

Plant and equipment (€1,586 thousand as at 31 December 2010) related to electrical, air-conditioning and telephone systems at properties owned or leased by the Company.

Other fixed assets (€ 7,985 thousand as at 31 December 2010) included furniture and fixtures, servers and IT equipment.

Investments totalled € 3,289 thousand (€ 3,561 in year 2009), including € 2,836 thousand relating to the acquisition of centralised hardware for the data centre with a view to replacing outdated equipment in order to improve performance and reduce energy consumption. As in every year, individual IT equipment was purchased in accordance with the plans set out to replace the facilities used by staff and sales agents.

Depreciation was equivalent to 77.2% of the gross value of property, plant and equipment (75.6% as at 31 December 2009).

The following table gives an overview of the depreciation rates used, which were considered to represent an appropriate distribution of the book value of tangible fixed assets, according to their residual useful life.

	Year 2010	Year 2009
Property	3%	3%
Plant and equipment	10-25%	10-25%
Other fixed assets	10-40%	10-40%

10. Leased assets

Leased assets totalled € 56,451 thousand as at 31 December 2010 and related to the property complex that acts as the Company's new secondary site in Turin.

The assets that make up the property complex, pursuant to IAS 17, were initially recorded in the financial statements at fair value, since this was lower than the discounted value of the minimum payments due under the lease.

The Company believes that the property complex has retained its market value throughout the year.

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(euro/thousand)	Year 2010					Year 2009
	Leased land	Leased property	Leased plant	Other leased assets	Total	Total
Cost	10,500	33,076	16,524	3,562	63,662	62,571
Depreciation	-	(978)	(2,183)	(420)	(3,581)	-
Balance at beginning of the year	10,500	32,098	14,341	3,142	60,081	62,571
- Investments	-	-	-	-	-	1,091
- Depreciation and write-downs	-	(992)	(2,211)	(427)	(3,630)	(3,581)
Cost	10,500	33,076	16,524	3,562	63,662	63,662
Depreciation	-	(1,970)	(4,394)	(847)	(7,211)	(3,581)
Balance at end of the year	10,500	31,106	12,130	2,715	56,451	60,081

11. Equity investments

Equity investments in subsidiaries, associates and joint ventures totalled € 138,761 thousand as at 31 December 2010 (€ 165,892 thousand as at 31 December 2009).

The following table shows details of the Group's equity investments and the changes that took place during the year

(euro/thousand)	As at 31.12.2009	Change during the year				As at 31.12.2010
		Purchase	Disposals	Write-downs	Total	
Subsidiaries	165,683	6,104	(2,166)	(31,069)	(27,131)	138,552
CIPI S.p.A.	7,896	-	-	-	-	7,896
CONSODATA S.p.A.	22,955	-	-	(10,472)	(10,472)	12,483
EUROPAGES S.A.	955	-	-	(955)	(955)	-
PAGINE GIALLE PHONE SERVICE S.r.l.	-	6,104	-	(5,134)	970	970
PRONTOSEAT S.r.l.	959	-	-	(959)	(959)	-
SEAT CORPORATE UNIVERSITY S.c.a.r.l.	10	-	(10)	-	(10)	-
TDL INFOMEDIA Ltd.	6,935	-	-	(6,935)	(6,935)	-
TELEGATE A.G.	21,563	-	(2,156)	-	(2,156)	19,407
TELEGATE HOLDING GmbH	104,410	-	-	(6,614)	(6,614)	97,796
Associates	209	-	-	-	-	209
LIGHTHOUSE INTERNATIONAL CO. S.A.	209	-	-	-	-	209
Total investments	165,892	6,104	(2,166)	(31,069)	(27,131)	138,761

The item decreased by € 27,131 thousand, mainly due to:

- write-downs totalling € 31,069 thousand in relation to subsidiaries following the impairment test conducted in December 2010;
- the reduction of € 2,156 thousand in the value of the equity investment in Telegate A.G. as a result of the Company's buyback of up to 10% of its share capital at a price of € 7 par share. The buyback was completed in December 2010.

12. Other non-current financial assets due from third parties

Other non-current financial assets due from third parties totalled € 1,730 thousand as at 31 December 2010 (€ 2,198 thousand a year earlier) and related mainly to:

- receivables and loans granted to employees at market rates for similar transactions (€ 1,619 thousand);
- assets held for sale, consisting of the 2.2% stake in Emittenti Titoli S.p.A. (€ 110 thousand).

13. Inventories

These can be broken down as follows

	Year 2010				Year 2009
	Raw material, suppliers and consumables	Work in progress and semi-finished goods	Finished goods	Total	Total
(euro/thousand)					
Balance at beginning of the year	5,810	1,382	68	7,260	10,683
Increase (Decrease)	(265)	606	2	343	(3,353)
Transfer line of company	-	-	-	-	(70)
Balance at end of the year	5,545	1,988	70	7,603	7,260

The valuation of raw materials in stock at weighted average cost is broadly in line with the measurement at current values.

14. Trade receivables

These can be broken down as follows

	Year 2010					Year 2009
	Trade receivables	Allowance for doubtful trade receivables	Trade receivables from subsidiaries	Allowance for doubtful trade receivables from subsidiaries	Net value	Net value
(euro/thousand)						
Balance at beginning of the year	642,517	(105,987)	23,030	(2,253)	557,307	596,776
Provision in the statement of operations	-	(27,000)	-	(933)	(27,933)	(40,817)
Utilisation	-	32,705	-	1,257	33,962	37,927
Other movements	(7,846)	-	(3,593)	-	(11,439)	(36,579)
Balance at end of the year	634,671	(100,282)	19,437	(1,929)	551,897	557,307
<i>of which securitised</i>	<i>281,432</i>	<i>(20,503)</i>	<i>9,175</i>	<i>-</i>	<i>270,104</i>	<i>324,348</i>

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Trade receivables totalled € 551,897 thousand as at 31 December 2010 (net of the allowance for doubtful receivables totalling € 102,211 thousand). The item includes € 3,326 thousand relating to receivables with a maturity of over 12 months.

Pursuant to Law 130/1999, *securitised receivables* continue to be recorded under the item "Trade receivables" in accordance with the provisions of IAS 39, to the extent that SEAT Pagine Gialle S.p.A. retains the risks and benefits related to such receivables. They had a nominal value of € 290,607 thousand as at 31 December 2010, including € 9,175 relating to receivables from subsidiary Pagine Gialle Phone Service S.r.l..

Trade receivables from subsidiaries totalled € 19,437 thousand, including € 17,465 thousand relating to receivables from Pagine Gialle Phone Service S.r.l. in connection with the portion of voice traffic generated by the 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEBIANCHE® services pertaining to the Parent Company.

The *allowance for doubtful trade receivables* was considered to be adequate to cover expected losses. € 33,962 thousand of the allowance was used during the year (€ 37,927 thousand in 2009).

A provision of € 27,933 thousand was added to the allowance for doubtful trade receivables (€ 40,817 thousand in 2009), meaning that the coverage of overdue receivables remained more or less stable.

Credit risk is analysed in more detail in point 21 of the explanatory Notes to the consolidated financial statements as at 31 December 2010.

Disclosure on securitisation transactions pursuant to Law 130/99 (Consob Communication no. 97003369)

The receivables sold to special purpose entity Seat Servizi per le Aziende S.r.l. in 2010 totalled € 752,158 thousand (relating to turnover). Collections totalled € 759,924 thousand, while outstanding receivables as at 31 December 2010 amounted to € 290,607 thousand.

15. Other assets (current and non-current)

These can be broken down as follows

(euro/thousand)	As at 31.12.2010	As at 31.12.2009	Change
Other current assets			
Advances on sales commissions and other receivables from agents	41,250	46,816	(5,566)
Advances to suppliers	8,555	6,287	2,268
Other receivables from subsidiaries	3,713	7,673	(3,960)
Prepaid expenses	835	1,518	(683)
Other receivables	4,572	2,743	1,829
Total other current assets	58,925	65,037	(6,112)
Other non-current assets	139	75	64
Total other current and non-current assets	59,064	65,112	(6,048)

In particular:

- *advances on sales commission and other receivables from agents* totalled € 41,250 thousand as at 31 December 2010 (€ 46,816 thousand as at 31 December 2009) and were recorded net of reserves for write-down, which totalled € 2,922 thousand (€ 2,338 thousand as at 31 December 2009). This includes € 205 thousand of receivables with a maturity of over 12 months, which are classified under "Other current assets", since they fall within the normal company operating cycle. These receivables were discounted using an average market rate for receivables with the same maturity;
- *advances to suppliers*, which totalled € 8,555 thousand as at 31 December 2010 (€ 6,287 thousand as at 31 December 2009), included € 8,504 thousand relating to advances paid to ILTE S.p.A., the printing company (€ 6,239 thousand as at 31 December 2009);
- *other receivables from subsidiaries*, which totalled € 3,713 thousand, related to the recovery of expenditure incurred by the Group on behalf of its subsidiaries and to recovered costs for seconded personnel (including € 2,193 thousand from Consodata S.p.A., € 850 thousand from Thomson Directories Ltd. and € 355 thousand from Prontoseat S.r.l.).

16. Equity

Equity can be broken down as follows

(euro/thousand)		As at 31.12.2010	As at 31.12.2009 restated	Change
Share capital		450,266	450,266	-
- <i>ordinary shares</i>		446,184	446,184	-
- <i>savings shares</i>		4,082	4,082	-
Additional paid-in capital	A,B,C	466,843	466,843	-
Legal reserve	B	50,071	50,071	-
Retained earnings (losses)	A,B,C	(84,423)	(47,976)	(36,447)
Reserve for transition to IAS/IFRS	A,B,C	161,750	161,750	-
Reserve for "cash flow hedge" instruments	B	(12,608)	(22,214)	9,606
Reserve for actuarial gains (losses)	B	873	765	108
Reserve for stock options	B	-	2,015	(2,015)
Profit (loss) for the year		(656,756)	(38,462)	(618,294)
Total equity		376,016 (*)	1,023,058	(647,042)

A: Reserve available for share capital increase.

B: Reserve available for covering losses.

C: Reserve available for distribution to Shareholders.

(*) Of which € 47 million subject to tax imposition in case of distribution (see art.109 TUIR as modified by Legislative Decree 344/2003).

Share capital

Share capital totalled € 450,266 thousand as at 31 December 2010, consisting of 1,927,027,333 ordinary shares and 680,373 savings shares, all with no nominal value, by resolution of the Extraordinary Shareholders' Meeting of 26 January 2009.

It should be noted that € 13,741 thousand of the share capital were subject to taxation in case of distribution. Deferred tax liabilities were not calculated on this amount, since the Company is not planning to pay it out.

Additional paid-in capital

Additional paid-in capital totalled € 466,843 thousand as at 31 December 2010, unchanged from a year earlier.

Of the additional paid-in capital, € 142,619 thousand was considered to be subject to taxation in case of distribution due to the realignment carried out in 2005 between the book value and the tax value of the customer database, pursuant to Law no. 342/2000. Deferred tax liabilities were not calculated on this amount, since the Company is not planning to pay it out.

Reserve for cash flow hedge instruments

The reserve for "cash flow hedge" instruments was negative for € 12,608 thousand as at 31 December 2010 (negative for € 22,214 thousand as at 31 December 2009). This reserve represents the market value of the cash flow hedge instruments against interest rate risk in place on the date of the financial statements or, if already closed out, cash flow hedge instruments that will become effective in future periods. More detail on the derivative hedge instruments used by the Company can be found in point 21 of the explanatory Notes to the Group consolidated financial statements as at 31 December 2010.

Reserve for actuarial gains (losses)

The reserve for actuarial gains (losses) totalled € 873 thousand as at 31 December 2010 (€ 765 thousand a year earlier) and included the net cumulative effect of recording actuarial gains (losses) on the reserve for severance indemnities due to their recognition in the financial statements pursuant to IAS 19, paragraph 93A.

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Reserve for stock options

The value of the *reserve for stock options*, which totalled € 2,015 thousand as at 31 December 2009, was reduced to zero in 2010 after the portion relating to expired options was reclassified to "Retained earnings".

Retained earnings (losses)

The *Retained Loss* is € 84,423 thousand (€ 47,976 thousand in 2009 *restated*). The following is an analysis of the two reserves.

Retained earnings totalled € 6,929 thousand, compared with € 7,522 thousand as at 31 December 2009 *restated*. This change was attributable mainly to:

- the use of € 2,337 thousand of the retained earnings reserve to cover the loss recorded in 2009, as deliberated by the Shareholders' Meeting of 21 April 2010;
- the transfer of € 2,015 thousand from the reserve for stock options, which was released in relation to stock options expired during the year.

The value of retained earnings as at 31 December 2009 was restated as described in point 5 of the Notes.

The *retained losses* reserve totalled € 91,352 thousand (€ 55,498 thousand as at 31 December 2009) due to the allocation of € 36,125 thousand of the loss recorded in 2009, as deliberated by the Shareholders' Meeting of 21 April 2010. In accordance with IAS 39, the loss for 2010 includes the result of the time value component of the derivative hedge instruments.

17. Total other comprehensive profit (loss)

(euro/thousand)	As at 31.12.2010	As at 31.12.2009	Change
Profit (loss) for "cash flow hedge" instruments for the year	(11,373)	(33,515)	22,142
Loss (profit) for "cash flow hedge" instruments reclassified to statement of operations	20,979	22,232	(1,253)
Profit (loss) for "cash flow hedge" instruments	9,606	(11,283)	20,889
Actuarial gain (loss) recognised to equity	149	(1,313)	1,462
Tax effect of actuarial gain (loss) recognised to equity	(41)	361	(402)
Actuarial gain (loss) recognised to equity, net of tax effect	108	(952)	1,060
Total other comprehensive profit (loss), net of tax effect	9,714	(12,235)	21,949

Comments on individual items can be found in the previous point of these explanatory Notes.

18. Profit (loss) par share

	As at 31.12.2010	As at 31.12.2009
Number of SEAT Pagine Gialle S.p.A. shares	1,927,707,706	1,927,707,706
- <i>ordinary shares</i>	1,927,027,333	1,927,027,333
- <i>savings shares</i>	680,373	680,373
Profit (loss) for the year	€/thousand (656,756)	(38,462)
Profit (loss) par share	€ (0.341)	(0.0280)

Profit (loss) par share were calculated by dividing operating result by the average number of shares outstanding over the period.

19. Net financial debt

As at 31 December 2010, this was structured as follows

(euro/thousand)	As at 31.12.2010	As at 31.12.2009 restated	Change	Notes
Net financial debt	2,730,860	2,776,606	(45,746)	
Transaction costs on loans and securitisation costs not yet amortised	(60,823)	(56,403)	(4,420)	
Net market value of "cash flow hedge" instruments	13,780	22,485	(8,705)	
Net financial debt - "book value"	2,683,817	2,742,688	(58,871)	
- Non-current financial assets from third parties(*)	(1,619)	(2,088)	469	
Net financial debt in accordance with CONSOB N. DEM/6064293/2006	2,685,436	2,744,776	(59,340)	
- Non-current financial debts to third parties	1,327,193	870,368	456,825	(a)
- Non-current financial debts to associates	1,276,023	1,408,807	(132,784)	(a)
- Current financial debts to third parties	117,183	596,836	(479,653)	(b)
- Current financial debts to associates	184,486	111,981	72,505	(b)
- Current financial assets from third parties	3,145	(1,918)	5,063	(c)
- Current financial assets from associates	(88,896)	(85,853)	(3,043)	(c)
- Cash and cash equivalents	(133,698)	(155,445)	21,747	(d)

(*) This item, described in note 12 of these Notes, does not include financial assets available for sale.

Net financial debt, which amounted to € 2,730,860 thousand as at 31 December 2010 (compared with € 2,776,606 thousand as at 31 December 2009), differs from the "book value" net financial debt (described below) since it is recorded gross of costs incurred for: *i*) the registering and refinancing of the medium- and long-term debt with The Royal Bank of Scotland; *ii*) the Subordinated loan with Lighthouse International Company S.A.; *iii*) the Senior Secured Bond issue; *iv*) the start of the trade receivables securitisation programme. These costs, net of accumulated amortization, totalled € 60,823 thousand as at 31 December 2010.

Net financial debt does not include the net value arising from the measurement at market values of the cash flow hedge instruments in place on the reporting date or, if terminated early, cash flow hedge instruments that will become effective in subsequent years. As at 31 December 2010, this value totalled net liabilities of €13,780 thousand (€ 22,485 thousand as at 31 December 2009).

An overview of the various items that make up net financial debt (book value) is provided below.

Further details can be found in point 19 of the explanatory Notes to the consolidated financial statements.

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a) Non-current financial liabilities

This can be broken down as follows

(euro/thousand)	As at 31.12.2010	As at 31.12.2009 restated	Change
<i>Debts due to bondholders (Senior Secured Bond) (gross value)</i>	718,587	-	718,587
<i>less transaction costs</i>	(20,313)	-	(20,313)
Debts due to Bondholders (Senior Secured Bond net value)	698,274	-	698,274
<i>Debts due to The Royal Bank of Scotland Plc. (gross value)</i>	596,116	838,953	(242,837)
<i>less transaction costs</i>	(16,533)	(26,026)	9,493
Debts due to The Royal Bank of Scotland Plc. (net value)	579,583	812,927	(233,344)
Debt due to Leasint S.p.A.	49,336	52,067	(2,731)
Negative non-current adjustments to the financial asset/liability hedging contracts	-	5,374	(5,374)
Total non-current financial debts to third parties	1,327,193	870,368	456,825
<i>Debts due to Lighthouse Internatinal Company S.A. (gross value)</i>	1,300,000	1,300,000	-
<i>less transaction costs</i>	(23,977)	(29,948)	5,971
Debts due to Lighthouse International Company S.A. (net value)	1,276,023	1,270,052	5,971
<i>Debts due to Seat Servizi per le Aziende S.r.l. (gross value)</i>	-	139,184	(139,184)
<i>less transaction costs</i>	-	(429)	429
Debts due to Seat Servizi per le Aziende S.r.l. (net value)	-	138,755	(138,755)
Total non-current financial debts to associates	1,276,023	1,408,807	(132,784)

Non-current financial debts to third parties

Debts due to Senior Secured Bondholders, which amounted to € 698,274 thousand as at 31 December 2010, are recorded net of transaction costs not yet amortised totalling € 20,313 thousand. The two bonds are due to mature on 31 January 2017 and carry a nominal rate of 10.5%, to be paid half-yearly at the end of January and July each year. The yield at issue of the bonds was 11% p.a. for the first issue and 12.85% for the second due to the issue discount of € 13.2 million and € 20 million respectively. The total issue discount accrued as at 31 December 2010 was € 1,788 thousand.

Debts due to The Royal Bank of Scotland totalled € 596,116 thousand as at 31 December 2010 (€ 579,583 thousand net of transaction costs not yet amortised). Including the current portion of € 70,391 thousand, the Senior loan with The Royal Bank of Scotland totalled € 666,507 thousand as at 31 December 2010.

Debts due to Leasint S.p.A. totalled € 49,336 thousand (including the current portion totalled € 52,199 thousand) as at 31 December 2010. They relate to seven financial leasing contracts (six contracts with effect from December 2009 and one with effect from the end of October 2010) in relation to the purchase of the Turin property complex, Corso Mortara, which now houses the Company's offices. These leasing contracts mature in December 2023 and October 2024 respectively, and will be repaid in deferred quarterly instalments subject to a floating interest rate equal to three-month Euribor plus a spread of around 65 basis points p.a.. The residual value is fixed at around 1% of the value of the property complex.

Non-current financial debts to related parties

Debts due to Lighthouse International Company S.A. totalled € 1,276,023 thousand as at 31 December 2010 (€ 1,270,052 thousand as at 31 December 2009 restated) and are recorded net of transaction costs not yet amortised at the end of the period totalling € 23,977 thousand (€ 29,948 thousand as at 31 December 2009 restated). The 10-year loan is due to mature in 2014 and is subject to a fixed interest rate of 8% p.a..

Debts due to Seat Servizi per le Aziende S.r.l. related to the debt due to the special purpose entity created to carry out the five-year securitisation programme begun in June 2006 pursuant to Law 130/1999. These debts, which totalled € 106,561 thousand as at 31 December 2010, are recorded under non-current financial debts to related parties.

b) Current financial liabilities

These can be broken down as follows

(euro/thousand)	As at 31.12.2010	As at 31.12.2009	Change
Current portion of non-current financial debt	73,254	580,237	(506,983)
Liabilities adjustments instruments "cash flow hedges"	29,131	423	28,708
Debts for accrued interest expense not yet paid	7,260	7,844	(584)
Other financial debts	7,538	8,332	(794)
Total current financial debts to third parties	117,183	596,836	(479,653)
Debts due to subsidiaries	167,111	81,080	86,031
Debts due to undertakings with a significant influence	17,375	17,375	-
Debts due to associates	-	13,526	(13,526)
Total current financial debts to associates	184,486	111,981	72,505

Current financial debts to third parties

This item includes:

- € 73,254 thousand (€ 580,237 thousand as at 31 December 2009) relating to the *current portion of non-current financial debts*, of which € 70,391 thousand related to the portions of the loan with The Royal Bank of Scotland maturing in June and December and € 2,863 thousand related to the loan with Leasint S.p.A.;
- € 29,131 thousand relating to debts for interest accrued but not yet paid, including € 28,904 thousand pertaining to the Senior Secured Bond;
- € 7,260 thousand relating to net liabilities (current portion) arising from the measurement at fair value of the cash flow hedge instruments in place as at 31 December 2010 (€ 7,844 thousand as at 31 December 2009);
- € 7,538 thousand relating to other financial debts (€ 8,332 thousand as at 31 December 2009), relating mainly to debts for derivative hedge instruments, payment of € 7,066 thousand of which has been deferred until the end of June 2011;

Current financial debts to related parties

This item includes:

- € 167,111 thousand relating to *current financial debts to subsidiaries*. These included debts to Seat Servizi per le Aziende S.r.l. (€ 106,561 thousand), debts for short-term deposits of the Telegate group (€ 45,142 thousand), and TDL Infomedia Limited (€ 10,456 thousand), and cash-pool debts to Consodata S.p.A. (€ 3,577 thousand). Current financial debts to subsidiaries are settled at market rates;
- € 17,375 thousand as at 31 December 2010 (unchanged from 31 December 2009) relating to unpaid interest accrued on the subordinated loan with Lighthouse International Company S.A.;
- *Financial debts due to companies with significant influence* over SEAT Pagine Gialle S.p.A., which totalled € 13,526 as at 31 December 2009, were repaid in full in September 2010.

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c) Current financial assets due from third parties and related parties

Current financial assets due from third parties

Current financial assets due from third parties totalled € 670 thousand as at 31 December 2010 (€ 1,918 thousand a year earlier) and included € 436 thousand relating to employee loans.

Current financial assets due from related parties

Current financial assets due from related parties, which totalled € 85,081 thousand as at 31 December 2010 (€ 85,853 thousand as at 31 December 2009), included:

- € 79,582 thousand of financial receivables from TDL Infomedia Ltd., in the form of a revolving credit line;
- € 5,499 thousand of financial receivables resulting from cash-pooling relations, including € 4,541 thousand of receivables from Europages S.A..

These receivables are settled at market rates.

d) Cash and cash equivalents

This item decreased by € 21,747 thousand year on year and can be broken down as follows

(euro/thousand)	As at 31.12.2010	As at 31.12.2009	Change
Bank deposits	133,281	154,483	(21,202)
Postal deposits	403	942	(539)
Cash	14	20	(6)
Total cash and cash equivalents	133,698	155,445	(21,747)

20. Guarantees provided, main commitments and contractual rights

The obligations arising from the facilities with The Royal Bank of Scotland Plc are secured, among other things, by pledges over shares in SEAT Pagine Gialle S.p.A. and other companies of the SEAT Pagine Gialle group, a pledge over the main proprietary trademarks of the SEAT Pagine Gialle group, and a special lien on certain capital goods of SEAT Pagine Gialle S.p.A., as well as a fixed and floating charge under English law on assets of TDL Infomedia and Thomson. The same guarantees, with the exception of the special lien on capital goods of SEAT Pagine Gialle S.p.A., also apply to the Senior Secured Bonds issued by SEAT Pagine Gialle S.p.A. in January and October 2010. Obligations arising from the indenture on the bonds issued by Lighthouse International Company S.A. in 2004 and guaranteed by SEAT Pagine Gialle S.p.A. are guaranteed by, among other things, a second-degree pledge on SEAT Pagine Gialle S.p.A. shares. As regards the asset-backed securities issued by the special purpose entity, Seat Servizi per le Aziende S.r.l., as part of the securitisation of trade receivables of SEAT Pagine Gialle S.p.A. launched in June 2006, the obligations relating to these are secured by the portfolio of receivables subject to securitisation owned by Seat Servizi per le Aziende S.r.l.. The obligations relating to the leasing contracts signed between SEAT Pagine Gialle S.p.A. and Leasint S.p.A. are secured by the leased properties owned by Leasint S.p.A., which may, in the event of default by SEAT Pagine Gialle S.p.A., obtain satisfaction by selling the properties themselves.

Pursuant to the indenture relating to the notes issued by Lighthouse International Company S.A. in 2004, SEAT Pagine Gialle S.p.A. issued a personal guarantee concerning the fulfilment by said Lighthouse International Company S.A. of all obligations (for principal, interest and auxiliary expenses) arising from the notes issued by the latter. More specifically, said guarantee is limited to € 350,000 thousand in relation to auxiliary expenses.

The loan agreement between SEAT Pagine Gialle S.p.A. and Lighthouse International Company S.A. dated 22 April 2004 provides for, among other things, a commitment by SEAT Pagine Gialle S.p.A. to pay the lender (in addition to principal and interest) an amount equal to any additional amount paid by the latter in relation to the 2004 bond and to hold the lender harmless from any charge that may reduce the amount of interest paid to said lender. With regard to this latter commitment, SEAT Pagine Gialle S.p.A., to the extent of its knowledge on the reporting date, may have to pay Lighthouse International Company S.A. up to € 3.4 million; no provisions have been made to the risks reserve insofar as such an eventuality is not deemed likely.

The loan agreement with The Royal Bank of Scotland requires that SEAT Pagine Gialle S.p.A. comply with specific financial covenants, which are monitored quarterly and relate to the maintaining of certain ratios between: i) net debt and EBITDA; ii) EBITDA and interest on debt; iii) cash flow and debt service (including interest and capital payable in each reference period).

As is customary for transactions of this kind, the aforementioned facilities agreement also governs other aspects by establishing limits and operating conditions, including investments and the possibility of recourse to additional debt, making acquisitions, distributing dividends and carrying out capital transactions. Similar provisions are also contained in the three indentures under US law which respectively govern the notes (bonds) issued by Lighthouse International Company S.A. in 2004 and secured by SEAT Pagine Gialle S.p.A., and the notes issued by SEAT Pagine Gialle S.p.A. in January 2010 and October 2010.

SEAT Pagine Gialle S.p.A. constantly monitors current and future compliance with all the conditions of the aforementioned agreements.

The outcome of the checks on the financial covenants and compliance with all the obligations imposed by the aforementioned agreements as at 31 December 2010 (the date of these financial statements) was positive.

In the event adverse market conditions and/or Company performance should cause breach of the contractual financial covenants with The Royal Bank of Scotland as at a verification date, The Royal Bank of Scotland could terminate the loan agreement, making all or some of the loan (including unpaid accrued interest and all other amounts due to the Bank under the agreement) subject to repayment with immediate effect. This could force SEAT Pagine Gialle S.p.A. to seek funds on the market to repay its debt and would allow The Royal Bank of Scotland to call on the security given for the facility if SEAT Pagine Gialle S.p.A. defaults on the payment. This situation could be remedied only by waiver on the part of The Royal Bank of Scotland of its rights with respect to such breach and, if necessary, by a restructuring of the financial covenants contained in the facilities agreement.

21. Information on financial risks

A detailed description of the risks to which the Company is exposed can be found in point 21 of the explanatory Notes to the Group consolidated financial statements as at 31 December 2010.

22. Non-current reserves for employees

This can be broken down as follows

	Year 2010			Year 2009	
	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	17,573	1,516	100	19,189	20,406
Provisions	-	3,917	150	4,067	4,643
Contributions	-	815	-	815	(5,364)
Benefits paid/received	(3,895)	(5,136)	-	(9,031)	(2,092)
Discounting losses	924	-	-	924	1,045
Actuarial losses (gains) recognised to equity	(149)	-	-	(149)	1,313
Curtailment	268	-	-	268	-
Write-downs	-	-	-	-	430
Other movements	(1,219)	225	-	(994)	(1,192)
Balance at end of the year	13,502	1,337	250	15,089	19,189

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The *reserve for severance indemnities*, which totalled € 13,502 thousand as at 31 December 2010 (€ 17,573 thousand as at 31 December 2009), was valued by an independent actuary using the projected unit credit method, in accordance with the provisions of IAS 19.

Following the reform of the supplementary pensions system introduced by Legislative Decree no. 252 of 5 December 2005, the reserve for severance indemnities continues to constitute an obligation for the Company, since it is considered to be a defined-benefit plan.

The portion of the reserve for severance indemnities accrued subsequently and paid to supplementary pension funds was, as in previous years, considered a defined-contribution fund, since the Company's obligation towards the employee is terminated upon payment of the portions accrued to the pension funds. Payments of portions of the reserve for severance indemnities accrued to the treasury fund managed by the national social security institution (INPS) were also accounted for as payments to a defined-contribution fund, since the Company is not obligated to make any further payments other than those provided for by the Ministerial Decree of 30 January 2007 if the fund does not have sufficient assets to grant the benefit to the employee.

(euro/thousand)	As at 12.31.2010	As at 12.31.2009
A. Change in benefit obligation		
1. Benefit obligation at the beginning of the year	17,573	18,377
2. Current service cost	-	-
3. Interest expense	924	1,045
4. Actuarial (gains) losses recognised to equity	(149)	1,313
5. Benefits paid from plan/company	(3,895)	(2,566)
6. Curtailment	268	-
7. Other movements	(1,219)	(596)
Benefit obligation at the end of the year	13,502	17,573
B. Account recognised in the statement of financial position		
<i>Plans that are wholly unfunded and plans that are wholly or partly funded</i>		
1. Present value of defined-benefit unfunded obligation at the end of the years	13,502	17,573
Net liability recognised in the statement of financial position	13,502	17,573
<i>Amounts in the statement of financial position:</i>		
1. Liabilities	13,502	17,573
C. Components of pension cost		
<i>Amounts recognised in the statement of operations:</i>		
1. Current service cost	-	-
2. Interest expense	924	1,045
Total pension cost recognised in the statement of operations	924	1,045
D. Principal actuarial assumptions		
<i>Weighted-average assumptions to determine benefit obligation</i>		
1. Discount rate	4.75%	5.00%
2. Rate of price inflation	2.00%	2.00%
<i>Weighted-average assumptions to determine net pension cost</i>		
1. Discount rate	5.00%	5.70%
2. Rate of price inflation	2.00%	2.00%
E. Previous experience of actuarial profit (loss)		
a. Amount ⁽¹⁾	(406)	342
b. % of plan liabilities at balance-sheet date	(3.01)%	1.87%

(1) Actuarial profit/loss determined by applying to the current population the actuarial assumptions.

Net liabilities relating to the reserve for end-of-mandate indemnities represent the debt due to the CEO.

23. Share-based payment

The stock option plans in place as at 31 December 2010 are described in the report on operations, under the heading "Human resources". They are recorded in the financial statements in accordance with the provisions of IFRS 2.

More details on the methods used to measure these plans can be found in point 23 of the explanatory Notes to the consolidated financial statements as at 31 December 2010.

Beneficiaries	Grant date	Number of granted options	Number of expired options	End of vesting period	Strike price (euro)	Number of exercised options	Number of not exercised options	Number of outstanding options at 31.12.2010	Fair value (euro/thousand)	of which accrued in the 2010
2005 stock option plans										
Employees of SEAT PG	08.04.2005	312,500	(9,750)	30.09.06	64.42	(166,725)	(136,025)	-	5,211	-
Employees of SEAT PG	04.11.2005	8,000	-	30.09.06	78.3	-	(8,000)	-	200	-
Total		320,500	(9,750)			(166,725)	(144,025)	-	5,411	-

24. Other non-current liabilities

Other non-current liabilities totalled € 23,208 thousand as at 31 December 2010 and can be broken down as follows

(euro/thousand)	Year 2010				Year 2009
	Reserve for sale agents' termination indemnities	Reserve for restructuring expenses	Other non-operating liabilities	Total	Total
Balance at beginning of the year	22,671	4,701	923	28,295	25,019
Provision	4,257	12,103	862	17,222	6,611
Utilisation	(5,248)	-	-	(5,248)	(3,307)
Discounting losses (gains)	242	58	(60)	240	439
Other movements	533	(4,759)	(972)	(5,198)	(467)
Balance at end of the year	22,455	12,103	753	35,311	28,295

The *reserve for sales agents' termination indemnities* decreased by € 216 thousand during the year. This reserve represents the accrued debt at the end of the year to active sales agents for the indemnities due to them in the event of termination of the agency contract, as provided for by current regulations.

The balance of the fund was discounted, taking into consideration expected future cash flows, using the pre-tax discount rate that reflects the current market valuation of the cost of money over time. The change due to the passage of time and changes in the discount rate applied was recorded as financial expense (€ 242 thousand).

The *restructuring reserve (non-current portion)* increased by € 12,103 thousand in 2010 relating to the extension until 2013 of the corporate restructuring programme begun in 2009. This programme was agreed with the trade unions and approved at the end of December 2008 by the Company's Board of Directors. A trade union agreement was then formalised in February 2011 at the Ministry of Employment and Social Policies and ratified by the Company's Board of Directors, authorising the corporate restructuring process, which had originally been scheduled for 2009-2011, to continue until 2013 through the management of redundant employees using the non-voluntary special wage guarantee fund and early retirement.

This reserve should be considered in conjunction with the current portion of the restructuring reserve, which increased by € 14,066 thousand in 2010.

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25. Reserve for (operating and non-operating) current risks and charges

This can be broken down as follows

(euro/thousand)	Year 2010				Year 2009
	Reserve for commercial risks	Reserve for contractual and other operating risks	Non-operating reserves	Total	Total
Balance at beginning of the year	15,475	12,355	13,027	40,857	43,509
Provision	8,310	905	14,066	23,281	16,477
Utilisation	(9,981)	(356)	(12,052)	(22,389)	(17,358)
Reversal to the statement of operations	-	(4,980)	(112)	(5,092)	(1,787)
Other movements	-	(874)	4,979	4,105	16
Balance at end of the year	13,804	7,050	19,908	40,762	40,857

To be more specific:

- the *reserve for commercial risks*, which totalled € 13,804 thousand as at 31 December 2010 (€ 15,475 thousand as at 31 December 2009), covers any costs incurred due to failure to properly perform contractual services in respect of PAGINEGIALLE® and PAGINEBIANCHE®;
- *reserves for contractual and other operating risks*, which totalled € 7,050 thousand as at 31 December 2010 (€ 12,355 thousand as at 31 December 2009), include € 3,644 thousand relating to ongoing legal disputes and € 3,406 thousand relating to litigation with agents and employees;
- *non-operating reserves (current portion)* totalled € 19,908 thousand as at 31 December 2010 (€ 13,027 thousand as at 31 December 2009). They include € 15,908 thousand in the form of the *restructuring reserve (current portion)*, which covers costs that SEAT Pagine Gialle S.p.A. expects to incur in relation to the aforementioned corporate restructuring programme.

26. Trade payables and other current liabilities

Trade payables and other current liabilities can be broken down as follows

(euro/thousand)	As at 31.12.2010	As at 31.12.2009	Change
Payables due to suppliers	120,280	120,879	(599)
Payables due to sales agents	43,133	46,769	(3,636)
Payables due to other	12,795	17,354	(4,559)
Payables due to employees	10,425	9,364	1,061
Payables due to social security institutions	7,063	7,925	(862)
Total trade payables	193,696	202,291	(8,595)
Payables for services to be rendered	43,820	53,251	(9,431)
Advances from customers	2,942	5,167	(2,225)
Other current liabilities	7,857	10,339	(2,482)
Total payables for services to be rendered and other current liabilities	54,619	68,757	(14,138)

All trade payables have a maturity of less than 12 months.

Payables for services to be rendered and other current liabilities with a maturity of more than 12 months totalled € 28 thousand as at 31 December 2010 (€ 47 thousand as at 31 December 2009).

Payables to suppliers totalled € 120,280 thousand as at 31 December 2010, which was broadly unchanged from a year earlier (€ 120,879 thousand).

Payables to sales agents, which totalled € 43,133 thousand as at 31 December 2010 (€ 46,769 thousand as at 31 December 2009), should be considered in conjunction with the item "Advances on sales commission", recorded under "Other current assets", which amounted to € 41,250 thousand as at 31 December 2010 (€ 46,816 thousand as at 31 December 2009).

Payables for services to be rendered, which totalled € 43,820 thousand as at 31 December 2010 (€ 53,251 thousand as at 31 December 2009), refer to advance invoicing for print directory advertising. The decrease is attributable to the Company's new revenue mix, with strong growth from online activities and a reduction in revenues from the print business, which affects this item.

27. Revenues from sales and services

Revenues from sales and services totalled € 875,543 thousand in 2010, down by 8.1% compared with the previous year (€ 952,225 thousand).

This result reflected the fact that, despite suffering a year-on-year drop in revenues of 7%, the Company's core products (print-online&mobile-voice) performed better than other products, due in particular to the strong growth in online activities, driven by ongoing product development and the launch of new services as part of a multimedia product range.

A more detailed analysis of these revenues can be found in the report on operations, in the "Economic and financial performance by Business Area" section, under the heading "Italian Directories".

28. Other revenues and operating costs

28.1 Other revenues and income

Other revenues and income totalled € 8,331 thousand in 2010, an increase of € 612 thousand on the previous year. Of these, € 3,140 thousand referred to the recovery of costs incurred by SEAT Pagine Gialle S.p.A. and then recharged to Group companies for the acquisition of goods and services and for seconded employees, € 2,344 thousand to the recovery of expenses from third parties and € 1,455 thousand to other income, of which € 649 thousand related to administrative and industrial services provided to subsidiary Consodata S.p.A..

28.2 Costs of materials

Costs of materials totalled € 28,822 thousand in 2010, down by € 12,685 thousand compared with the previous year. More specifically, this refers to:

- *paper consumption* in the amount of € 24,710 thousand, which fell by € 6,453 thousand as a result of fewer publications being printed. During 2010, 35,355 tonnes of paper (44,816 tonnes in 2009) and 15.96 million sheets (16.36 million in 2009) were used;
- *goods and products for resale* in the amount of € 4,136 thousand in 2010 (€ 9,052 thousand in 2009), relating to the acquisition of customised items for merchandising.

28.3 Costs of external services

Costs of external services totalled € 296,699 thousand in 2010, down by € 13,792 thousand compared with the previous year. More specifically:

- *commissions and other agent costs* totalled € 104,775 thousand, an increase of € 4,962 thousand on 2009 (€ 99,813 thousand) owing mainly to incentives paid to promote the new online offers and attract new customers;
- *directory printing and distribution costs*, which totalled € 43,496 thousand in 2010 (€ 51,937 thousand in 2009), referred mainly to typesetting, printing and binding costs for PAGINEGIALLE® and PAGINEBIANCHE®. The reduction of € 8,441 thousand compared with the previous year is attributable mainly to the reduction in the number of publications printed;
- *inbound call centre service costs*, which amounted to € 20,197 thousand in 2010 (€ 25,556 thousand in 2009), fell by € 5,359 thousand owing to fewer calls to the 89.24.24 Pronto PAGINEGIALLE® and 12.40 Pronto PAGINEGIALLE.it® services, as well as the reduction in tariffs following the outsourcing of the call centres;
- *advertising and promotional costs*, which totalled € 15,521 thousand in 2010 (€ 19,271 thousand in 2009), were incurred, in particular, to support the 89.24.24 Pronto PAGINEGIALLE® and PAGINEGIALLE.it® products.

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28.4 Salaries, wages and employee benefits

Salaries, wages and employee benefits totalled € 75,754 thousand in 2010, down by € 9,393 thousand, or 11%, on the previous year (€ 85,147 thousand). The change resulted from the effects of downsizing the workforce as part of the 2009-2011 reorganisation plan. The total amount includes the capitalisation of salaries, wages and employee benefits relating to investment projects carried out during the year (€ 4,902 thousand in 2010 against € 4,827 thousand in 2009).

The workforce, including directors, project workers and trainees, consisted of 1,233 employees as at 31 December 2010 (1,376 employees as at 31 December 2009).

28.5 Other operating expenses

Other operating expenses totalled € 2,702 thousand (€ 3,450 thousand in 2009). They include € 1,276 thousand of indirect and operating taxes and € 511 thousand of promotion and entertainment expenses.

28.6 Net non-recurring costs

Net non-recurring costs totalled € 8,274 thousand in 2010 (€ 13,015 thousand in 2009). They include € 6,832 thousand for consultancy on creating new business development strategies and the new reporting system, for the sale of the data centre division to Engineering.it S.p.A. and for tax consultancy.

28.7 Net restructuring costs

Net restructuring costs amounted to € 26,280 thousand in 2010 (€ 9,177 thousand in 2009), of which € 26,169 related to the extension of the corporate restructuring programme started in 2009. This programme was agreed with the trade unions and approved at the end of December 2008 by the Company's Board of Directors. A trade union agreement was then formalised in February 2011 at the Ministry of Employment and Social Policies and ratified by the Company's Board of Directors, authorising the corporate restructuring process, which had originally been scheduled for 2009-2011, to continue until 2013 through the management of redundant employees using the non-voluntary special wage guarantee fund and early retirement.

29. Financial income and expense

29.1 Financial expense

Financial expense totalled € 273,256 thousand (€ 238,302 thousand in 2009). This mainly includes € 61,863 thousand of interest expense on the Senior Secured Bonds issued in January and October 2010, € 68,467 thousand on the Senior Credit Agreement with The Royal Bank of Scotland, € 110,221 thousand on the Subordinated loan with Lighthouse International Company S.A., € 7,808 thousand of interest and charges to Seat Servizi per le Aziende S.r.l. and € 2,289 thousand on finance leases.

More information can be found in points 19, 20 and 21 of the explanatory Notes to the consolidated financial statements as at 31 December 2010.

29.2 Financial income

Financial income totalled € 37,035 thousand (€ 33,609 thousand in 2009) and related mainly to:

- € 20,513 thousand of dividends from subsidiaries (€ 10,213 thousand in 2009), of which € 18,100 thousand was distributed by Telegate GmbH and € 2,413 thousand by Telegate AG;
- € 5,534 thousand of other financial income (€ 4,231 thousand in 2009), of which € 2,163 thousand relates to interest income on financial receivables from subsidiaries and € 2,426 thousand to the capital gain on the sale to third parties of receivables from Lehman Brothers Special Financing (USA) in relation to derivatives hedging interest rate risk outstanding with said counterparty when it entered Chapter 11 bankruptcy proceedings and terminated early as a result thereof;
- € 10,950 thousand of foreign-exchange income (€ 19,151 thousand in 2009), owing mainly to fluctuations in the euro/sterling exchange rate.

30. Income taxes

Income taxes for 2010 can be broken down as follows

(euro/thousand)	Year 2010	Year 2009	Change
Current income taxes	69,361	68,607	754
Reversal (provision) of deferred tax assets	2,502	1,492	1,010
Provision (reversal) of deferred tax liabilities	3,791	(27,619)	31,410
Income taxes referred to the previous years	26,034	(71)	26,105
Total income taxes for the year	101,688	42,409	59,279

Current income taxes totalled € 69,361 thousand in 2010, up by € 754 thousand compared with 2009.

Income tax for previous years has increased by € 26,105 thousand with respect to 2009, of which € 26,034 thousand resulted from the effect of the decision to resolve the tax potential claims which emerged during the fiscal year with a settlement agreement.

During March 2010, the Italian Tributary Police gave notice of a tax inspection report which contested the deductibility of interest expense relating to various debt incurred in 2004 and amortization expense relating to the Customer Database. In December 2010 the Company and the Italian Tax Authorities entered into a settlement agreement regarding potential claims arising from such tax assessment.

The decision to enter into the settlement agreement was due to strategic reasons, including preventing the Company from engaging in lengthy litigation, which, even if the outcome had ultimately been successful, would have affected the Company's activity significantly.

The settlement agreement allows the Company to finally resolve the dispute while at the same time granting full recognition of the amortization charges relating to the Customer Database as well as a significant reduction of the claim regarding the interest expense.

The settlement agreement also resolved a dispute relating to an audit of the fiscal year 2004 (notified in December 2009), the cost of which was approximately €1 million (which had already been provided for in the 2009 financial statements).

The settlement agreement finally resolved all claims arising from the tax assessment report with respect to the period 2003-2008 and will not result in an increase of taxes for the subsequent fiscal years.

The *reconciliation* of the income taxes reported in the financial statements and the theoretical income taxes resulting from the application of the tax rates in force to the pre-tax result for the financial years ended 31 December 2010 and 31 December 2009 respectively is as follows

(euro/thousand)	Year 2010	Year 2009
Income before income taxes	(555,068)	12,958
Current income taxes calculated with the theoretical tax rate	174,291	(4,069)
Tax realignment on intangible assets	-	31,566
Substitute tax on tax adjustments on intangible assets	31	(15,816)
Fiscal effect on non-deductible expenses for IRAP purposes	(40,378)	(16,039)
Income taxes referred to previous years	(26,034)	71
Permanent differences and other movements	(209,598)	(38,122)
Total income taxes for the year	(101,688)	(42,409)

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The permanent differences (€ 209,598 thousand in 2010, against € 38,122 thousand in 2009) are attributable mainly to the non-deductibility of components related to impairment losses. Permanent differences also include non-deductible interest expense pursuant to Article 96 of the Income Tax Law, insofar as it is not likely that, within the timeframe foreseeable at present, the Group will generate gross operating revenues pursuant to Article 96 of the aforementioned law to a sufficient extent to deduct interest expense not deducted in the current financial year in the future. Consequently, deferred tax assets totalling € 27,496 thousand were not recorded.

Net deferred taxes

There were net deferred tax assets of € 19,772 thousand as at 31 December 2010, compared with € 25,193 thousand as at 31 December 2009.

The changes that occurred throughout the year are as follows:

	As at 31.12.2009	Change during the period			As at 31.12.2010		
		Income taxes accounted for in the statement of operations	Income taxes accounted for the equity	Tax group and other movements	Total	of which IRES	of which IRAP
(euro/thousand)							
Deferred tax assets							
Allowance for doubtful trade receivables	29,116	(1,847)	-	-	27,269	27,269	-
Reserves for contractual risks	17,792	2,286	-	-	20,078	18,641	1,437
Reserves for doubtful financial assets	1,667	(1,667)	-	-	-	-	-
Tax losses	-	(1,460)	-	1,460	-	-	-
Other	6,024	186	-	(588)	5,622	5,428	194
Total deferred tax assets	54,599	(2,502)	-	872	52,969	51,338	1,631
Deferred tax liabilities							
Goodwill amortisation	(27,971)	(4,046)	-	-	(32,017)	(29,122)	(2,895)
Reserves for severance indemnities	(1,042)	-	(41)	41	(1,042)	(1,042)	-
Other	(393)	255	-	-	(138)	(30)	(108)
Total deferred tax liabilities	(29,406)	(3,791)	(41)	41	(33,197)	(30,194)	(3,003)
Total net deferred tax assets	25,193	(6,293)	(41)	913	19,772	21,144	(1,372)

Current tax assets

Current tax assets totalled € 644 thousand as at 31 December 2010 (€ 2,945 thousand as at 31 December 2009). They can be broken down as follows

(euro/thousand)	As at 31.12.2010	As at 31.12.2009	Change
Income tax receivables	387	2,688	(2,301)
Other tax receivables	257	257	-
Total current tax assets	644	2,945	(2,301)

Current tax payables

Current tax payables totalled € 44,017 thousand as at 31 December 2010 (€ 34,030 thousand as at 31 December 2009). They can be broken down as follows

(euro/thousand)	As at 31.12.2010	As at 31.12.2009	Change
Income tax payables	28,275	14,751	13,524
Other tax payables	15,742	19,279	(3,537)
Total current tax payables	44,017	34,030	9,987

Income tax payables of € 28,275 thousand (€ 14,751 thousand in 2009) include € 4,913 thousand of outstanding substitute taxes arising from the realignment carried out in 2009 between the book value and the tax value of the customer database and other intangible assets pursuant to Law no. 244/07.

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31. Non-current assets held for sale and discontinued operations

There were no non-current assets held for sale or discontinued operations in 2010. In 2009, following the decision to pull out of the Katalog Yayin ve Tanitim Hizmetleri A.S. joint venture in Turkey and to sell French subsidiary Telegate 118 000 SAS, the economic and financial results for these companies are recorded under "Non-current assets held for sale and discontinued operations", in accordance with the provisions of IFRS 5. Consequently, the values of the statement of operations and statement of cash flows for 2009 have been restated in respect of those previously published.

The economic and financial results of non-current assets held for sale and discontinued operations are listed below.

Statement of operations

(euro/thousand)	Year 2010	Year 2009
Revenues	-	-
Operating costs	-	(3,384)
Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)	-	(3,384)
Amortisation, depreciation, write-down and other non-recurring and restructuring costs	-	(35)
Operating result (EBIT)	-	(3,419)
Interest (expense) income, net	-	(758)
Gain (loss) from valuation of investments	-	(2,315)
Income taxes for the year	-	(45)
Net income from non-current assets held for sale and discontinued operations	-	(6,537)
Losses on disposal of subsidiaries and other sale expenses	-	(2,474)
Profit (loss) from non current assets held for sale and discontinued operations	-	(9,011)

Statement of financial position

(euro/thousand)	As at 31.12.2010	As at 31.12.2009
Tax assets	-	326
Non-current assets held for sale and discontinued operations	-	326
Reserves for operating risks and charges	250	250
Liabilities directly associated with non-current assets held for sale and discontinued operations	250	250

Statement of cash flows

(euro/thousand)	Year 2010	Year 2009
Cash inflow (outflow) from operating activities	-	(1,070)
Cash inflow (outflow) for investments	-	-
Cash inflow (outflow) for financing	-	(759)
Net proceeds on disposal of consolidated subsidiaries	-	(2,474)
Cash flow on non-current assets held for sale and discontinued operations	-	(4,303)

32. Related-party transactions

With reference to the provisions of IAS 24 and pursuant to Article 2 h) of Consob Issuers' Regulation no. 11971/1999 (as subsequently amended), the economic and financial effects of transactions with related parties on the separate financial statements of SEAT Pagine Gialle S.p.A. for 2010 are listed below.

Transactions carried out by the Company with related parties come under ordinary operating activities and are subject to market conditions or specific legislative provisions. There were no atypical or unusual transactions, nor were there any transactions giving rise to a possible conflict of interests.

Statement of operations

	Total items year 2010	Subsidiaries	Associates	Companies with significant influence	Other related parties	Total related parties year 2010	% impact on item
(euro/thousand)							
Revenues from sales and services	875,543	59,154	-	-	-	59,154	6.8
Other income and revenues	8,331	4,509	-	-	-	4,509	54.1
Costs of materials and external services	(325,521)	(28,308)	-	-	(149)	(28,457)	8.7
Salaries, wages and employee benefits	(75,754)	(101)	-	-	(6,156)	(6,257)	8.3
Adjustments	(28,814)	(933)	-	-	-	(933)	3.2
Other operating costs	(2,702)	(191)	-	-	-	(191)	7.1
Non-recurring and restructuring costs	(34,554)	45	-	-	(73)	(28)	0.1
Interest income	37,035	22,676	-	-	-	22,676	61.2
Interest expense	(273,256)	(13,415)	(110,221)	(29)	-	(123,665)	45.3
Income taxes	(101,688)	(1,386)	-	-	-	(1,386)	1.4

(*) Directors, statutory auditors and executives with strategic responsibility.

	Total items year 2009	Subsidiaries	Associates	Companies with significant influence	Other related parties	Total related parties year 2009	% impact on item
(euro/thousand)							
Revenues from sales and services	952,225	72,008	-	-	-	72,008	7.6
Other income and revenues	7,719	4,186	-	-	-	4,186	54.2
Costs of materials and external services	(351,998)	(48,603)	-	-	(233)	(48,836)	13.9
Salaries, wages and employee benefits	(85,147)	(88)	-	-	(9,885)	(9,973)	11.7
Adjustments	(40,935)	(884)	-	-	-	(884)	2.2
Other operating costs	(3,450)	(943)	-	-	-	(943)	27.3
Non-recurring and restructuring costs	(22,192)	-	-	-	(782)	(782)	3.5
Interest income	33,609	12,572	-	-	-	12,572	37.4
Interest expense	(238,302)	(9,882)	(110,017)	(586)	-	(120,485)	50.6
Income taxes	(42,409)	1,235	-	-	-	1,235	(2.9)
Profit (loss) from discontinued operations / non-current assets held for sale	(9,011)	-	(3,641)	-	(131)	(3,772)	41.9

(*) Directors, statutory auditors and executives with strategic responsibility.

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Statement of financial position

	As at 31 December 2010	Subsidiaries	Associates	Companies with significant influence	Other related parties	Total related parties at 31 December 2010	% <i>impact on item</i>
(euro/thousand)							
Non-current financial debts	(2,603,216)	-	(1,276,023)	-	395	(1,275,628)	49.0
Non-current reserves to employees	(15,089)	-	-	-	(250)	(250)	1.7
Current financial debts	(301,669)	(167,111)	(17,375)	-	-	(184,486)	61.2
Trade payables	(193,696)	(12,140)	(29)	-	(647)	(12,816)	6.6
Payables for services to be rendered and other current liabilities	(54,619)	(2,283)	-	-	-	(2,283)	4.2
Trade receivables	551,897	17,508	-	-	-	17,508	3.2
Other current assets	58,925	3,733	-	-	-	3,733	6.3
Current financial assets	85,751	85,081	-	-	-	85,081	99.2
Cash and cash equivalent	133,698	377	-	-	-	377	0.3
Investments	31,256	140	-	-	-	140	0.4

(*) Directors, statutory auditors and executives with strategic responsibility.

	As at 31 December 2009 restated	Subsidiaries	Associates	Companies with significant influence	Other related parties	Total related parties at 31 December 2009	% <i>impact on item</i>
(euro/thousand)							
Cost of the capital increase accounted for the equity	10,671	-	-	-	1,281	1,281	12.0
Non-current financial debts	(2,279,175)	(138,754)	(1,270,052)	-	204	(1,408,602)	61.8
Non-current reserves to employees	(19,189)	-	-	-	(100)	(100)	0.5
Current financial debt	(708,817)	(81,080)	(17,375)	(13,526)	-	(111,981)	15.8
Trade payables	(202,291)	(16,436)	(29)	-	(729)	(17,194)	8.5
Payables for services to be rendered and other current liabilities	(68,757)	(801)	-	-	(1,600)	(2,401)	3.5
Provision for current risks and charges	(40,857)	(4,500)	-	-	-	(4,500)	11.0
Trade receivables	557,307	20,777	-	-	-	20,777	3.7
Other current assets	65,037	7,673	-	-	-	7,673	11.8
Current financial assets	87,771	85,853	-	-	-	85,853	97.8
Cash and cash equivalent	155,445	115	-	-	-	115	0.1
Investments	42,957	431	-	-	-	431	1.0
Disposals	(495)	(386)	-	-	-	(386)	78.0

(*) Directors, statutory auditors and executives with strategic responsibility.

Statement of cash flows

	Year 2010	Subsidiaries	Associates	Companies with significant influence	Other related parties (*)	Related parties year 2010	% impact on item
(euro/thousand)							
Cash inflow (outflow) from operating activities	317,725	34,070	29	-	(7,960)	26,139	8.2
Cash inflow (outflow) for investments	(33,722)	(140)	-	-	-	(140)	0.4
Cash inflow (outflow) for financing	(305,750)	(42,953)	(104,250)	(13,555)	(395)	(161,153)	52.7
Cash flow for the year	(21,747)	(9,023)	(104,221)	(13,555)	(8,305)	(135,104)	n.s.

(*) Directors, statutory auditors and executives with strategic responsibility.

	Year 2009	Subsidiaries	Associates	Companies with significant influence	Other related parties (*)	Related parties year 2009	% impact on item
(euro/thousand)							
Cash inflow (outflow) from operating activities	340,479	18,722	2,896	-	(15,210)	6,408	1.9
Cash inflow (outflow) for investments	(41,435)	(45)	-	-	-	(45)	1.0
Cash inflow (outflow) for financing	(338,160)	(20,928)	(104,250)	(17,522)	(1,485)	(144,185)	42.6
Cash flows on non-current assets held for sale and discontinued operations	(4,303)	-	(432)	-	(20)	(452)	10.5
Cash flow for the year	(43,419)	(2,637)	(101,786)	(17,522)	(16,715)	(138,660)	n.s.

(*) Directors, statutory auditors and executives with strategic responsibility.

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Main economic and financial items relating to subsidiaries, associate companies, joint ventures and companies with significant influence over SEAT Pagine Gialle S.p.A.

(euro/thousand)	Year 2010	Year 2009	Type of transaction
REVENUES			
of which:			
Pagine Gialle Phone Service S.r.l.	53,670	65,815	retroceded telephone traffic
Europages S.A.	5,388	6,002	commission
Total revenues on sales and services	59,154	72,008	
OTHER INCOME AND REVENUE			
of which:			
Consodata S.p.A.	2,794	2,847	recovery of cost of seconded personnel and refunds for services
TDL Infomedia Ltd.	766	68	recovery of cost of seconded personnel and refunds for services
Prontoseat S.r.l.	457	741	recovery of cost of seconded personnel and refunds for services
Total other income and revenue	4,509	4,186	
COSTS			
of which:			
Pagine Gialle Phone Service S.r.l.	10,496	28,928	call center services
Prontoseat S.r.l.	8,354	4,811	call center services
Consodata S.p.A.	5,004	5,367	sale of direct marketing services
Cipi S.p.A.	4,419	9,331	purchase of goods and products for resale
Total costs of materials and external services	28,457	48,603	
Total salaries, wages and employee benefits	101	88	cost of seconded personnel
Total adjustments	933	884	accruals to the doubtful trade account receivables provision over the period for Pagine Gialle Phone Service S.r.l. receivables in respect of telephone traffic
Total other operating expense	191	943	purchase of representation goods and services from Cipi S.p.A.
Total non recurrent costs, net	45	-	
INTEREST INCOME			
of which:			
Telegate GmbH	18,100	6,800	distributed dividends
Telegate AG	2,413	2,413	distributed dividends
TDL Infomedia Ltd.	2,044	2,207	interest income on financing
Consodata S.p.A.	-	1,000	distributed dividends
Total interest income	22,676	12,572	
INTEREST EXPENSE			
of which:			
Lighthouse International Company S.A.	110,221	110,017	interest expense, charges and write-down of multi-year costs on the long-term Subordinated financing
Seat Servizi per le Aziende S.r.l.	7,029	7,227	interest expense, charges and write-down of multi-year costs on financing
Telegate AG	2,139	2,111	interest expense on short-term deposits and current accounts to subsidiaries
TDL Infomedia Ltd.	397	483	interest expense on short-term deposits and current accounts to subsidiaries
Leading shareholders	29	586	interest expense on dividends to some Leading Shareholders
Total interest expense	123,665	120,485	
Total income taxes	1,386	1,235	profits tax for period of Italian subsidiaries in the tax group
Katalog Yayın ve Tanıtım Hizmetleri A.S.	-	3,641	advisory costs for Turkey project
Profit (loss) on non current assets held for sale and discontinued operations	-	3,641	

Statement of financial position

(euro/thousand)	As at 31.12.2010	As at 31.12.2009 restated	Type of transaction
NON-CURRENT FINANCIAL DEBT			
of which:			
Lighthouse International Company S.A.	1,276,023	1,270,052	Subordinated financing
Seat Servizi per le Aziende S.r.l.	-	138,754	financial debt due to the securitization program
Total non-current financial debt	1,276,023	1,408,806	
TRADE ACCOUNT RECEIVABLES			
of which:			
Pagine Gialle Phone Service S.r.l.	15,536	18,709	services rendered
Europages S.A.	1,901	1,973	services rendered
Total trade account receivables	17,508	20,777	
OTHER CURRENT ASSETS			
of which:			
Consodata S.p.A.	2,193	2,476	recovery of costs and services rendered
TDL Infomedia Ltd.	850	68	recovery of costs and services rendered
Prontoseat S.r.l.	355	18	recovery of costs and services rendered
Cipi S.p.A.	-	3,994	mainly due to advances paid
Total other current assets	3,733	7,673	
CURRENT FINANCIAL ASSETS			
of which:			
TDL Infomedia Ltd.	79,582	77,131	revolving loan
Europages S.A.	4,541	8,243	current account receivables
Total current financial assets	85,081	85,853	
Total cash and cash equivalent	377	115	current account receivable from Seat Servizi per le Aziende S.r.l.
CURRENT FINANCIAL DEBT			
of which:			
Telegate AG	45,142	57,885	cash deposits
Lighthouse International Company S.A.	17,375	17,375	outstanding interest payable
TDL Infomedia Ltd.	10,456	16,890	current account debt
Consodata S.p.A.	3,577	2,929	current account debt
Leading shareholders	-	13,526	dividends to leading shareholders - interest bearing since 1 st november 2008
Total current financial debt	184,486	111,981	
COMMERCIAL DEBT			
of which:			
Europages S.A.	4,806	5,071	services rendered
Cipi S.p.A.	2,816	4,427	services rendered
Prontoseat S.r.l.	1,930	860	services rendered
Consodata S.p.A.	1,569	1,253	services rendered
Pagine Gialle Phone Service S.r.l.	1,019	4,825	services rendered
Total commercial debt	12,169	16,465	
Total services to be rendered and other current liabilities	2,283	801	debts for profits tax for period of Italian subsidiaries in the tax group
Total reserve for current risks and charges	-	4,500	accruals to a reserve for increase in connection costs from mobile networks to NNG numbers September 2006-June 2007
INVESTMENTS			
of which:			
Consodata S.p.A.	140	371	capitalisation of software and licences
Total investments	140	431	
DISPOSALS	-	386	Disposals for sale of line of business Kompass to Consodata

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33. Other information

Stock options allocated to directors and managers with strategic responsibilities

No options were allocated to directors.

Equity investments held by directors, statutory auditors, and managers with strategic responsibilities

In compliance with Article 79 of the regulation implementing Legislative Decree no. 58 of 24 February 1998, adopted through Consob Resolution no. 11971 of 14 May 1999, as subsequently amended, the table below shows the equity investments held by directors, statutory auditors and managers with strategic responsibilities at SEAT Pagine Gialle S.p.A. and its subsidiaries.

Surname and name	Company	Number of shares held end 2009	Number of shares purchased	Number of shares sold	Number of shares held end 2010
BENASSI Lino	SEAT Pagine Gialle S.p.A.	34,189 ordinary shares	-	34,189 ordinary shares	-
GILIBERTI Enrico	SEAT Pagine Gialle S.p.A.	1,356 ordinary shares	-	1,356 ordinary shares	-
		30 savings shares	-	30 savings shares	-
Managers with strategic responsibility	SEAT Pagine Gialle S.p.A.	301,839 ordinary shares	-	9,870 ordinary shares	291,969 ordinary shares
	Telegate AG	3,000	-	-	3,000

Compensation of the directors and statutory auditors

The following table shows the information required by Article 78 of the Consob Regulation adopted through Resolution no. 11971 of 14 May 1999, as subsequently amended, and by Consob Communication DEM/11012984 of 24 February 2011.

Person Surname and name	Position	Term of mandate	Remuneration (euro)			
			Remuneration for position	Non-monetary benefits	Bonuses and other incentives	Other remuneration
GILIBERTI Enrico	Director	01.01.2010 - 31.12.2010	10,000			
	Chairman	01.01.2010 - 31.12.2010 ⁽¹⁾	90,000			472,000 ⁽²⁾
CAPPELLINI Alberto	Director	01.01.2010 - 31.12.2010 ⁽³⁾	10,000 ^(**)			
	Chief Executive Officer	01.01.2010 - 31.12.2010 ⁽¹⁾	900,000		510,000 ⁽⁴⁾	174,481 ⁽⁵⁾
BENASSI Lino	Director	01.01.2010 - 31.12.2010	10,000			
	Chairman of the Remuneration Committee	01.01.2010 - 31.12.2010	40,000			
COSSUTTA Dario	Director	01.01.2010 - 31.12.2010	10,000 ^(*)			
	Member of the Remuneration Committee	01.01.2010 - 31.12.2010 ^{(6) (7)}	30,000 ^(*)			
DALLOCCIO Maurizio	Director	01.01.2010 - 31.12.2010	10,000			
	Member of the Internal Control Committee	01.01.2010 - 31.12.2010	30,000			
GIUSSANI Alberto	Director	01.01.2010 - 31.12.2010	10,000			
	Chairman of the Internal Control Committee	01.01.2010 - 31.12.2010	40,000			
LANARI Luigi	Director	01.01.2010 - 31.12.2010	10,000 ^(*)			
	Member of the Remuneration Committee	01.01.2010 - 31.12.2010 ⁽⁷⁾	30,000 ^(*)			
MASERA Pietro Giovanni	Director	01.01.2010 - 31.12.2010 ⁽⁷⁾	10,000 ^(*)			
TAZARTES Antonio	Director	01.01.2010 - 31.12.2010 ⁽⁷⁾	10,000 ^(*)			
TUGNOLO Marco	Director	01.01.2010 - 31.12.2010	10,000			
	Member of the Internal Control Committee	01.01.2010 - 31.12.2010 ^{(6) (7)}	30,000			
VOLPI Nicola	Director	01.01.2010 - 31.12.2010 ⁽⁷⁾	10,000			
CERVELLERA Enrico	Chairman of the Board of Statutory Auditors	01.01.2010 - 31.12.2010	61,975 ^(*)			
VASAPOLLI Andrea	Sindaco Effettivo	01.01.2010 - 31.12.2010	41,317			15,905 ⁽⁸⁾
CIRUZZI Vincenzo	Sindaco Effettivo	01.01.2010 - 31.12.2010	41,317			16,034 ⁽⁹⁾

(*) No paid remuneration as at 31 December 2010

(**) Remuneration waived

(1) Remuneration for 2010 under art. 2389, 3° Civil Code.

(2) "Other remuneration" to Enrico Giliberti refers to Studio Legale Giliberti Pappalettera Triscornia e Associati, for consultancy to SEAT Pagine Gialle S.p.A. in 2010.

(3) Remuneration for 2010 under art. 2389, 1° Civil Code - remuneration waived.

(4) Variable remuneration for 2010. It should be paid in three tranches:

- 60% following the approval of 2010 Annual Report;

- 20% twelve months after the payment of the first tranche;

- 20% twenty four months after payment of the first tranche.

(5) "Other remuneration" to Alberto Cappellini refer to the applicable proportion of directors' TFR for the year.

(6) Have waived part of their remuneration for their work on:

a) Remuneration Committee: Dario Cossutta;

b) Internal Control Committee: Marco Tugnolo.

(7) Luigi Lanari and Pietro Giovanni Masera pay their remunerations to CVC Capital Partners S.r.l.; Nicola Volpi and Marco Tugnolo to Permira Associati S.p.A.; Dario Cossutta and Alberto Tazartes to Investitori Associati S.r.l..

(8) Remuneration for 2010 in respect of his position as Chairman of the Board of Statutory Auditors of Prontoseat S.r.l. (€ 8,594) and as standing auditor of Cipi S.p.A. (€ 7,311).

(9) Remuneration for 2010 in respect of his position as Chairman of the Board of Statutory Auditors of Consodata S.p.A..

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Remuneration of managers with strategic responsibility

The following table shows the information required by Article 78 of the Consob Regulation adopted through Resolution no. 11971 of 14 May 1999, as subsequently amended.

(euro/thousand)	Remuneration (euro)		
	Remuneration	Payment in kind	Bonuses and other incentives
Managers with strategic responsibility	2,689,491	42,128	1,499,660

Statement of fees paid to the External Auditors and related entities

Pursuant to Article 149-duodecies of the Consob Issuers' Regulations (Resolution no. 11971/1999, as subsequently amended), the following disclosure shows the fees for 2010 for auditing and other services carried out for SEAT Pagine Gialle S.p.A. by Reconta Ernst & Young S.p.A. and related entities.

The 2010 separate financial statements of SEAT Pagine Gialle S.p.A. were audited by Reconta Ernst & Young S.p.A. on the basis of the mandate awarded by the Shareholders' Meeting on 27 April 2006 for 2006-2011 in compliance with the Consolidated Finance Act (Legislative Decree no. 58 of 24 February 1998).

The fee for auditing the 2010 separate financial statements and verifying that the accounts are kept correctly and that the accounting entries accurately reflect operations was € 181 thousand, while the fee for the Group consolidated financial statements was € 41 thousand. The overall fee for the limited audit of the SEAT Pagine Gialle 2010 first-half report was € 44 thousand.

The External Auditors, Reconta Ernst & Young S.p.A., also charged a total of € 753 thousand for additional work relating to: *i)* quarterly checks of contracts relating to the securitisation programme; *ii)* certification of Lighthouse International Company S.A. bondholders; *iii)* checks on senior debt covenants; *iv)* helping to prepare the prospectus for the Senior Secured Bond issue and related activities.

Entities related to Reconta Ernst & Young S.p.A. charged € 27 thousand for additional tax consultancy services.

List of significant equity investments

Name	Registered office	Share capital	Owned by	% held by SEAT Pagine Gialle S.p.A.	
CIPI S.p.A.	Milan (Italy)	Euro	1,200,000	SEAT Pagine Gialle S.p.A.	100.00
CONSODATA S.p.A.	Rome (Italy)	Euro	2,446,330	SEAT Pagine Gialle S.p.A.	100.00
EUROPAGES S.A.	Neuilly-sur-Seine Cedex (France)	Euro	2,800,000	SEAT Pagine Gialle S.p.A.	93.562
EUROPAGES GmbH in liquidation	Munich (Germany)	Euro	25,000	Europages S.A.	100.00
EUROPAGES Benelux SPRL	Watermael-Boitsfort (Belgium)	Euro	20,000	Europages S.A.	99.00
KATALOG YAYIN VE TANITIM HIZMETLERI A.S.	Istanbul (Turkey)	YTL	26,500,000	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
PAGINE GIALLE PHONE SERVICE S.r.l. (ex TELEGATE ITALIA S.r.l.)	Turin (Italy)	Euro	129,000	SEAT Pagine Gialle S.p.A.	100.00
PRONTOSEAT S.r.l.	Turin (Italy)	Euro	10,500	SEAT Pagine Gialle S.p.A.	100.00
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 SEAT Pagine Gialle S.p.A.	61.13 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
WERWIEWAS GmbH (ex VIERAS GmbH)	Munich (Germany)	Euro	25,000	Datagate GmbH	100.00
TELEGATE AKADEMIE GmbH in liquidation	Rostock (Germany)	Euro	25,000	Telegate AG	100.00
TELEGATE MEDIA AG	Essen (Germany)	Euro	4,050,000	Telegate AG	100.00
UNO UNO OCHO CINCO CERO GUIAS S.L.	Madrid (Spain)	Euro	3,100	Telegate AG	100.00
TELEGATE LLC	Yereva (Armenia)	AMD	50,000	Telegate AG	100.00
TDL INFOMEDIA Ltd.	Hampshire (UK)	Sterling	139,524.78	SEAT Pagine Gialle S.p.A.	100.00
MOBILE COMMERCE Ltd.	Cirencester (UK)	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 (UK)	Sterling	1,340,000	TDL Infomedia Ltd.	100.00
THOMSON DIRECTORIES PENSION COMPANY Ltd.	Hampshire (UK)	Sterling	2	Thomson Directories Ltd.	100.00

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➤ Certification of the separate financial statements pursuant to art. 81-ter of Consob Regulation No. 11971 of 14 May 1999 as subsequently amended

1. The undersigned Alberto Cappellini, acting in his capacity as Chief Executive Officer, and Massimo Cristofori, acting in his capacity as Manager Responsible for the Preparation of the Financial Statements of SEAT Pagine Gialle S.p.A., hereby declare, taking due account of section 154-bis, sub-sections 3 and 4 of Legislative Decree No. 58 of 24 February 1998, that in the preparation of the Financial Statements for the period all administrative and accounting procedures considered appropriate to the nature of the undertaking were applied in 2010.
2. All administrative and accounting procedures relating to the preparation of the Financial Statements as at 31 December 2010 were critically reviewed during the year to ensure their relevance and full application. The review did not reveal any anomalies.
3. We furthermore declare that:
 - 3.1. the Financial Statements for 2010:
 - have been prepared in accordance with the IAS/IFRS recognised as applicable by the European Community and under section 9 of Legislative Decree 38/2005 and that they offer a true and fair view of the Company's assets and economic and financial position;
 - agree with the books and accounting records;
 - offer a true and fair view of the assets and economic and financial position of the Company;
 - 3.2. the Report on Operations includes a reliable analysis of operating performance and results, of the position of the Company and a description of the main risks and uncertainties to which it is exposed.

Milan, 16 March 2011

Chief Executive Officer
Alberto Cappellini

Manager responsible for the
preparation of the financial statements
Massimo Cristofori

➤ Report of the Board of Statutory Auditors to the Shareholders' Meeting of SEAT Pagine Gialle S.p.A. on the financial statements as at 31 December 2009, in accordance with art. 2429 Civil Code and art. 153 Legislative Decree No. 58/98

Dear Shareholders,

In this report the Board of Statutory Auditors are referring to their activities as required by article 2429 of the Civil Code and by article 153 of Legislative Decree no. 58/98, also taking into account the code of conduct recommended by the National Board of Accountants and Auditors and the Consob on 6 April 2001 and later amendments and additions.

1. Comments on the most important economic, financial and investment transactions carried out by the Company and their compliance with legal requirements and the Memorandum of Association.

The Board of Statutory Auditors wishes to notify the following transactions which took place in 2010 which are considered significant in economic, financial and investment terms.

- a) Agreements were concluded during 2010 with The Royal Bank of Scotland aimed at the issuing of a senior secured bond up to a maximum of € 1,000 million; the related net revenues were used to repay previous financing which expired during 2010-2012. The following issues were made: € 550 million in January 2010 and € 200 million in October 2010.
- b) On 3 December 2010 the Company signed an agreement (purely for reasons of convenience) with the Italian Tax Authorities to certify outstanding taxes defining every potential decision resulting from this process for € 28 million, which definitively resolved the Parent Company's tax litigation resulting from the Italian Tributary Police's inspection which was concluded in March 2010.
- c) In November and December 2010, two Ratings Agencies (Standard & Poor's and Moody's) downgraded the Company's rating.
- d) Several divestments were made during 2010: the sale of branches of Pagine Gialle Phone Service S.r.l. and the Data Centre as well as the liquidation of Seat Corporate University.
- e) Other events, reported by the Company, involve:
 - the trade union agreement signed on 24 February 2010;
 - the agreement with SKY Italia about Serie B football matches;
 - the reduction of the securitisation programme;
 - the dispute with the Authorities for Communication Guarantees.

The Board of Statutory Auditors believes that the above transactions comply with the law and the Memorandum of Association, are in the Company's interests, are not manifestly imprudent or rash, are not contrary to the resolutions of the Shareholders and do not compromise the assets of the Company.

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Significant events in the Financial Statements also include:

- a) The conducting of an impairment test for intangible assets with an indefinite life (goodwill) recorded in the Consolidated Financial Statements, which have led to a reduction in the value of these assets by € 637.8 million.
In the Financial Statements of SEAT Pagine Gialle S.p.A. the amount of the write-down was € 650.4 million.
The procedures followed for determining these amounts are described in note 7 of the Consolidated Financial Statements and note 7 of the Financial Statements for the Accounting Period.
- b) The comments of the directors concerning the existence of the assumption of the continuity of the business ("Going concern evaluation" section in the Financial Statements), on which the auditing firm will recapitulate (see also no. 4 of this report).
- c) The resolution of the Board of Directors of 16 March 2011 to mandate the Chairman and the CEO to identify the available financial options with the aim of ensuring the long-term stability of the financial structure of the Company, with the help of qualified advisors.

2. Transactions with related parties

On 10 November 2010, the Board of Directors approved the "Procedure on the subject of transactions with related parties" implementing the Regulation approved by Consob resolution no. 17221 of 12 March 2010 and later amendments. The Board of Statutory Auditors believes that the procedures adopted by the company conform with the principles of the Consob Regulation.

- 2.1. The Board of Statutory Auditors has not discovered any atypical and/or unusual transactions with third parties on behalf of the Company.
- 2.2. The Board of Statutory Auditors has not discovered atypical and/or unusual transactions, or transactions of an extraordinary nature with related parties.
- 2.3. As far as ordinary and financial transactions with related parties are concerned, the Company maintains investment, economic and financial relations with Group companies; transactions have taken place at market values.
As regards intra-group and related party transactions, the Board of Statutory Auditors believes that the amounts are consistent and that the transactions are in the Company's interest.
- 2.4. The Company has provided the information on the subject of remuneration requested by the Consob in Communication DEM/11012984 of 24 February 2011 in the Financial Statements and in the report on Corporate Governance.

3. The Board of Statutory Auditors believes that the information provided by the directors in the financial statements concerning inter-group and related party transactions is adequate.

4. On 29 March 2011 the independent auditors Reconta Ernst & Young S.p.A. issued a report pursuant to article 156 of Legislative Decree no. 58/98.

The report concludes that the Financial Statements have been drafted clearly and represent a true and proper account of the investment and financial situation, the economic results and the cash flows of the Company and that the actual report recapitulates this in the section on the "Evaluation of the continuity of the business" in the Financial Statements.

5. No complaints have been submitted under article 2408 of the Civil Code, nor charges filed.

6. The following additional tasks were given to the independent auditors Reconta Ernst & Young S.p.A. for a total of € 753 thousand relating to:

- activities under the scope of the issue of the senior secured bond € 605 thousand;
- procedures for verifying the data relating to the securitisation € 70 thousand;
- certification for Lighthouse bondholders € 55 thousand;
- covenants € 23 thousand.

7. An additional tax consultancy engagement was given to entities connected to Reconta Ernst & Young S.p.A. for a total of € 27 thousand.

8. The Board of Statutory Auditors has issued favourable opinions on the following:

- remuneration paid to directors under article 2389 no. 3 of the civil code;
- the procedure followed by the Board of Directors for evaluating the independence of directors;
- the appointment of Alberto Cappellini (already co-opted) as director at the meeting of 21 April 2010; his appointment as CEO and determining of related remuneration of the Board of Directors on 21 April 2010;
- the appointment of Marco Tugnolo (already co-opted) as a member of the Internal Control Committee;
- accounting aspects of the tax inspection notified on 15 March 2010.

9. The following meetings were held:

- 13 meetings of the Board of Directors;
- 7 meetings of the Board of Statutory Auditors;
- 6 meetings of the Internal Control Committee.

The Board of Statutory Auditors, or some of its members, has attended all of the above meetings.

There were also 2 meetings of the Remuneration Committee.

10. The Board of Statutory Auditors has investigated and ensured, within the scope of its authority, the compliance of the correct principles of administration, through direct observations, the collection of information from the managers of departments and through meetings with the external auditors to exchange relevant data and information.
No issues were disclosed with regard to this point.

11. The Board of Statutory Auditors has also investigated and ensured, within the scope of its authority, the suitability of the Company organisational structure and has not discovered any problems to report.

12. The Board of Statutory Auditors has monitored the internal control system and the administration/accounting system, to ensure that they are adequate and that the latter system reliably records transactions, by:

- (i) examining the reports on the administration and accounting and the internal control and corporate reporting systems;
- (ii) obtaining information from the various department heads;
- (iii) contacts with control bodies of the subsidiaries pursuant to paragraphs 1 and 2 of article 151 and Legislative Decree no. 58/98;
- (iv) participating in the work of the Internal Audit Committee.

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In accordance with the provisions of article 19 of Legislative Decree no. 39 of 27 January 2010, the Board of Statutory Auditors has also monitored:

- the financial information process;
- the statutory audit of the annual accounts and consolidated accounts;
- the independence of the statutory auditors, especially as far as the provision of non-auditing services to the Company is concerned.

From the activities carried out no irregularities have emerged that could be considered as indicative of the unsuitability of the Internal Control System.

13. The Board of Statutory Auditors believes that the administrative/accounting system is adequate and reliably records transactions.

14. The Company has provided the subsidiaries with the information they require to meet their reporting duties under article 114, paragraph 2 of Legislative Decree no. 58/98.

15. During meetings with the independent auditors pursuant to article 150, paragraph 2, Legislative Decree no. 58/98, no important matters arose.

16. As far as Corporate Governance is concerned and the practical application of the corporate governance rules set out in the Code of Conduct issued by Borsa Italiana, the Company's adherence is described in full in the special report presented to the Shareholders' Meeting, with whose contents the Board of Statutory Auditors concurs.

17. During its supervision and controls, the Board of Statutory Auditors has discovered nothing of material importance to report to the Supervisory Bodies or to mention in this report.

18. The Board of Statutory Auditors, having taken into account the results of the Annual Financial Statements as at 31 December 2010, which show a loss of € 656,756 thousand, have no objections to the proposed resolutions presented by the Board of Directors on the subject.

Milan, 29 March 2011

The Board of Statutory Auditors

Enrico Cervellera

Vincenzo Ciruzzi

Andrea Vasapolli



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Independent auditors' report
pursuant to Article 14 and 16 of Legislative Decree No. 39 of January 27, 2010
(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, 2010, comprising the statement of financial position, the statement of operations, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n.° 38/2005 is the responsibility of the SEAT Pagine Gialle S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was made in accordance with 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 statements, 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.

The financial statements of the prior year are presented for comparative purposes. As reported in the explanatory notes, management has restated certain comparative data related to the prior year with respect to the data previously presented, on which we issued our auditor's report dated March 31, 2010. We have examined the methods adopted to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of expressing our opinion as of and for the year ended December 31, 2010.

3. In our opinion, the financial statements of SEAT Pagine Gialle S.p.A. at December 31, 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and the cash flows of SEAT Pagine Gialle S.p.A. for the year then ended.
4. The paragraph "Going Concern Evaluation", of the explanatory notes and of the Report on Operations, summarizes management's assessment on the going concern assumption underlying the preparation of the financial statements, despite the significant net loss reported in the year ended December 31, 2010. It also discusses management's actions to achieve long-term financial stability.

Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
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5. The management of SEAT Pagine Gialle S.p.A. is responsible for the preparation of the Report on Operations and the Report on Corporate Governance and on the ownership structures of SEAT Pagine Gialle S.p.A. published in the section "Governance" of the website of SEAT Pagine Gialle S.p.A. in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n.º 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and on the ownership structures of SEAT Pagine Gialle S.p.A., with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n.º 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the Report on Corporate Governance and on the ownership structures of SEAT Pagine Gialle S.p.A., are consistent with the financial statements of SEAT Pagine Gialle S.p.A. as of December, 31, 2010.

Turin, March, 29, 2011

Reconta Ernst & Young S.p.A.
signed by: Luigi Conti, partner

89.24.24

PRONTO PAGINEGIALLE

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Other information

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➤ Proposed resolutions

Dear Shareholders

The Board of Directors has called this Annual General Meeting to submit for your approval the projected Financial Statements for SEAT Pagine Gialle S.p.A. as at 31 December 2010, which show a loss for the year of € 656,756,280.07.

We propose that the loss be covered by:

- full application of the retained earnings reserve that totalled € 6,929,126.43 as at 31 December 2010;
- carrying forward the remaining amount not covered.

We therefore submit the following proposed resolution for your attention:

The General Shareholders' Meeting of SEAT Pagine Gialle S.p.A., having

- a) examined the Annual Financial Statements for the Company as at 31 December 2010;*
- b) read the Report on Operations accompanying the Annual Financial Statements;*
- c) read the reports of the Board of Statutory Auditors and of Reconta Ernst & Young S.p.A., the External Auditors;*

resolves

to approve the Report on Operations prepared by the Board of Directors, the Statement Of Financial Position, Statements of Operations and Notes to the Financial Statements of SEAT Pagine Gialle S.p.A., which show a loss for the year of € 656,756,280.07;
to cover partially the loss for the year by application of all retained earnings € 6,929,126.43;
to carry forward the remaining amount not covered of € 649,827,153.64.

➤ Shareholders' Meeting resolutions

On 20 April 2011, the Ordinary and Extraordinary Shareholders' Meeting of SEAT Pagine Gialle S.p.A. was held on second convocation at 22 Corso Mortara, Turin, the Company's secondary site.

The Ordinary Shareholders' Meeting resolved:

1. to approve the Report on Operations prepared by the Board of Directors, the Statement of Financial Position, the Statements of Operations and the Notes to the Financial Statements of SEAT Pagine Gialle S.p.A., which show a loss for the year of € 656,756,280.07;
2. to cover partially the loss for the year by application of all retained earnings, totalling € 6,929,126.43;
3. to carry forward the remaining amount not covered of € 649,827,153.64.

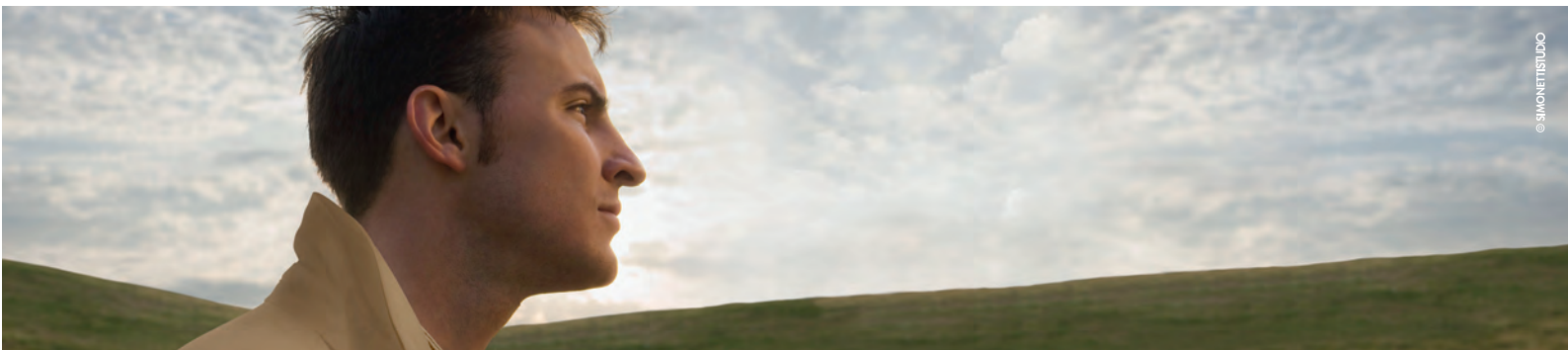
The Extraordinary Shareholders' Meeting resolved:

1. to amend the following Articles of Association: Article 1 (Company Name), Article 5 (Share Capital), Article 8 (Participation Rights), Article 10 (Convocation), Article 11 (Extraordinary and Ordinary Shareholders' Meeting), Article 12 (Chairmanship and Performance of Duties) and Article 19 (Powers of the Board – Proxies);
2. to remove Article 27 (Temporary Provisions) from the Articles of Association;
3. to extend the Articles of Association (following the amendments set out in point 1) through the addition of Article 23 (Transactions with Related Parties) and consequently renumber all subsequent Articles;
4. to approve the new Articles of Association.

The aforementioned amendments to the Articles of Association are primarily intended to supplement the measures taken in order to comply with Legislative Decree no. 27 of 27 January 2010, which transposed into national law Directive no. 2007/36/EC on the exercise of certain rights by shareholders of listed companies.

More specifically, the amendments approved entitle the Board of Directors to:

- (i) with regard to shareholders' rights:
 - a) appoint a party for each Shareholders' Meeting to whom shareholders may grant a proxy free of charge, with the shareholders being informed of such option in the relevant notice of convocation.
 - b) convoke the Shareholders' Meeting called to approve the financial statements within 180 days of the end of the financial year;
 - c) call the Ordinary and Extraordinary Shareholders' Meetings in a single convocation;
- (ii) implement defensive measures in response to public purchase or exchange offers;
- (iii) introduce into the procedure on transactions with related parties mechanisms for approval of such transactions that deviate from said procedure.



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