



## ➤ Contents

<b>Highlights and general information</b> ↑	
	Company Boards 3
	Foreword 4
	Economic and financial highlights of the Group 5
	Information for Shareholders 6
	Organisational structure of the Group 7
<b>Report on operations</b> ↑	
	Economic and financial performance of the Group 11
	Economic and financial performance of SEAT PAGINE GIALLE S.p.A. 26
	Events subsequent to September 30, 2005 30
	Outlook 31
	Related party transactions 32
	Economic and financial performance of the Business Areas 34
	Italian Directories 36
	UK Directories 41
	Directory Assistance 43
	Other Activities 47
	Other information 49
	Main litigation 49
	Effects of the transition to IAS/IFRS on the interim Financial Statements of the Group as at September 30, 2004 50



## ➤ Company Boards

(updated November 8, 2005)

Board of Directors	↑	<p><b>Chairman</b> <b>Chief Executive Officer</b> <b>Non-Executive Directors</b></p>	<p>Enrico Giliberti Luca Majocchi Lino Benassi <sup>(I)</sup> Dario Cossutta Gian Maria Gros Pietro <sup>(I)</sup> Luigi Lanari Marco Lucchini <sup>(III)</sup> Michele Marini Pietro Masera <sup>(II)</sup> Stefano Mazzotti Stefano Quadrio Curzio <sup>(III)</sup> Marco Reboa <sup>(I)</sup> Nicola Volpi</p>
		<b>Secretary to the Board</b>	Marco Beatrice
Remuneration Committee	↑	<b>Chairman</b>	<p>Gian Maria Gros Pietro Dario Cossutta Stefano Quadrio Curzio</p>
Internal Audit Committee	↑	<b>Chairman</b>	<p>Lino Benassi Marco Reboa Nicola Volpi</p>
Board of Statutory Auditors	↑	<p><b>Chairman</b> <b>Acting Auditors</b></p>	<p>Enrico Cervellera Vincenzo Ciruzzi Andrea Vasapolli</p>
		<b>Alternate Auditors</b>	<p>Guido Costa Guido Vasapolli</p>
Common Representative of Savings Shareholders	↑		Carlo Pasteris
Independent Auditors	↑		Reconta Ernst & Young S.p.A.

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

(II) Appointed during the General Shareholders' Meeting held on April 28, 2005.

(III) Co-opted by the Board of Directors on October 11, 2005, to replace Guido Paolo Gamucci and Alberto Tazartes, who resigned.

## ➤ Foreword

As of January 1, 2005, the SEAT PAGINE GIALLE Group adopted the International Accounting Standards (IAS/IFRS).

This quarterly report has been prepared in accordance with these standards and presented based on the requirements indicated in Annex 3D to the regulation for listed companies No. 11971 of May 14, 1999 and subsequent amendments. Comparative figures for the same period of 2004 have been restated and reclassified in accordance with the new accounting standards.

For additional information on the balance sheets as at January 1, 2004, December 31, 2004 and January 1, 2005, as well as the statement of operations for the year 2004, restated in accordance with IAS/IFRS, reference is made to the report "Transition to IAS/IFRS" published together with the First-Half Report as at June 30, 2005, which is available on the official Company's website [www.seat.it](http://www.seat.it).

## ➤ Economic and financial highlights of the Group

(euro/thousand)	3 <sup>rd</sup> quarter 2005	3 <sup>rd</sup> quarter 2004	9 months 2005	9 months 2004	Year 2004
Product sales and services	400,216	392,824	956,011	953,230	1,405,748
Gross operating profit	221,199	212,839	465,534	455,040	681,829
EBITDA	207,684	199,895	421,134	404,202	614,382
Operating income	156,336	122,800	266,696	219,148	379,372
Income (loss) before income taxes and Minority interests	99,643	40,507	73,415	54,116	134,989
Net income (loss) of the Group	71,500	9,811	24,966	20,108	79,930
Operating free cash flow <sup>(1)</sup>	140,957	148,243	443,742	447,139	633,443
<b>Investments</b>					
- capital expenditure	10,730	6,876	27,328	16,314	29,871
- goodwill and other non-operating investments	8,713	315	8,733	9,351	10,400
<b>Financial highlights</b>					
Net invested capital			4,515,300	4,655,226	4,668,099
- of which goodwill and customer data base			4,197,699	4,354,996	4,307,825
- of which net operating working capital			249,538	288,549	298,913
Net equity of the Group			852,418	790,902	850,168
Net financial debt <sup>(2)</sup>			3,731,080	3,976,341	3,924,424
<b>Income ratios</b>					
EBITDA/Product sales and services	51.9%	50.9%	44.1%	42.4%	43.7%
Operating profit/Product sales and services	39.1%	31.3%	27.9%	23.0%	27.0%
Operating profit/Net invested capital	3.5%	2.6%	5.9%	4.7%	8.1%
Net income (loss) of the Group/Net equity of the Group	8.4%	1.2%	2.9%	2.5%	9.4%
Operating free cash flow/Product sales and services	35.2%	37.7%	46.4%	46.9%	45.1%
<b>Personnel</b>					
Employees (number at the end of the period)			5,599	4,912	4,883
Employees (average number for the period) <sup>(3)</sup>			4,320	4,129	4,174
Product sales and services/Employees (average number)			221	231	337

(1) Calculated as follows: Ebitda *minus* capital expenditure, change in operating working capital and change in operating non-current liabilities.

(2) Net financial debt doesn't include transaction costs on loans and the market value of hedging instruments on interest rate risks for a positive amount of € 84,943 thousand on the whole at September 30, 2005.

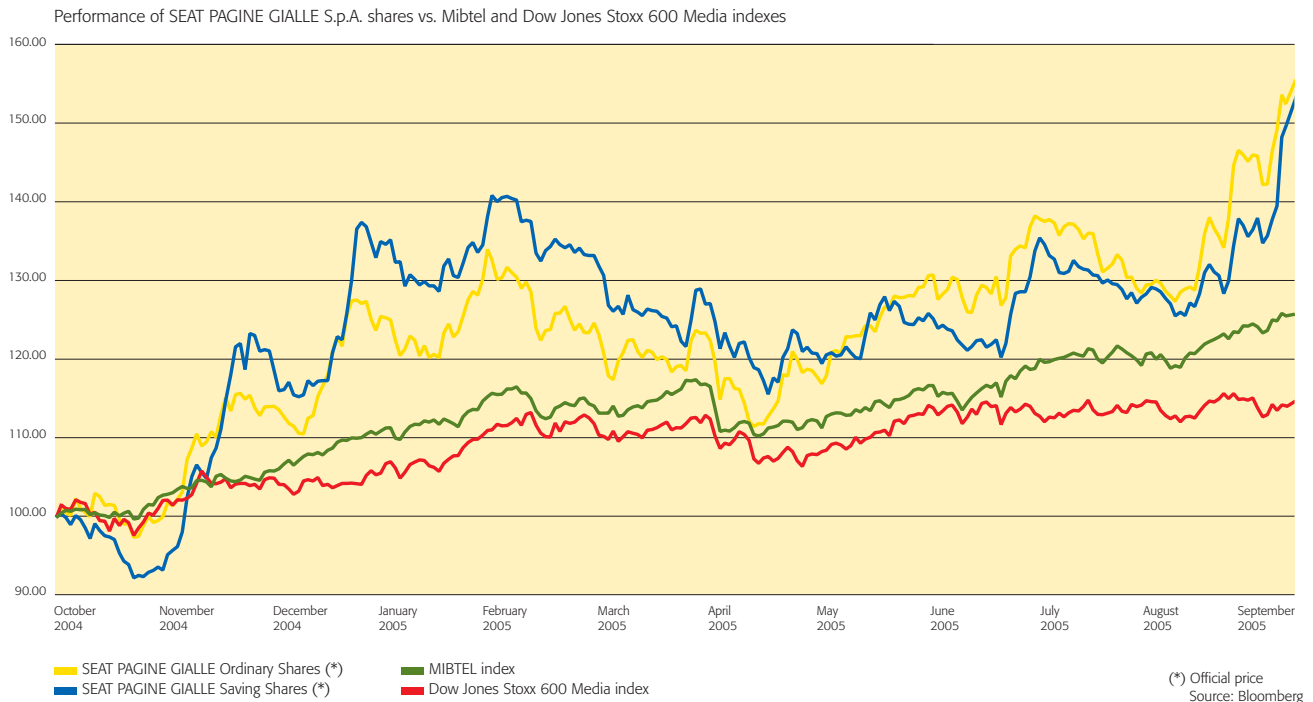
(3) FTE (Full Time Equivalent) for non-Italian companies, average salary for Italian companies.

## Information for Shareholders

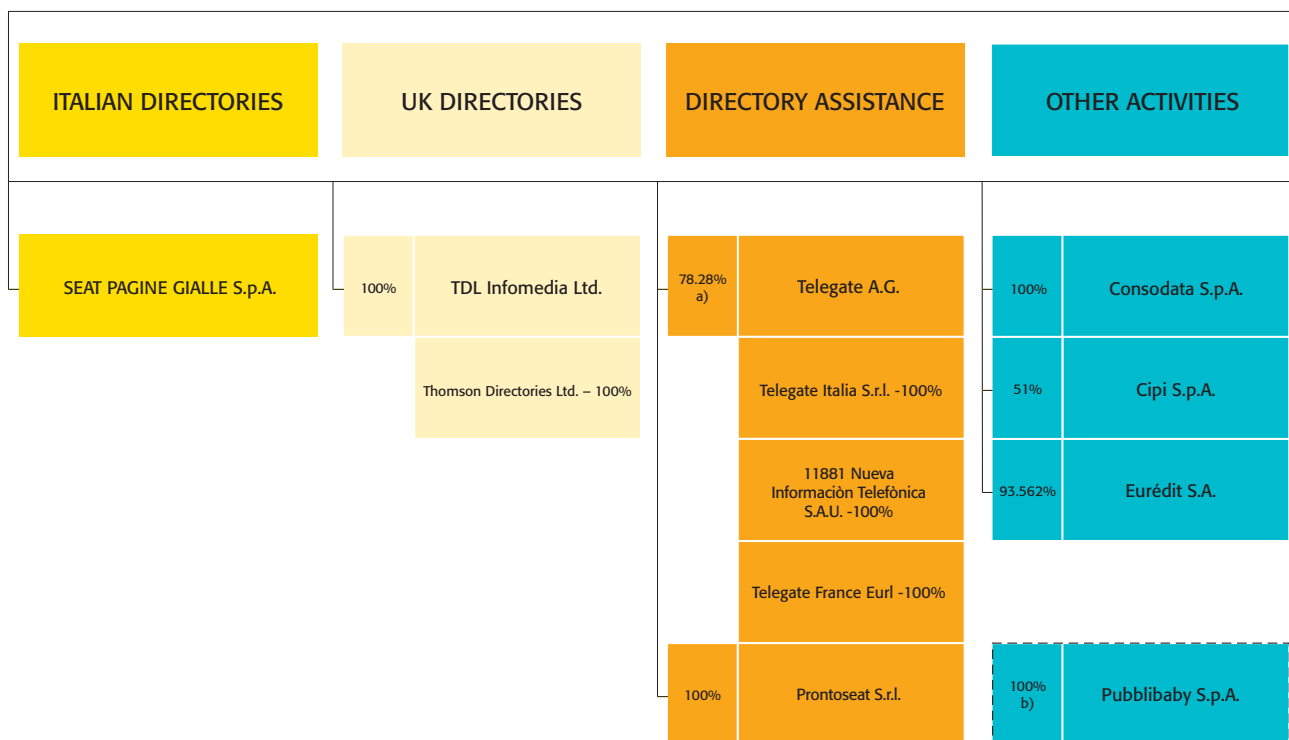
### Shares

Share capital	euro	247,538,714
Number of ordinary shares (par value 0.03 euro)	No.	8,115,215,696
Number of saving shares (par value 0.03 euro)	No.	136,074,786
Market capitalisation (on average market price for September 2005)	euro/mln	3,117
Market ratio of SEAT PAGINE GIALLE S.p.A. shares (SPG ordinary) at September 30, 2005		
- on Mibtel index		0.507%
- on Dow Jones Stoxx 600 Media index		0.919%

### Stock performance of SEAT PAGINE GIALLE S.p.A.



## ➤ Organisational structure of the Group (updated November 8, 2005)



**Legenda**

a) 16.43% directly owned and 61.85% owned through Telegate Holding GmbH.  
b) 100% interest in Pubblibaby S.p.A. was sold on October 4, 2005.





## Report on operations



	→ <b>Eco-fin performance of the Group</b>	<b>11</b>
	Eco-fin performance of SEAT PAGINE GIALLE	26
	Events subsequent to September 30, 2005	30
	Outlook	31
	Related party transactions	32
	Eco-fin performance of the Business Areas	34
	Other information	49
	Effects of the transition to IAS/IFRS	50
Highlights and general information	3	
→ <b>Report on operations</b>	<b>11</b>	

## ➤ Economic and financial performance of the Group

### Statement of Operations of the Group for the third quarter of 2005

**Product sales and services** in the third quarter of 2005 totalled € 400.2 million, up 1.9% compared to the same period of the previous year (€ 392.8 million). Thomson published four directories more than in the same period in the previous year, due to a different printing schedule, with a positive contribution of € 2.5 million to quarterly revenues. This effect was partially offset by the consolidation as from July 2005 of Pubblibaby S.p.A. as an asset held for sale (this company contributed € 1.7 million to Group's revenues in the third quarter of 2004).

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

- product sales and services from the "Italian Directories" (*SEAT PAGINE GIALLE S.p.A.*) Business Area, which reached € 297.7 million in the third quarter of 2005, up 1.2% compared to the same period of the previous year (€ 294.2 million). This result confirms the effectiveness of SEAT PAGINE GIALLE's wide multi-platform offering, through which the growth in revenues from online operations (*PAGINEGIALLE.it®* at € 23.0 million, +12.5%), voice operations (*Pronto PAGINE GIALLE®* at € 15.7 million, +8.0%, due in particular to the strong growth in traffic revenues +23.3%) and Direct Marketing (€ 1.9 million, +4.0%) more than offset the slight downturn in printed products (-0.4%);
- product sales and services from the "UK Directories" (*Thomson Directories group*) Business Area, which totalled € 45.2 million, up 9.7%, compared to the third quarter of 2004. This increase, measured in GBP, was 11.9% as a consequence of the positive performance of the on line directories (+38.1%) and printed directories (+9.2%). This result includes the publication of four directories more than the previous year, making up almost entirely for the time shift built up in the first half of the year. The growth in revenues was 3.2% on a like for like basis (same number of published directories);
- product sales and services from the "Directory Assistance" (*Telegate group and Prontoseat S.r.l.*) Business Area amounted to € 38.5 million in the third quarter of 2005, a 2.7% increase compared to the third quarter of 2004. Telegate group reported a slight increase (+0.5%) in revenues due to the higher volumes in Germany of value added services and the development of new business segments (sales of data and management of interconnection services for businesses and consumers). Good results for Prontoseat S.r.l., whose revenues grew by 46.5% at € 2.5 million in the third quarter of 2005 due to higher traffic volumes in Pronto PAGINEGIALLE®;
- product sales and services from the "Other Activities" (*Consodata S.p.A. and Eurédit S.A.*) Business Area, which amounted to € 31.3 million in the third quarter of 2005 (€ 31.0 million in the third quarter of 2004). Product sales and services include € 27.0 million relating to the French subsidiary Eurédit S.A., whose main product is Europages, published in September with a 6.6% increase in revenues compared to the third quarter of 2004. Revenues from other activities include € 4.4 million relating to Consodata S.p.A., a reduction of € 1.2 million compared to the previous year, mainly due to Pubblibaby S.p.A. accounted for as discontinued operations in the last quarter.

**Cost of raw materials** amounted to € 16.0 million in the third quarter of 2005, a decline of 1.1% compared to the same period of the previous year (€ 16.2 million).

**Cost of external services**, less repayments of costs, amounted to € 110.2 million in the third quarter of 2005, a reduction of € 2.4 million, or 2.2%, compared to the third quarter of 2004 (€ 112.7 million). This represents a 27.5% ratio to product sales and services, an increase of 28.7% compared to the same period in the previous year.

This positive result is due to the fall in sales commission costs (€ 33.1 million, a reduction of € 1.6 million compared to the third quarter of 2004) and the containment of the industrial costs for the production of printed directories (€ 18.3 million, down € 0.9 million compared to the same period in the previous year). Advertising and promotion costs amounted to € 14.9 million, a slight increase in respect of the previous year (+3.9%), due to higher expenditure on advertising communication for the Group's products.

**Salaries, wages and employees benefits**, less repayments of costs, amounted to € 52.8 million in the third quarter of 2005, an increase of € 1.6 million, or 3.2%, compared to the third quarter of 2004. This change was mainly due to the increase in the Thomson group's workforce (to face the business growth) and in call centers' employees of Prontoseat S.r.l. and the Telegate group.

**Other valuation adjustments** were € 8.3 million in the third quarter of 2005 (€ 8.9 million in the third quarter of 2004). They refer principally to the provision to the allowance for doubtful accounts, in order to adjust their value to the estimated realizable value.

**Provisions to reserves for risks and charges (net)** amounted to € 4.2 million in the third quarter of 2005 (€ 3.7 million in the third quarter of 2004), of which € 3.5 million referred to the reserve for commercial risks (€ 3.4 million in the third quarter of 2004).

**Operating income before amortisation, depreciation, non-recurring and restructuring costs (EBITDA)** amounted to € 207.7 million in the third quarter of 2005, up 3.9% compared to the third quarter of 2004. This positive trend in EBITDA, due to the actions aimed at improving the quality of sales and efficiency, resulted in an increase of the EBITDA margin, which reached 51.9% from 50.9% in the third quarter of 2004.

**Operating amortisation and depreciation** amounted to € 8.3 million in the third quarter of 2005 (€ 7.4 million in the third quarter of 2004) and include € 4.5 million for the amortisation of intangible assets with finite useful life and € 3.8 million for the depreciation of property, plant and equipment.

**Non-operating amortisation and write-down** amounted to € 40.5 million in the third quarter of 2005, substantially unchanged over the previous year. It refers to the *Customer Data Base*.

**Non-recurring costs** amounted to € 2.4 million in the third quarter of 2005 (€ 26.4 million in the same period of the previous year) and include € 2.5 million for stock option charges (€ 1.4 million in the third quarter of 2004). In 2004 this item included € 25 million of extraordinary provisions to the allowance for doubtful accounts.

**Operating income** stood at € 156.3 million in the third quarter of 2005 (€ 122.8 million in the third quarter of 2004), up € 33.5 million compared to the third quarter of 2004, with a ratio to product sales and services of 39.1% (31.3% in the third quarter of 2004). It should be noted, however, that operating income for the third quarter of 2004 was affected by € 25 million of extraordinary provisions to the allowance for doubtful accounts.

		→ <b>Eco-fin performance of the Group</b>	<b>11</b>
		Eco-fin performance of SEAT PAGINE GIALLE	26
		Events subsequent to September 30, 2005	30
		Outlook	31
		Related party transactions	32
		Eco-fin performance of the Business Areas	34
		Other information	49
		Effects of the transition to IAS/IFRS	50
	Highlights and general information	3	
	→ <b>Report on operations</b>	<b>11</b>	

## Statement of Operations of the Group for the first nine months of 2005

**Product sales and services** amounted to € 956.0 million in the first nine months of 2005, up 0.3% compared to the same period of the previous year (€ 953.2 million). This performance reflects the stability of SEAT PAGINE GIALLE S.p.A.'s revenues and the performance of the other Group companies where the positive trend of directories in the United Kingdom (+ 3.7%) and Eurédit S.A. (+ 6.2%) offset the effects arising from the consolidation of Pubblibaby S.p.A. as discontinued operations as from the third quarter of 2005 (Pubblibaby S.p.A.'s revenues amounted to € 1.7 million in the third quarter of 2004).

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

- product sales and services from the *"Italian Directories"* (SEAT PAGINE GIALLE S.p.A.) Business Area, which in the first nine months of 2005 reached € 712.9 million, remained broadly flat with respect to the same period of last year (€ 712.6 million). This result was achieved notwithstanding the negative economic environment and the Company's increased focus on sales quality and customer creditworthiness. The economic scenario was difficult as a consequence of the downturn in consumption and the advertisers' lack of confidence (SMEs, small retailers and consumers). The Company's performance proved its ability to enhance all the main products of its multi-platform offer. The only negative performance was on printed PAGINEGIALLE® (which reported almost 50% of the Company's annual turnover): this product, more than any other, experienced the phenomenon of forced sales in recent past years;
- product sales and services from the *"UK Directories"* (Thomson Directories group) Business Area, which totalled € 108.5 million in the first nine months of 2005, increased by 3.6% compared to € 104.7 million in the same period of 2004 (+7.4% on a like for like basis, at a constant exchange rate and number of published directories). The Group's revenues measured in pounds sterling increased by 5.5%, driven by the successful performance of all the product lines: *i*) printed directories (+2.2%); *ii*) online directories (+31.7%), *iii*) data sales and other business information services (+11.1%). It is important to stress how the Company, in an increasingly competitive market scenario, managed to expand (+7.9%) the customer base of printed and online directories, whilst the ARPA remained stable, thanks primarily to the significant cross-selling on the online offer. The printed products' results are positively affected by the initiatives taken in previous months to innovate the products and sustain the brand and hence the consultation. Online products benefited from the ongoing product development and the distribution agreements with other search engines;
- product sales and services from the *"Directory Assistance"* (Telegate group and Prontoseat S.r.l.) Business Area amounted to € 112.3 million, and were substantially stable compared to the third quarter of 2004 (€ 112.2 million). Telegate group's revenues decreased by 2.2% to € 105.7 million. At a constant consolidation scope (revenues of Telegate UK, sold in the third quarter of 2004, were about € 1 million in 2004) the reduction was 1.3% related primarily to Germany, where the development of new value added services for the caller and other business lines withstood the overall market contraction. In Italy, Prontoseat S.r.l.'s performance was good, with revenues up 58% to € 6.5 million thanks to the traffic growth in Pronto PAGINEGIALLE®;

- product sales and services from "Other Activities" (Consodata S.p.A. and Eurédit S.A.) Business Area totalled € 47.0 million in the first nine months of 2005 (€ 45.8 million in the same period of the previous year). This result reflects the performance of Eurédit S.A., up 6.2% compared to the previous year, and of the Consodata S.p.A., down 0.8% due to changes in the scope of consolidation following the consolidation of Pubblibaby S.p.A. as discontinued operations as from July 2005. At a constant scope of consolidation, the Consodata group's revenues increased by 8.6% in the first nine months of 2005 compared to the same period of the previous year.

**Cost of raw materials** amounted to € 41.7 million in the first nine months of 2005, a decrease of € 2.8 million, or 6.3%, compared to the same period in the previous year (€ 44.5 million). This reduction is mainly due to SEAT PAGINE GIALLE S.p.A., that managed to improve its sales profitability by improving its revenues per page: as a consequence the number of printed signatures was reduced by 4.5% with the resultant savings in paper consumption.

**Cost of external services**, less repayments of costs, amounted to € 290.9 million in the first nine months of 2005, a decrease of € 9.7 million or 3.2% compared to the same period in 2004 (€ 300.6 million). The ratio to product sales and services was 30.4%, an improvement over the 31.5% in the first nine months of 2004.

This item also benefited from the higher sales profitability in Italy, where printing costs decreased by € 1.6 million (-3.3%).

In Italy, the reduction in the cost of external services was also due to a decrease of € 6.6 million in sales commissions (€ 78.5 million in the first nine months of 2005), following the derecognition of commissions of previous years no longer due to sales agents. The reduction in industrial and sales commission costs was partly offset by an increase of € 4.1 million in advertising expenditure. The latter, amounted to € 43.5 million in the first nine months of 2005, includes the costs incurred by the Parent Company for advertising campaigns supporting the PAGINEGIALLE® and Pronto PAGINEGIALLE® products.

**Salaries, wages and employees benefits**, net of repayments of costs, amounted to € 157.9 million in the first nine months of 2005, an increase of € 4.8 million or 3.1% compared to the same period of 2004. This change was mainly due to the increase in the Thomson group's workforce (to face the business growth) and in call-centers' employees of Prontoseat S.r.l. and the Telegate group.

The Group had 5,599 employees at September 30, 2005 (4,883 employees at December 31, 2004), including Cipi S.p.A., consolidated as of September 30, 2005.

The average number of employees (FTE for non-Italian companies) during the first nine months of 2005 was 4,320 (4,129 in the first nine months of 2004).

**Other valuation adjustments** amounted to € 28.4 million (€ 32.2 million in the first nine months of 2004) and include € 28.3 million for the provision to the allowance for doubtful accounts, in order to adjust them to their estimated realizable value. This provision decreased by € 3.8 million compared to the same period of 2004 thanks to the new credit management policy introduced by the Parent Company in the previous year, which enabled an improvement in the quality of the new customer portfolio.

		→ <b>Eco-fin performance of the Group</b>	<b>11</b>
		Eco-fin performance of SEAT PAGINE GIALLE	26
		Events subsequent to September 30, 2005	30
		Outlook	31
		Related party transactions	32
		Eco-fin performance of the Business Areas	34
		Other information	49
		Effects of the transition to IAS/IFRS	50
	Highlights and general information	3	
	→ <b>Report on operations</b>	<b>11</b>	

**Provisions to reserves for risks and charges (net)**, amounted to € 13.2 million in the first nine months of 2005 (€ 17.5 million in the same period of 2004) and are the balance of:

- *provisions* amounted to € 14.1 million in the first nine months of 2005 (€ 17.5 million in the same period of the previous year), of which € 13.9 million to the reserve for commercial risks provided for claims for publishing errors on printed directories. The provision to the reserve for commercial risks decreased by € 2.0 million compared to the same period of the previous year thanks to the reduction in the number of claims and a faster process for their resolution;
- *reversal of provisions* amounted to € 1.0 million, which refers to unused reserves for risks on litigations.

**Operating income before amortisation, depreciation, non-recurring and restructuring costs (EBITDA)**, amounted to € 421.1 million in the first nine months of 2005, an increase of € 16.9 million or 4.2% compared to the same period in 2004. This positive trend in EBITDA, due to the actions aimed at improving the quality of sales and efficiency, also boosted the EBITDA margin, increased at 44.1% from 42.4% in the first nine months of 2004.

**Operating amortisation and depreciation** amounted to € 23.2 million in the first nine months of 2005 (€ 22.3 million in the same period of 2004) and include € 13.3 million for the amortisation of intangible assets with finite useful life and € 9.8 million for the depreciation of property, plant and equipment.

**Non-operating amortisation and write-downs** amounted to € 121.6 million in the first nine months of 2005 (€ 126.5 million in the same period of 2004) and refer to the *Customer Data Base*. In 2004, this item included € 4.9 million of goodwill write-downs.

**Non-recurring costs** amounted to € 8.9 million in the first nine months of 2005 (€ 31.5 million in the same period of 2004) and include € 6.4 million for stock options and € 1.7 million for expenses incurred by the Thomson group as part of the investigations into the level of competition on the British directories market undertaken by the *Office of Fair Trading* and by the *Competition Commission*. In 2004 this item included € 25 million of extraordinary provisions to the allowance for doubtful accounts.

**Restructuring costs (net)**, amounted to € 0.8 million in the first nine months of 2005 (€ 4.8 million in the same period of 2004). They are the balance of:

- *restructuring costs*, which amounted to € 2.2 million (€ 4.8 million in the first nine months of 2004), almost entirely incurred by the Parent Company for the reorganisation of the sales department;
- *reversal of provisions*, of € 1.4 million which refers to unused reserves for restructuring.

**Operating income** stood at € 266.7 million in the first nine months of 2005 (€ 219.1 million in the same period of 2004), up € 47.6 million compared to 2004, with a ratio to product sales and services of 27.9% (23.0% in the first nine months of 2004).

**Interest income**, amounted to € 17.1 million in the first nine months of 2005 (€ 4.6 million in the same period of 2004) and includes:

- € 15.1 million for *exchange rate income* (€ 1.1 million in the first nine months of 2004) mainly recognised on hedging instruments entered into to hedge euro/sterling exchange rate risks and partially offset by exchange rate expenses (€ 11.5 million in the first nine months of 2005);



- € 1.4 million for *interest receivable* arising from the use of short-term cash deposits with banks at rates essentially equivalent to euribor (€ 2.4 million in the first nine months of 2004). The fall compared to the corresponding period in 2004 reflects the reduction in the average amount of cash deposits.

**Interest expenses** amounted to € 215.0 million in the first nine months of 2005 (€ 168.6 million in the first nine months of 2004) and include:

- € 114.8 million for *interest expenses* on the "Senior Credit Agreement" loan between SEAT PAGINE GIALLE S.p.A. and The Royal Bank of Scotland Plc Milan Branch, which was refinanced on June 8, 2005.  
This amount includes *i)* € 10.2 million for net interest expenses on the two Interest Rate Swaps entered into to partially hedge interest rate risks and *ii)* € 10.5 million for the amortisation of the transaction costs incurred at the acquisition and refinancing dates;
- € 86.3 million for *interest expenses* on the "Subordinated" loan with Lighthouse International Company S.A., through which the latter made available to SEAT PAGINE GIALLE S.p.A. in 2004 the fund generated through a debenture loan of € 1,300 million, issued at the same date. This item also includes € 4.2 million for the amortisation of the transaction costs incurred at the acquisition date;
- € 2.5 million for *other financial expenses*, of which € 0.7 million for commitment fees for unused credit line facilities made available to SEAT PAGINE GIALLE S.p.A. by The Royal Bank of Scotland Plc Milan Branch by virtue of the loan agreement entered into and € 1.1 million for actuarial losses on non-current assets and liabilities, following the transition to IAS/IFRS;
- € 11.5 million for *exchange rate expenses* recognised on hedging instruments entered to hedge euro/sterling exchange rate risks and offset by exchange rate income, as described in the previous item.

**Income taxes** presented a negative balance of € 43.3 million (negative of € 28.8 million in the first nine months of 2004), and include € 9.9 million for current taxes and € 33.5 million for deferred taxes, of which € 49 million for deferred tax liabilities and € 15.5 million for deferred tax assets.

In accordance with IAS 34, income taxes for the period were accounted for by applying the actual average rates for the current fiscal year to the pre-tax result at September 30, 2005.

**Minority interests** in profits amounted to € 5.3 million (€ 5.2 million in the first nine months of 2004) and is mainly due to the Minority of the Telegate group.

**Net income for the period** was positive for € 25.0 million in the first nine months of 2005 (€ 20.1 million in the first nine months of 2004). Compared with the same period in the previous year it was impacted by:

- higher net financial expenses of € 33.9 million, arising primarily from an average net financial debt in the first nine months of 2005 higher than in the same period in the previous year, as a consequence of the loan drawn in April 2004 relating to the distribution of the special dividend;
- higher tax charges of € 14.5 million, since 2004 benefited from the positive tax effects, amounting to about € 18 million, arising from the disposal of the interests in Consodata S.A..

		→ <b>Eco-fin performance of the Group</b>	<b>11</b>
		Eco-fin performance of SEAT PAGINE GIALLE	26
		Events subsequent to September 30, 2005	30
		Outlook	31
		Related party transactions	32
		Eco-fin performance of the Business Areas	34
		Other information	49
		Effects of the transition to IAS/IFRS	50
	Highlights and general information	3	
	→ <b>Report on operations</b>	<b>11</b>	

## Reclassified Balance Sheet of the Group as at September 30, 2005

### Foreword

The financing agreement with The Royal Bank of Scotland Plc Milan Branch, amounting to € 2,530.1 million at September 30, 2005, required SEAT PAGINE GIALLE S.p.A. to issue the following main guarantees, that are standard for transactions of this type:

- a pledge on its main trademarks;
- a pledge on the shares of its major subsidiaries;
- a special privilege on SEAT PAGINE GIALLE S.p.A.'s tangible assets that have a net book value equivalent to or higher than € 25,000.

### Net Invested Capital

**Net invested capital** amounted to € 4,515.3 million at September 30, 2005, a decrease of € 152.8 million compared to December 31, 2005. It consists of the following items:

- **non-current assets** amounted to € 4,339.2 million at September 30, 2005 and decreased by € 117.0 million compared to December 31, 2004, mainly as a consequence of the *Customer Data Base* amortisation (€ 121.6 million in the first nine months of 2005). *Investments* for the period amounted to € 36.1 million (€ 25.7 million in the first nine months of 2004) and consist of the following

(euro/thousand)	3 <sup>rd</sup> quarter 2005	3 <sup>rd</sup> quarter 2004	Change	9 months 2005	9 months 2004	Change
Capital expenditure	10,730	6,876	3,854	27,328	16,314	11,014
Investments in goodwill and other non-operating investments	8,713	315	8,398	8,733	9,351	(618)
<b>Total investments</b>	<b>19,443</b>	<b>7,191</b>	<b>12,252</b>	<b>36,061</b>	<b>25,665</b>	<b>10,396</b>

- *Capital expenditure* amounted to € 27.3 million in the first nine months of 2005 (€ 16.3 million in the first nine months of 2004) and primarily relate to the development of software. About 40% of expenditure was made in the third quarter of 2005.
- *Investments in goodwill and other non-operating investments* (€ 8.7 million in the first nine months of 2005 and € 9.4 million in the same period in 2004) include € 6.3 million for the goodwill on consolidation arising from the purchase of the 51% interest in Cipi S.p.A;
- **operating non-current liabilities** amounted to € 73.3 million at September 30, 2005 (€ 71.3 million at December 31, 2004) and include, in particular, defined benefit pension plans for € 20.9 million (€ 21.8 million at December 31, 2004), reserve for severance indemnities for € 31.9 million (€ 30.7 million at December 31, 2004), and reserve for sales agents' termination indemnities for € 19.5 million (€ 17.9 million at December 31, 2004);
- **operating working capital** amounted to € 249.5 million at September 30, 2005 (€ 298.9 million at December 31, 2004). This item decreased by € 49.4 million, particularly due to:
  - a reduction in *trade receivables* of € 46.4 million, due to the positive effects of the credit management process adopted since the previous year as well as the seasonal nature of the business cycle within the Parent Company;
  - a decrease of € 53.0 million in *trade payables*, of which € 14.8 million in payables to sales agents;
  - an increase of € 73.1 million in *payables for services to be rendered*, as a consequence of the publication time schedule of directories;

- a decrease of € 4.1 million in *reserves for current risks and charges*, mainly due to the reserve for contractual risks utilised during the period;
- **non-operating working capital** was negative for € 6.0 million at September 30, 2005 (negative for € 12.0 million at December 31, 2004). The decrease is mainly due to the reserve for restructuring expenses utilised during the period.

## Net Equity

**Net equity** amounted to € 869.2 million at September 30, 2005 (€ 860.0 million at December 31, 2004), of which € 852.4 million attributable to the Parent Company (€ 850.2 million at December 31, 2004) and € 16.7 thousand attributable to Minority interests (€ 9.8 million at December 31, 2004). At September 30, 2005, net equity included the "Reserve for transition to IAS/IFRS" (€ 180.4 million), the "Reserve for hedging instruments" (negative for € 28.6 million) and the "Reserve for stock options" (€ 9.3 million).

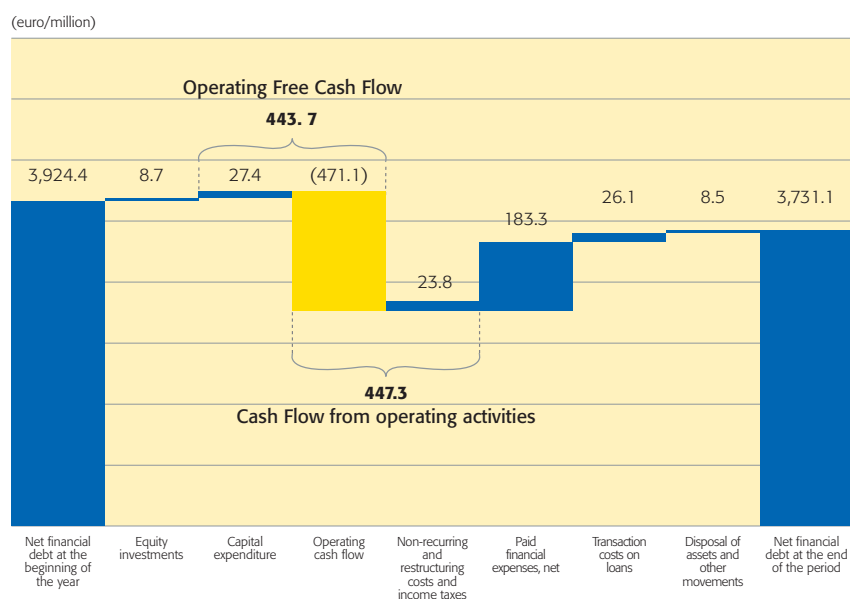
## Net Financial Debt

**Net financial debt** amounted to € 3,731.1 million at September 30, 2005 (€ 3,924.4 million at December 31, 2004) and decreased by € 193.3 million in the period thanks to the generated cash flow.

It differs from net financial debt - book value - described below in that it is reported "gross" of:

- *transaction costs* incurred for the acquisition and refinancing of the medium and long-term loans with The Royal Bank of Scotland Plc Milan Branch and Lighthouse International Company S.A, which amounted to € 127.7 million at September 30, 2005, net of accumulated amortisation;
- *net liabilities* arising from cash flow hedge instruments recognised at fair value in the balance sheet (€ 42.7 million at September 30, 2005).

The following chart summarises the main transactions that impacted net financial debt in the first nine months of 2005.



		→ <b>Eco-fin performance of the Group</b>	<b>11</b>
		Eco-fin performance of SEAT PAGINE GIALLE	26
		Events subsequent to September 30, 2005	30
		Outlook	31
		Related party transactions	32
		Eco-fin performance of the Business Areas	34
		Other information	49
		Effects of the transition to IAS/IFRS	50
	Highlights and general information	3	
	→ <b>Report on operations</b>	<b>11</b>	

**Net financial debt - book value** - amounted to € 3,646.1 million at September 30, 2005 (€ 3,808.1 million at December 31, 2004) and was made up as follows:

- **non-current financial debts** amounted to € 3,620.1 million at September 30, 2005 (€ 3,760.5 million at December 31, 2004) of which € 2,365.5 million for the long-term portion of the loan named "Term and Revolving Facilities Agreement" with The Royal Bank of Scotland Plc Milan Branch (net of not yet amortised transaction costs of € 79.1 million incurred for taking out and refinancing the loan). This loan was originally taken out in 2004 and refinanced during the first half of 2005.

As mentioned in the interim financial report as at June 30, 2005, on June 8, 2005, SEAT PAGINE GIALLE S.p.A., after repaying a € 84 million installment of principal originally due on December 2005, refinanced the outstanding debt at that date with The Royal Bank of Scotland Plc Milan Branch for a total amount of € 2,530.1 million, plus a revolving credit line facility drawn for € 40 million and entirely repaid in August.

This loan, which saw BNP Paribas in the role of Arranger and The Royal Bank of Scotland Plc Milan Branch as Lender, is now organised as follows:

- tranche A, € 1,930.1 million, repayable in accordance with the amortisation plan, with six-month instalments from June 2006 to June 2012, and bearing interest at a variable interest rate p.a. equal to euribor plus 1.91%;
- tranche B, € 600 million, repayable with a lump sum payment in June 2013 bearing a variable interest rate p.a. equal to euribor plus 2.41%;
- tranche C, € 90 million, aimed at covering any working capital needs of SEAT PAGINE GIALLE S.p.A. or its subsidiaries, in the form of a *revolving credit line facility*, available up to May 2012, bearing a variable interest rate p.a. equal to euribor plus 1.91%, if drawn. Unused amounts of this credit line are subject to commitment fees of 0.56% p.a. € 40 million of this line facility was used on June 8, 2005 in order to pay the transaction costs on the refinancing.

The above-mentioned refinancing agreement requires SEAT PAGINE GIALLE S.p.A. to observe specific *covenants*, which are checked on a quarterly basis. These covenants refer to the observance of specific ratios between: *i)* net debt and EBITDA; *ii)* EBITDA and interest on debt; *iii)* cash flow and debt service (including interest and quotas of principal payable in each period referred to). The result of the check carried out on these *covenants* at September 30, 2005 (the reference date of this report) was positive.

Refinancing costs (€ 25.9 million fees to banks and for legal costs) are recognised offsetting the total debt as at September 30, 2005 as well as transaction costs incurred at the inception, which were capitalised in 2004 and not yet amortised as at June 8, 2005. Amortisation for the first nine months of 2005 amounted to € 10.5 million.

Non-current financial debts also included the "*Financial debt due to Lighthouse International Company S.A.*" amounted to € 1,251.5 million at September 30, 2005. In accordance with IAS 32, this loan was accounted for in the balance sheet net of € 48.5 million for transaction costs not yet amortised at the end of the period. The amortisation for the period was € 4.2 million;

- **current financial debts** amounted to € 185.2 million at September 30, 2005 (€ 192.2 million at December 31, 2004) and include *i*) € 85.5 million for the short-term portion of the refinancing with The Royal Bank of Scotland Plc Milan Branch, due in June 2006, *ii*) € 52.9 million for accrued and not yet paid interest expenses, and *iii*) € 44.6 million for liabilities from hedging instruments, of which € 18 million for Interest Rate Swaps and € 26.1 million for Interest Rate Collars;
- **current financial assets** amounted to € 158.2 million at September 30, 2005 (€ 139.8 million at December 31, 2004) of which € 154.4 million of cash (€ 137.9 million at December 31, 2004) and € 1.5 million of assets arising from *Forward Rate Agreements (F.R.A.)* entered into to hedge interest rate risks.

The "Senior" debt with The Royal Bank of Scotland Plc Milan Branch features variable interest rates linked to euribor. In order to limit the exposure to interest rate risks, the following hedging agreements were entered into in the past with major international financial counterparties:

- a) two *Interest Rate Swaps*, through which the variable euribor rate was replaced by a fixed rate at approximately 3.26% to hedge the risk exposure of approximately 55% of the financial debt expected to be outstanding until December 2006 and approximately 25% of the financial debt expected to be outstanding until June 2007;
- b) three *Interest Rate Collars*, entered into in July 2004 to enhance the previous hedging instruments. In September 2005, one of these three Collars was restructured in order to improve the overall hedging profile of the variable rate senior loan. At the moment these agreements hedge about 77% of the senior loan expected to be outstanding up to 2009 (75% pre-restructuring) and 40% of the expected exposure in 2010 and 2011 (this exposure was not hedged prior to restructuring). The floating band of the variable six-month euribor has now been redefined with a maximum (in a range between 4.30 and 5.08%) and a minimum (in a range between 2.59 and 3.42%), an improvement of about 30 basis points compared with the pre-restructuring situation;
- c) *Forward Rate Agreements (F.R.A.)*, entered into in June, July and September 2005, through which an euribor rate of about 2.05% was fixed on a total amount of the "Senior" debt amounting to € 690 million for the interest period 28 December 2005 - 28 June 2006 and an euribor rate of about 2.17% was fixed on a total amount of the "Senior" debt amounting to € 350 million for the interest period 28 June 2006 - 28 December 2006.

As of January 1, 2005, the SEAT PAGINE GIALLE group adopted IAS 39. As a consequence, the above-mentioned hedging instruments were accounted for at their fair value and recognised as assets or liabilities in the balance sheet by entering a corresponding item in a specific reserve in net equity, net of the relevant tax impact, since they are cash flow hedging instruments.

		→ <b>Eco-fin performance of the Group</b>	<b>11</b>
		Eco-fin performance of SEAT PAGINE GIALLE	26
		Events subsequent to September 30, 2005	30
		Outlook	31
		Related party transactions	32
		Eco-fin performance of the Business Areas	34
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		Effects of the transition to IAS/IFRS	50
	Highlights and general information	3	
	→ <b>Report on operations</b>	<b>11</b>	

## Operating free cash flow

**Operating free cash flow** generated in the period amounted to € 443.7 million, a decrease of € 3.4 million compared to the operating free cash flow generated in the first nine months of 2004. The decrease was mainly due to capital expenditure € 11.0 million higher than in the same period in 2004, following the decision to upgrade the production capability of the Telegate group's call centers.

The positive trend of EBITDA (increased by € 16.9 million compared to the first nine months in 2004) offset only partially the reduction in working capital which, although satisfactory (€ 48.9 million), was less than that recorded in the first nine months of 2004 (€ 57.5 million).

The ratio of operating free cash flow to product sales and services (46.4% in the first nine months of 2005) was stable compared to the previous year (46.9%); this trend is not reflected in the ratio between operating free cash flow and EBITDA (105.4% in the first nine months of 2005 and 110.6% in the first nine months of 2004) due to the higher cash outflow for capital expenditure.

## Reclassified Statement of Operations of the Group

(euro/thousand)	3 <sup>rd</sup> quarter 2005	3 <sup>rd</sup> quarter 2004	Change	9 months 2005	9 months 2004	Change	Year 2004
<b>Product sales and services</b>	<b>400,216</b>	<b>392,824</b>	<b>7,392</b>	<b>956,011</b>	<b>953,230</b>	<b>2,781</b>	<b>1,405,748</b>
Cost of raw materials	(15,984)	(16,159)	175	(41,664)	(44,477)	2,813	(74,377)
Cost of external services (*)	(110,247)	(112,670)	2,423	(290,942)	(300,598)	9,656	(442,949)
Salaries, wages and employees benefits (*)	(52,786)	(51,156)	(1,630)	(157,871)	(153,115)	(4,756)	(206,593)
<b>Gross operating profit</b>	<b>221,199</b>	<b>212,839</b>	<b>8,360</b>	<b>465,534</b>	<b>455,040</b>	<b>10,494</b>	<b>681,829</b>
% on sales	55.3	54.2		48.7	47.7		48.5
Other valuation adjustments	(8,323)	(8,895)	572	(28,385)	(32,220)	3,835	(37,965)
Provisions to reserves for risks and charges, net	(4,176)	(3,667)	(509)	(13,180)	(17,488)	4,308	(26,688)
Other income (expenses), net	(1,016)	(382)	(634)	(2,835)	(1,130)	(1,705)	(2,794)
<b>Operating income before amortisation, depreciation, non-recurring and restructuring costs (EBITDA)</b>	<b>207,684</b>	<b>199,895</b>	<b>7,789</b>	<b>421,134</b>	<b>404,202</b>	<b>16,932</b>	<b>614,382</b>
% on sales	51.9	50.9		44.1	42.4		43.7
Operating amortisation and depreciation	(8,302)	(7,423)	(879)	(23,173)	(22,316)	(857)	(30,290)
Non-operating amortisation and write-downs	(40,517)	(42,167)	1,650	(121,550)	(126,493)	4,943	(168,754)
Non-recurring costs	(2,366)	(26,405)	24,039	(8,889)	(31,454)	22,565	(31,321)
Restructuring costs	(163)	(1,100)	937	(826)	(4,791)	3,965	(4,645)
<b>Operating income</b>	<b>156,336</b>	<b>122,800</b>	<b>33,536</b>	<b>266,696</b>	<b>219,148</b>	<b>47,548</b>	<b>379,372</b>
% on sales	39.1	31.3		27.9	23.0		27.0
Interest income	3,699	1,090	2,609	17,066	4,616	12,450	8,978
Interest expenses	(65,204)	(78,938)	13,734	(215,031)	(168,644)	(46,387)	(259,937)
Profit (losses) on investments accounted for at equity	-	(1,540)	1,540	16	(1,831)	1,847	(1,824)
Gains (losses) on disposal of equity investments	4,812	(2,905)	7,717	4,668	827	3,841	8,400
<b>Income before income taxes, discontinued operations and Minority interests</b>	<b>99,643</b>	<b>40,507</b>	<b>59,136</b>	<b>73,415</b>	<b>54,116</b>	<b>19,299</b>	<b>134,989</b>
Income taxes	(26,423)	(28,898)	2,475	(43,345)	(28,841)	(14,504)	(48,930)
Income from discontinued operations	175	-	175	175	-	175	-
<b>Income before Minority interests</b>	<b>73,395</b>	<b>11,609</b>	<b>61,786</b>	<b>30,245</b>	<b>25,275</b>	<b>4,970</b>	<b>86,059</b>
Minority interests	(1,895)	(1,798)	(97)	(5,279)	(5,167)	(112)	(6,129)
<b>Net income for the period</b>	<b>71,500</b>	<b>9,811</b>	<b>61,689</b>	<b>24,966</b>	<b>20,108</b>	<b>4,858</b>	<b>79,930</b>

(\*) Less repayments of costs.

## Reclassified Balance Sheet of the Group

(euro/thousand)	At 09.30.2005	At 12.31.2004	Change	At 09.30.2004
Goodwill and customer data base	4,197,699	4,307,825	(110,126)	4,354,996
Other non-current assets (*)	141,495	148,345	(6,850)	169,071
Non-operating non-current liabilities	(4,161)	(3,694)	(467)	(5,081)
Operating non-current liabilities	(73,266)	(71,260)	(2,006)	(72,633)
Operating working capital	249,538	298,912	(49,374)	288,549
- Operating current assets	738,660	776,198	(37,538)	770,737
- Operating current liabilities	(489,122)	(477,286)	(11,836)	(482,188)
Non-operating working capital	(6,005)	(12,029)	6,024	(79,676)
- Non-operating current assets	15,151	16,070	(919)	6,862
- Non-operating current liabilities	(21,156)	(28,099)	6,943	(86,538)
Discontinued operations	10,000	-	10,000	-
<b>Net invested capital</b>	<b>4,515,300</b>	<b>4,668,099</b>	<b>(152,799)</b>	<b>4,655,226</b>
Net equity of the Group	852,418	850,168	2,250	790,902
Minority interests	16,745	9,788	6,957	8,895
<b>Total net equity (A)</b>	<b>869,163</b>	<b>859,956</b>	<b>9,207</b>	<b>799,797</b>
<b>Net financial debt</b>	<b>3,731,080</b>	<b>3,924,424</b>	<b>(193,344)</b>	<b>3,976,341</b>
Transaction costs on loans	(127,663)	(116,281)	(11,382)	(120,912)
Cash flow hedge instruments	42,720	-	42,720	-
<b>Net financial debt - "book value" (B)</b>	<b>3,646,137</b>	<b>3,808,143</b>	<b>(162,006)</b>	<b>3,855,429</b>
of which:				
- Non-current financial debts	3,620,137	3,760,501	(140,364)	3,855,277
- Current financial debts	185,235	192,233	(6,998)	266,908
- Non-current financial assets	(1,057)	(4,767)	3,710	(4,577)
- Current financial assets, cash and cash equivalents	(158,178)	(139,824)	(18,354)	(262,179)
<b>Total (A+B)</b>	<b>4,515,300</b>	<b>4,668,099</b>	<b>(152,799)</b>	<b>4,655,226</b>

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



## Cash Flow Statement of the Group

(euro/thousand)	3 <sup>rd</sup> quarter 2005	3 <sup>rd</sup> quarter 2004	Change	9 months 2005	9 months 2004	Change
<b>Net cash inflow from operating activities</b>						
Income for the period	73,395	11,609	61,786	30,245	25,275	4,970
Amortisation and depreciation	48,819	49,590	(771)	144,723	148,809	(4,086)
Interest expenses, net	61,505	77,848	(16,343)	197,965	164,028	33,937
Stock options	2,534	1,350	1,184	6,378	1,620	4,758
Income taxes	26,423	28,898	(2,475)	43,345	28,841	14,504
(Gains) losses on disposal of non-current assets	223	2,307	(2,084)	293	(2,874)	3,167
(Write-up) write-down of assets	(4,739)	45	(4,784)	(4,740)	559	(5,299)
Change in working capital	(61,998)	(106,491)	44,493	33,465	(47,628)	81,093
Change in non-current liabilities	(373)	(532)	159	1,510	449	1,061
Exchange rate effects and other movements	2,741	5,186	(2,445)	(5,925)	31,271	(37,196)
<b>Net cash inflow from operating activities</b>	<b>(A) 148,530</b>	<b>69,810</b>	<b>78,720</b>	<b>447,259</b>	<b>350,350</b>	<b>96,909</b>
<b>Net cash outflow for investments</b>						
Investments on intangible assets with indefinite useful life	(8,695)	-	(8,695)	(8,695)	(8,994)	299
Investments on intangible assets with finite useful life	(5,582)	(4,110)	(1,472)	(13,795)	(10,001)	(3,794)
Investments on property, plant and equipment	(5,148)	(2,766)	(2,382)	(13,533)	(6,313)	(7,220)
Equity investments	-	(198)	198	-	(198)	198
Investments on assets available for sale	(13)	(110)	97	(13)	(110)	97
Investments on non-current assets	(5)	(7)	2	(25)	(49)	24
Proceeds from disposal of non-current assets	(9)	221	(230)	232	7,140	(6,908)
Changes in the scope of consolidation	(6,042)	-	(6,042)	(6,042)	-	(6,042)
<b>Net cash outflow for investments</b>	<b>(B) (25,494)</b>	<b>(6,970)</b>	<b>(18,524)</b>	<b>(41,871)</b>	<b>(18,525)</b>	<b>(23,346)</b>
<b>Net cash outflow for financing</b>						
Proceeds from medium-long term financial debts	-	(6)	6	28	4,050,004	(4,049,976)
Proceeds from revolving credit line facility	-	-	-	40,000	-	40,000
Repayment of medium-long term financial debts	(19)	-	(19)	(220,383)	(28,366)	(192,017)
Repayment of current financial debts	(40,000)	-	(40,000)	(40,000)	(528,375)	488,375
Payment of transaction costs on loans	(156)	(82)	(74)	(26,076)	(129,041)	102,965
Paid interest expenses, net	(53,437)	(72,741)	19,304	(180,344)	(143,382)	(36,962)
Change in current financial debts	36,051	70,346	(34,295)	33,403	110,485	(77,082)
Change in financial assets	(153)	(3,914)	3,761	(390)	(3,080)	2,690
Paid dividends	-	-	-	(158)	(3,578,373)	3,578,215
Exchange rate effects and changes in the scope of consolidation	5,035	(2,020)	7,055	5,035	3,896	1,139
<b>Net cash outflow for financing</b>	<b>(C) (52,679)</b>	<b>(8,417)</b>	<b>(44,262)</b>	<b>(388,885)</b>	<b>(246,232)</b>	<b>(142,653)</b>
<b>Increase in cash and cash equivalents in the period (A+B+C)</b>	<b>70,357</b>	<b>54,423</b>	<b>15,934</b>	<b>16,503</b>	<b>85,593</b>	<b>(69,090)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>84,023</b>	<b>205,872</b>	<b>(121,849)</b>	<b>137,877</b>	<b>174,702</b>	<b>(36,825)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>154,380</b>	<b>260,295</b>	<b>(105,915)</b>	<b>154,380</b>	<b>260,295</b>	<b>(105,915)</b>

## Operating Free Cash Flow of the Group

(euro/thousand)	3 <sup>rd</sup> quarter 2005	3 <sup>rd</sup> quarter 2004	Change	9 months 2005	9 months 2004	Change	Year 2004
Operating income before amortisation, depreciation, non-recurring and restructuring costs (EBITDA)	207,684	199,895	7,789	421,134	404,202	16,932	614,382
Decrease (increase) in operating working capital	(54,501)	(44,909)(*)	(9,592)	48,909	57,484 (*)	(8,575)	48,582 (*)
(Decrease) increase in operating non-current liabilities	(1,485)	84	(1,569)	971	1,905	(934)	532
Capital expenditure	(10,730)	(6,876)	(3,854)	(27,328)	(16,314)	(11,014)	(29,871)
(Gains) losses on disposal of non-current assets	(11)	49	(60)	56	(138)	194	(181)
<b>Operating Free Cash Flow</b>	<b>140,957</b>	<b>148,243</b>	<b>(7,286)</b>	<b>443,742</b>	<b>447,139</b>	<b>(3,397)</b>	<b>633,444</b>
<b>Operating Free Cash Flow - Italian GAAP</b>	<b>-</b>	<b>148,731 (**)</b>	<b>-</b>	<b>-</b>	<b>449,272 (**)</b>	<b>-</b>	<b>637,798 (**)</b>

(\*) € 25,000 thousand of non-recurring provision to the allowance for doubtful account was deducted from the "Decrease (increase) in operating working capital" item.

(\*\*) Previously reported figure.

## ➤ Economic and financial performance of SEAT PAGINE GIALLE S.p.A.

For more detailed information on the economic and financial performance of SEAT PAGINE GIALLE S.p.A., reference is made to the section "Economic and financial performance of the Business Areas - Italian Directories".

### Reclassified Statement of Operations of SEAT PAGINE GIALLE S.p.A.

(euro/thousand)	3 <sup>rd</sup> quarter 2005	3 <sup>rd</sup> quarter 2004	Change	9 months 2005	9 months 2004	Change	Year 2004
<b>Product sales and services</b>	<b>297,684</b>	<b>294,202</b>	<b>3,482</b>	<b>712,877</b>	<b>712,578</b>	<b>299</b>	<b>1,059,674</b>
Cost of raw materials	(12,409)	(12,902)	493	(33,983)	(37,278)	3,295	(61,912)
Cost of external services (*)	(81,116)	(80,097)	(1,019)	(215,079)	(216,807)	1,728	(327,228)
Salaries, wages and employees benefits (*)	(19,176)	(19,834)	658	(61,262)	(61,362)	100	(85,188)
<b>Gross operating profit</b>	<b>184,983</b>	<b>181,369</b>	<b>3,614</b>	<b>402,553</b>	<b>397,131</b>	<b>5,422</b>	<b>585,346</b>
<i>% on sales</i>	<i>62.1</i>	<i>61.6</i>		<i>56.5</i>	<i>55.7</i>		<i>55.2</i>
Other valuation adjustments	(5,650)	(6,403)	753	(21,608)	(25,050)	3,442	(28,511)
Provisions to reserves for risks and charges, net	(4,181)	(3,683)	(498)	(13,197)	(17,522)	4,325	(23,922)
Other income (expenses), net	(323)	(374)	51	(1,168)	(848)	(320)	(2,068)
<b>Operating income before amortisation, depreciation, non-recurring and restructuring costs (EBITDA)</b>	<b>174,829</b>	<b>170,909</b>	<b>3,920</b>	<b>366,580</b>	<b>353,711</b>	<b>12,869</b>	<b>530,845</b>
<i>% on sales</i>	<i>58.7</i>	<i>58.1</i>		<i>51.4</i>	<i>49.6</i>		<i>50.1</i>
Operating amortisation and depreciation	(4,872)	(4,308)	(564)	(14,023)	(12,589)	(1,434)	(17,335)
Non-operating amortisation	(40,517)	(40,517)		(121,550)	(121,550)		(162,067)
Non-recurring costs	(2,034)	(26,075)	24,041	(6,207)	(28,939)	22,732	(27,622)
Restructuring costs	(179)	(514)	335	(2,219)	(2,225)	6	(2,769)
<b>Operating income</b>	<b>127,227</b>	<b>99,495</b>	<b>27,732</b>	<b>222,581</b>	<b>188,408</b>	<b>34,173</b>	<b>321,052</b>
<i>% on sales</i>	<i>42.7</i>	<i>33.8</i>		<i>31.2</i>	<i>26.4</i>		<i>30.3</i>
Interest income	6,032	4,060	1,972	29,600	13,565	16,035	21,571
Interest expenses	(65,760)	(75,493)	9,733	(215,883)	(157,023)	(58,860)	(238,401)
Write-up (write-down) of equity investments	448	(8,403)	8,851	448	(21,957)	22,405	(31,484)
Gains (losses) on disposal of equity investments	1,892	(281)	2,173	1,756	(2,153)	3,909	4,541
<b>Income before income taxes</b>	<b>69,839</b>	<b>19,378</b>	<b>50,461</b>	<b>38,502</b>	<b>20,840</b>	<b>17,662</b>	<b>77,279</b>
Income taxes	(18,855)	(24,383)	5,528	(33,645)	(25,438)	(8,207)	(43,963)
<b>Net income (loss) for the period</b>	<b>50,984</b>	<b>(5,005)</b>	<b>55,989</b>	<b>4,857</b>	<b>(4,598)</b>	<b>9,455</b>	<b>33,316</b>

(\*) Less repayments of costs.

## Reclassified Balance Sheet of SEAT PAGINE GIALLE S.p.A.

(euro/thousand)	At 09.30.2005	At 12.31.2004	Change	At 09.30.2004
Goodwill and customer data base	3,808,417	3,929,966	(121,549)	3,970,483
Other non-current assets (*)	439,061	357,237	81,824	383,477
Operating non-current liabilities	(48,189)	(46,578)	(1,611)	(47,324)
Operating working capital	270,794	303,965	(33,171)	299,168
- Operating current assets	663,973	698,068	(34,095)	699,329
- Operating current liabilities	(393,179)	(394,103)	924	(400,161)
Non-operating working capital	(2,871)	(3,098)	227	(73,538)
- Non-operating current assets	8,876	16,755	(7,879)	7,134
- Non-operating current liabilities	(11,747)	(19,853)	8,106	(80,672)
Assets held for sale	10,000	-	10,000	-
<b>Net invested capital</b>	<b>4,477,212</b>	<b>4,541,492</b>	<b>(64,280)</b>	<b>4,532,266</b>
<b>Total net equity</b>	<b>(A) 878,757</b>	<b>899,643</b>	<b>(20,886)</b>	<b>860,603</b>
<b>Net financial debt</b>	<b>3,683,398</b>	<b>3,758,130</b>	<b>(74,732)</b>	<b>3,792,575</b>
Transaction costs on loans	(127,663)	(116,281)	(11,382)	(120,912)
Cash flow hedge instruments	42,720	-	42,720	-
<b>Net financial debt - "book value"</b>	<b>(B) 3,598,455</b>	<b>3,641,849</b>	<b>(43,394)</b>	<b>3,671,663</b>
of which:				
- Non-current financial debts	3,616,937	3,760,403	(143,466)	3,750,290
- Current financial debts	228,284	232,525	(4,241)	283,623
- Non-current financial assets	(111,035)	(172,132)	61,097	(4,577)
- Current financial assets, cash and cash equivalents	(135,731)	(178,947)	43,216	(357,673)
<b>Total</b>	<b>(A+B) 4,477,212</b>	<b>4,541,492</b>	<b>(64,280)</b>	<b>4,532,266</b>

(\*) The item includes the "financial assets available for sale".

## Cash Flow Statement of SEAT PAGINE GIALLE S.p.A.

(euro/thousand)	3 <sup>rd</sup> quarter 2005	3 <sup>rd</sup> quarter 2004	Change	9 months 2005	9 months 2004	Change
<b>Net cash inflow from operating activities</b>						
Income (loss) for the period	50,984	(5,005)	55,989	4,857	(4,598)	9,455
Amortisation and depreciation	45,389	44,825	564	135,573	134,139	1,434
Interest expenses, net	59,695	71,426	(11,731)	186,283	143,474	42,809
Stock options	2,151	1,080	1,071	5,378	1,350	4,028
Income taxes	18,855	24,383	(5,528)	33,645	25,438	8,207
(Gains) losses on disposal of non-current assets	94	277	(183)	294	2,128	(1,834)
(Write-up) write-down of assets	(2,107)	8,533	(10,640)	(2,107)	21,007	(23,114)
Change in working capital	(55,282)	(106,264)	50,982	27,466	(38,329)	65,795
Change in non-current liabilities	(215)	1,408	(1,623)	1,611	3,365	(1,754)
<b>Net cash inflow from operating activities (A)</b>	<b>119,564</b>	<b>40,663</b>	<b>78,901</b>	<b>393,000</b>	<b>287,974</b>	<b>105,026</b>
<b>Net cash outflow for investments</b>						
Investments on intangible assets	(4,934)	(3,433)	(1,501)	(9,910)	(7,588)	(2,322)
Investments on property, plant and equipment	(2,930)	(733)	(2,197)	(4,372)	(2,403)	(1,969)
Equity investments	(8,175)	(898)	(7,277)	(8,175)	(40,178)	32,003
Investments on assets held for sale	(8,000)	-	(8,000)	(8,000)	-	(8,000)
Investments on non-current assets	(3)	(6)	3	(19)	(23)	4
Proceeds from disposal of non-current assets	16,490	(242)	16,732	16,638	(1,736)	18,374
<b>Net cash outflow for investments (B)</b>	<b>(7,552)</b>	<b>(5,312)</b>	<b>(2,240)</b>	<b>(13,838)</b>	<b>(51,928)</b>	<b>38,090</b>
<b>Net cash inflow (outflow) from financing</b>						
Proceeds from medium-long term financial debts	-	-	-	-	4,050,000	(4,050,000)
Proceeds from revolving credit line facility	-	-	-	40,000	-	40,000
Repayment of medium-long term financial debts	-	-	-	(220,364)	(28,366)	(191,998)
Repayment of current financial debts	(40,000)	-	(40,000)	(40,000)	(528,375)	488,375
Payment of transaction costs on loans	(156)	(82)	(74)	(26,076)	(129,041)	102,965
Paid interest expenses, net	(49,907)	(66,537)	16,630	(174,588)	(123,046)	(51,542)
Change in current financial debts	26,595	73,005	(46,410)	36,873	129,873	(93,000)
Change in current financial assets	14,711	5,274	9,437	4,980	67,627	(62,647)
Change in non-current financial assets	(4,010)	(3,808)	(202)	(4,061)	(3,880)	(181)
Paid dividends	-	-	-	-	(3,578,238)	3,578,238
<b>Net cash inflow (outflow) from financing (C)</b>	<b>(52,767)</b>	<b>7,852</b>	<b>(60,619)</b>	<b>(383,236)</b>	<b>(143,446)</b>	<b>(239,790)</b>
<b>Increase in cash and cash equivalents in the period (A+B+C)</b>	<b>59,245</b>	<b>43,203</b>	<b>16,042</b>	<b>(4,074)</b>	<b>92,600</b>	<b>(96,674)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>44,540</b>	<b>179,637</b>	<b>(135,097)</b>	<b>107,859</b>	<b>130,240</b>	<b>(22,381)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>103,785</b>	<b>222,840</b>	<b>(119,055)</b>	<b>103,785</b>	<b>222,840</b>	<b>(119,055)</b>

## Operating Free Cash Flow of SEAT PAGINE GIALLE S.p.A.

(euro/thousand)	3 <sup>rd</sup> quarter 2005	3 <sup>rd</sup> quarter 2004	Change	9 months 2005	9 months 2004	Change	Year 2004
Operating income before amortisation, depreciation, non-recurring and restructuring costs (EBITDA)	174,829	170,909	3,920	366,580	353,711	12,869	530,845
Decrease (increase) in operating working capital	(51,620)	(42,813)(*)	(8,807)	33,171	43,926 (*)	(10,755)	39,129 (*)
(Decrease) increase in operating non-current liabilities	(215)	1,409	(1,624)	1,611	3,365	(1,754)	2,619
Capital expenditure	(7,864)	(4,166)	(3,698)	(14,282)	(9,991)	(4,291)	(20,574)
(Gains) losses on disposal of non-current assets	(14)	(4)	(10)	50	(25)	75	(26)
<b>Operating Free Cash Flow</b>	<b>115,116</b>	<b>125,335</b>	<b>(10,219)</b>	<b>387,130</b>	<b>390,986</b>	<b>(3,856)</b>	<b>551,993</b>
<b>Operating Free Cash Flow - Italian GAAP</b>	<b>-</b>	<b>124,951</b>	<b>-</b>	<b>-</b>	<b>389,535 (**)</b>	<b>-</b>	<b>553,955 (**)</b>

(\*) € 25,000 thousand of non-recurring provision to the allowance for doubtful account was deducted from the "Decrease (increase) in operating working capital" item.

(\*\*) Previously reported figure.

## ➤ Events subsequent to September 30, 2005

### Pubblibaby S.p.A.

On October 4, 2005, SEAT PAGINE GIALLE S.p.A. sold its 100% interest in Pubblibaby S.p.A. to Sfera Editore S.p.A., a company belonging to RCS Mediagroup which publishes magazines and sells advertising spaces. This disposal took place on the basis of agreements signed in July 2005 with the RCS Group, once the competent Antitrust Authority had given its approval.

### 1818 Auskunft A.G.

With effect as of October 1, 2005, Telegate A.G. acquired the 100% interest in 1818 Auskunft A.G., a company operating in the Swiss Directory Assistance market, with registered office in Zurich and share capital of 200,000 Swiss Francs.

### Early repayment of a portion of Senior debt

In October 2005, SEAT PAGINE GIALLE S.p.A. made an early repayment of € 10 million on tranche B of the "Senior" loan with The Royal Bank of Scotland Plc Milan Branch, which bears interest at euribor rates plus 2.415%, by using the cash generated during the period. This voluntary repayment falls within the scope of the contractual options available to the Company relating the use of cash-flow exceeding operating needs.

### Launch of the new 12.40 Pronto PAGINEBIANCHE service

Following the liberalisation of the subscriber information service with the 12 and 412 codes, the SEAT PAGINE GIALLE group decided to launch 12.40 Pronto PAGINEBIANCHE as its own number. By exploiting the strong position of the PAGINEBIANCHE brand, the aim of SEAT PAGINE GIALLE S.p.A. is to present itself as a prime operator in terms of quality of the provided service and of exhaustiveness of the database.

	Eco-fin performance of the Group	11
	Eco-fin performance of SEAT PAGINE GIALLE	26
	→ <b>Events subsequent to September 30, 2005</b>	<b>30</b>
	→ <b>Outlook</b>	<b>31</b>
	Related party transactions	32
	Eco-fin performance of the Business Areas	34
	Other information	49
	Effects of the transition to IAS/IFRS	50
Highlights and general information	3	
→ <b>Report on operations</b>	<b>11</b>	

## ➤ Outlook

The trend seen in the first months of 2005 is expected to continue into the fourth quarter, especially in Italy. The last quarter will also see the launch of the new directory assistance services in Italy and France.

Even though in Italy GDP growth is estimated at 0.7% in the third quarter, the Italian economy does not seem to be on a path of a recovery which can have a positive and noticeable influence to restore consumers' propensity to consume and SMEs and small retailers confidence.

In this scenario, SEAT PAGINE GIALLE S.p.A. will continue to enhance its products and the quality of the services provided to users and advertisers on the one hand, and on improving the quality and profitability of its sales, on the other. The focus on improving sales quality, mainly for medium and large customers, will continue to affect current performances of printed PAGINEGIALLE directories, in particular in larger cities, whose directories will be published in the fourth quarter (especially Rome and Naples).

The trend of other product lines is expected to be positive. In particular, these positive performances are expected for some printed products, targeted to B2B customers, whose restyling carried out in 2004 was aimed at reversing the significant decline in revenues seen in the past few years.

Finally, the fourth quarter will see the launch of the new directory assistance services in Italy and France, following the liberalisation of these two markets. The fact that these events will take place in the fourth quarter, thus later than initially announced by the Authorities, will lead to negative results in the fourth quarter for the Group, as a consequence of still limited revenues and significant costs, due to advertising campaigns to launch the new services.

Taking the above trends into account, EBIDTA is expected to grow in 2005 in line with the announced target, as well as the net result for the full year is confirmed to be positive both at separate and consolidated level.



## ➤ Related party transaction

In compliance with CONSOB resolutions No. DAC/RM 97001574 dated February 20, 1997 and No. DAC/RM 98015375 dated February 27, 1998, on related party transactions, the table below sets out the economic and financial effects on these transactions on the balance sheet and the statement of operations as at and for the nine-month period ended September 30, 2005 of SEAT PAGINE GIALLE S.p.A. and of the SEAT PAGINE GIALLE group.

The economic and financial effects arising from intra-group transactions, i.e. among consolidated companies, were eliminated in the financial statements of the Group.

All transactions that the Group's companies entered into with related parties, including intra-group transactions among consolidated companies, take part to ordinary operations and are regulated at market conditions or in accordance with specific law provisions. There were no atypical and/or unusual transactions or transactions that may represent a conflict of interest.

## Main economic and financial items of the Group

(euro/thousand)	From/to subsidiaries and associates	Notes
Interest expenses	86,279	they refer to interest expenses on the long-term "Subordinated" loan with Lighthouse International Company S.A.
Other current assets	150	they refer to non-operating receivables from Pubblibaby S.p.A.
Non-current financial debts	1,251,484	they refer to € 1,300 million for the long-term "Subordinated" loan with Lighthouse International Company S.A., net of € 48.5 million for transaction costs incurred at the inception of the loan and not yet amortised at September 30, 2005.
Current financial debts	44,140	they refer to € 43.4 million for financial debts to Lighthouse International Company S.A. arising from interest expenses.
Payables for services to be rendered and other current liabilities	120	they represent the liabilities to Pubblibaby S.p.A. which sold its tax position to SEAT PAGINE GIALLE S.p.A. having had jointed the Group taxation agreement for Italian subsidiaries last year.

## Main economic and financial items of SEAT PAGINE GIALLE S.p.A.

(euro/thousand)	From/to subsidiaries and associates	Notes
Product sales and services	29,096	they refer to € 22.5 million for rebates from Telegate Italia S.r.l. on 89.24.24 calls and to € 6.5 million for royalties from Eurédit S.A. on Europages directory.
Other income and revenues	368	they refer to € 0.2 million for rental revenues from Prontoseat S.r.l.
Cost of external services	18,199	It refers to call center costs incurred by SEAT PAGINE GIALLE S.p.A. towards Telegate Italia S.r.l. (€ 7.2 million) and Prontoseat S.r.l. (€ 3.8 million). This item also includes € 5.9 million for direct marketing services provided by Consodata S.p.A.
Interest income	13,334	it refers to <i>i</i> ) € 8.9 million for interest income on long-term loans with TDL Infomedia Ltd., <i>ii</i> ) € 2.1 million for interest income on short-term loans and cash deposits to subsidiaries (of which € 1.4 million from TDL Infomedia Ltd. and € 0.6 million from Telegate GmbH), <i>iii</i> ) € 2.3 million for dividends from Eurédit S.A.
Interest expenses	87,459	they refer to € 86.3 million for interest expenses on the long-term "Subordinated" loan with Lighthouse International Company S.A. and to € 1.2 million for interest expenses on cash deposits (of which € 0.9 million to Telegate A.G. and € 0.3 million to Consodata Group Ltd.).
Income taxes	812	they represent the net amount recognised to the Italian subsidiaries which had agreed to joint the Group taxation agreement last year.
Non-current financial assets	109,979	they refer to long-term loans in UK pounds to TDL Infomedia Ltd.
Current financial assets	28,160	they refer to short-term loans and cash deposits to Telegate Holding GmbH (€ 26.2 million), TDL Infomedia Ltd. (€ 1.4 million) and Prontoseat S.r.l. (€ 0.6 million).
Trade account receivables	14,368	they refer to € 9.0 million for trade account receivables from Telegate Italia S.r.l. and to € 4.8 million from Eurédit S.A. arising from royalties that have not been paid yet.
Other current assets	5,240	they mainly refer to receivables from Cipi S.p.A., of which € 4.2 million for advances.
Non-current financial debts	1,251,484	they refer to € 1,300 million for the long-term "Subordinated" loan with Lighthouse International Company S.A., net of € 48.5 million for transaction costs incurred to take out the loan and not yet amortised at September 30, 2005.
Current financial debts	88,056	they refer to € 42 million for cash deposits from Telegate A.G., to € 43.4 million for financial debt to Lighthouse International Company S.A. for interest expenses, to € 1.8 million for cash deposits from Consodata S.p.A. and to € 0.7 million from Pubbibaby S.p.A.
Trade account payables	19,801	they refer to trade account payables to Eurédit S.A. (€ 14.3 million), to Telegate Italia S.r.l. (€ 4.3 million) and to Consodata S.p.A. (€ 0.1 million).
Payables for services to be rendered and other current liabilities	744	they represent the liabilities to the Italian subsidiaries which sold their tax position to SEAT PAGINE GIALLE S.p.A. having had jointed the Group taxation at on agreement last year.

## ➤ Economic and financial performance of the Business Areas

(euro/million)		Italian Directories	UK Directories	Directory Assistance (*)	Other Activities (*)	Aggregate Total	Elimination	Consolidated Total
Product sales and services	3 <sup>rd</sup> quarter 2005	297.7	45.2	38.5	31.3	412.7	(12.5)	400.2
	3 <sup>rd</sup> quarter 2004	294.2	41.2	37.5	31.0	403.9	(11.1)	392.8
	9 months 2005	712.9	108.5	112.3	47.0	980.7	(24.7)	956.0
	9 months 2004	712.6	104.7	112.2	45.8	975.3	(22.1)	953.2
	Year 2004	1,059.7	170.0	150.0	55.5	1,435.2	(29.5)	1,405.7
Gross operating profit	3 <sup>rd</sup> quarter 2005	185.0	12.1	11.2	12.8	221.1	0.1	221.2
	3 <sup>rd</sup> quarter 2004	181.4	8.1	11.8	11.4	212.7	0.1	212.8
	9 months 2005	402.5	17.7	34.5	10.5	465.2	0.3	465.5
	9 months 2004	397.1	16.9	31.8	9.1	454.9	0.1	455.0
	Year 2004	585.3	45.3	42.1	9.0	681.7	0.1	681.8
Operating income before amortisation, depreciation, non-recurring and restructuring costs (EBITDA)	3 <sup>rd</sup> quarter 2005	174.8	10.3	9.9	12.7	207.7	-	207.7
	3 <sup>rd</sup> quarter 2004	170.9	6.6	10.8	11.5	199.8	0.1	199.9
	9 months 2005	366.6	13.2	31.2	10.2	421.2	(0.1)	421.1
	9 months 2004	353.7	12.8	28.7	8.9	404.1	0.1	404.2
	Year 2004	530.8	39.6	36.0	7.9	614.3	0.1	614.4
Net invested capital	September 30, 2005	4,477.2	205.2	79.1	25.7	4,787.2	(271.9)	4,515.3
	September 30, 2004	4,532.3	203.9	74.6	22.1	4,832.9	(177.7)	4,655.2
	December 31, 2004	4,541.5	214.5	76.2	8.2	4,840.4	(172.3)	4,668.1
Personnel at: (units)	September 30, 2005	1,374	1,077	2,807	440	5,698	-	5,698
	September 30, 2004	1,422	998	2,347	215	4,982	-	4,982
	December 31, 2004	1,341	1,020	2,374	212	4,947	-	4,947
Sales agents at: (units)	September 30, 2005	1,845	-	-	-	1,845	-	1,845
	September 30, 2004	1,973	-	-	-	1,973	-	1,973
	December 31, 2004	1,920	-	-	-	1,920	-	1,920

(\*) Prontoseat S.r.l. figures for the nine-month period ended September 30, 2004 are included in the "Directory Assistance" Business Area instead of "Other Activities" Business Area in order to make them consistent with the financial data for the nine-month period ended September 30, 2005, which include Prontoseat S.r.l. figures in the "Directory Assistance" Business Area.

Main operational data of the Group	9 months 2005	9 months 2004	Year 2004
<b>Published directories</b>			
PAGINEBIANCHE®	69	69	103
PAGINEGIALLE®	134	134	202
ThomsonLocal	112	113	173
<b>Distributed directories (values in million)</b>			
PAGINEBIANCHE®	16.8	16.9	26.2
PAGINEGIALLE®	13.8	14.1	21.7
ThomsonLocal	14.7	16.8	23.8
<b>Number of page views (values in million)</b>			
<i>Thirty-minute accesses to website with no interruption</i>			
PAGINEBIANCHE.it®	116.5	88.8	121.8
PAGINEGIALLE.it®	56.2	52.9	70.1
Europages.com	16.9	12.8	17.4
<b>Number of calls (values in million)</b>			
11880	78.5	85.2	120.6
89.24.24 Pronto PAGINEGIALLE®	14.2	12.5	16.9
<b>Average value for call (values in euro)</b>			
11880	1.54	1.45	1.45
89.24.24 Pronto PAGINEGIALLE®	1.60	1.31	1.35
<b>Number of users (values in million)</b>			
PAGINEBIANCHE® page views <sup>(1)</sup>	n.d.	n.d.	24.7
PAGINEGIALLE® page views <sup>(1)</sup>	n.d.	n.d.	20.8
PAGINEGIALLE.it® unique users	3.1	2.8	2.5
Callers at 89.24.24 Pronto PAGINEGIALLE®	4.1	3.5	4.4

(1) Sinottica Eurisko Data - number of users during the twelve-month period prior to interview (people among 14 - 74 years).

## → Italian Directories

### Structure of the Business Area

SEAT PAGINE GIALLE S.p.A. operates in the telephone directory market and, more generally, in promotional and advertising communications services for small, medium-sized and large enterprises in Italy, where it is one of the main market players.

#### MAIN COMPANIES

SEAT PAGINE GIALLE S.p.A.

### Economic and financial performance

The table below sets out the highlights for the third quarter 2005 and the first nine months of 2005, compared to those for the same periods of the prior year.

(euro/million)	3 <sup>rd</sup> quarter	3 <sup>rd</sup> quarter	Change		9 months	9 months	Change	
	2005	2004	Absolute	%	2005	2004	Absolute	%
Product sales and services	297.7	294.2	3.5	1.2	712.9	712.6	0.3	0.04
Gross operating profit	185.0	181.4	3.6	2.0	402.5	397.1	5.4	1.4
Operating income before amortisation, depreciation, non-recurring and restructuring costs (EBITDA)	174.8	170.9	3.9	2.3	366.6	353.7	12.9	3.6
Net invested capital					4,477.2	4,532.3	(55.1)	(1.2)
Personnel at the end of the period					1,374	1,422	(48)	(3.4)

Product sales and services of SEAT PAGINE GIALLE S.p.A. reached € 297.7 million in the third quarter of 2005, up 1.2% compared to the same period of last year (€ 294.2 million). In particular, printed products marginally decreased (0.4%), an improvement over the first six months of the year, which had recorded a fall of 4%. The third quarter, in fact, benefited from publication of the new printed products and from the results of the medium-sized cities, where the unfavourable consequences of the sales policy adopted by the Company in the last three years are less extensive than in the large ones. More specifically, revenues from printed directories decreased by 1.9%, due to a performance substantially in line with the previous year for PAGINEBIANCHE®, and to the downturn in PAGINEGIALLE®. In fact, this latter product most felt the effects of the unfavourable economic environment and of the actions aimed at increasing the quality of sales for medium/large clients. With regard to other printed products, mention should be made of € 3.8 million of revenues relating to the publication of the new local products InZona and Idee InVacanza. These new media, targeted at the large cities and tourist areas respectively, performed well in their first year of life. The quarterly results also confirmed the solidity of SEAT PAGINE GIALLE S.p.A.'s multi-platform offer: online (PAGINEGIALLE.it® at € 23.0 million, up 12.5%) and voice products (Pronto PAGINE GIALLE® at € 15.7 million, up 8.0%, mainly thanks to the strong growth of traffic revenues +23.3%) reported significant growth rates. The growth rate of the latter products was lower than the one reported in the first half of 2005 reflecting the different time schedule of the sales campaigns compared to last year.



	Eco-fin performance of the Group	11
	Eco-fin performance of SEAT PAGINE GIALLE	26
	Events subsequent to September 30, 2005	30
	Outlook	31
	Related party transactions	32
	→ <b>Eco-fin performance of the Business Areas</b>	<b>34</b>
	Other information	49
	Effects of the transition to IAS/IFRS	50
→ Highlights and general information	3	
→ <b>Report on operations</b>	<b>11</b>	

Industrial costs amounted to € 37.3 million in the third quarter of 2005 and remained essentially stable compared to the same period in the previous year (€ 37.2 million). They reflect the positive effect on printing and paper costs of the increase in revenues per page of printed products. This effect offset the increase in the costs for call-center services due to the growth in the call volume of 89.24.24 Pronto PAGINEGIALLE®.

The cost of labor, net of repayments of costs for seconded personnel, amounted to € 19.2 million in the third quarter of 2005, a slight reduction compared to the third quarter of 2004 (€ 19.8 million).

Gross operating profit improved from € 181.4 million in the third quarter of 2004 to € 185.0 million in the third quarter of 2005, with a 62.1% ratio to product sales and services (61.6% in the third quarter of 2004).

EBITDA reached € 174.8 million in the third quarter of 2005, with a 2.3% increase compared to the third quarter of 2004 and a ratio to product sales and services increased to 58.7% (58.1% in the third quarter of 2004).

\* \* \*

In the first nine months of 2005 product sales and services for SEAT PAGINE GIALLE S.p.A. were broadly flat at € 712.9 million (€ 712.6 million in the same period of the previous year) despite the unfavourable economic scenario and an increased level of selectivity in the adopted sales policy. In fact, this performance was affected by the fall in consumption and low level of confidence among consumers/businesses, which influenced the spending decisions of advertisers. This trend, which in itself was negative, was also affected by the Company's initiatives focused on recouping adequate levels of profitability in its relationship with some customer segments. Such initiatives were targeted at revising previous policies which are no longer sustainable particularly as regards low selectivity in terms of customer creditworthiness and the excessive use of a sales approach based on discounts and promotions. These initiatives had a negative impact on the performances of some customer segments of medium/high spending on printed PAGINEGIALLE directories in the large cities. Having maintained its revenues broadly flat in this scenario, SEAT PAGINE GIALLE S.p.A., confirmed the effectiveness and soundness of its offering, which enabled it to satisfy the communication needs of SMEs thanks to a wide range of high-quality services. The temporary decline in PAGINEGIALLE revenues, in fact, was offset by the excellent performance of the most innovative products (online and voice services) and the launch of new printed products, which are targeted at satisfying usage and communication needs in a complementary way compared to the rest of the offer.

A more detailed analysis of the main products of wide multi-platform offering shows that:

- *Print*: revenues from printed products at € 577.7 million in the first nine months of 2005 fell by 2.5% compared to the same period of the previous year (€ 592.4 million). This rate of decline decreased in the third quarter of 2005 compared to the first six months, thanks to the improved performance of directories and the contribution of the new printed products only just launched. The strategy aimed at improving the quality of revenues had mostly impacted the larger cities (Turin, Milan, Florence). The mid-size cities, in fact, achieved a better performance, as showed by the improved trend in the third quarter. The two main products, PAGINEGIALLE® and PAGINEBIANCHE®, performed differently.



The first product showed a drop in turnover following the decision by some medium-large customers, who in the past had been subject to "forced sales", to reduce their spending. However, it should be pointed out that difficulties were concentrated in a small number of customers: most of the customers, in fact, including the large ones, increased their spending confirming that the difficulties of PAGINEGIALLE® are attributable more to the economic scenario than to problems related to the product.

Revenues from PAGINEBIANCHE®, on the other hand, were substantially stable at € 283.2 million compared to € 284.7 million in 2004; -0.5%). This result was also achieved by developing the product and offering combined visibility to advertisers on both the printed and online editions (PAGINE BIANCHE.it, whose page views increased by 31.2% to € 116.5 million). It should be noted that, starting from the Genoa 2006 directory edition, this product will be printed in full colors, which represents the major innovation. The sales campaign for this directory started last June.

Revenues from the new products InZona and Idee InVacanza amounted to € 4.3 million in the nine months of 2005. These new products can be considered an important innovation designed to meet local communication needs in large cities and tourist areas not fully served by the range of existing products.

- *Online*: revenues from online product amounted to € 65.1 million in the first nine months of 2005, a 14.2% increase compared to the same period in the previous year. They mainly refer to revenues from PAGINEGIALLE.it®, at € 61.6 million in the first nine months of 2005, a +14.5% increase compared to € 53.8 million in the same period in 2004. This performance shows a more and more increased value perception of this media following the increased number of consultations and provided services. The offering was further enhanced in these last nine months by introducing new facilities such as proximity search, virtual tours and voice on IP service.
- *Voice*: the 89.24.24 Pronto PAGINEGIALLE® service continued to grow. Its revenues increased by 18.2% to € 42.8 million in the first nine months of 2005. Against a slight increase in advertising revenues (+1.9%), growth was sustained particularly by traffic revenues (+38.6%), as a consequence of the excellent performance in call numbers (+7.0% to 12.8 million) and the increased average-call handling time, due to the increasing wealth and depth of the service's content. The rates of growth in advertising were lower than the previous year due primarily to the different method used for planning sales campaigns.
- *Other products*: revenues from "other activities" (Direct Marketing and merchandising) were stable at € 17.2 million in 2005 compared to € 18.0 million in 2004.

Industrial costs amounted to € 101.0 million, with a reduction of 2.4%. In particular consumption of raw materials decreased by € 2.7 million or 8.9% and production costs of printed directories decreased by € 1.3 million or 3.6%. This performance can be attributed primarily to a 4.5% reduction of signature marks, due to a better yield per page following initiatives taken to restore sales profitability. On the contrary the costs for the 89.24.24 Pronto PAGINEGIALLE® call centers rose to € 11.3 million (€ 8.7 million in the first nine months of

	Eco-fin performance of the Group	11
	Eco-fin performance of SEAT PAGINE GIALLE	26
	Events subsequent to September 30, 2005	30
	Outlook	31
	Related party transactions	32
	→ <b>Eco-fin performance of the Business Areas</b>	<b>34</b>
	Other information	49
	Effects of the transition to IAS/IFRS	50
Highlights and general information	3	
→ <b>Report on operations</b>	<b>11</b>	

2004) due to the sharp increase in call numbers and call average handling time (+17.1%). Sales commission decreased by 7.7% to € 78.5 million in the first nine months of 2005 compared to the same period in the previous year, due to the reversal of sales commission accrued in previous years but no longer due and the different revenues mix. Advertising and promotion expenditure increased by +27.7% to € 18.7 million, spurred mainly by the new PAGINEGIALLE® television campaign.

The cost of labor, net of repayments of costs for seconded personnel, amounted to € 61.3 million in the first nine months of 2005 in line with the same period of the previous year (€ 61.4 million). The reduction in the average number of employees (-75 units) allowed the Company to mitigate the effects of the increase in the average per-capita cost due to more qualified personnel mix and the renewal of the National Collective Labor Contract.

Gross operating profit reached € 402.5 million, an increase of € 5.4 million compared to the same period in 2004, in spite of higher advertising costs, with a ratio to product sales and services from 55.7% to 56.5%.

EBITDA was € 366.6 million, an increase of € 12.9 million or 3.6% compared to the same period of the previous year. The ratio to product sales and services grew up to 51.4% (compared to 49.6% in the first nine months of 2004). The further improvement compared to the performance of gross operating profit is attributable mainly to the reduced provisions to the reserves for risks and charges (a decrease of € 2.0 million for the provision to the commercial risk reserve, where more effective and speedy management of publishing errors brought about a reduction in the number of claims to be settled, while efforts to improve the quality of operational and commercial processes significantly reduced the inflow of new claims) and to the allowance for doubtful accounts (decreased by € 3.5 million). The positive effects arising from the improvement in credit selection and management include a 5.5% reduction in total trade account receivables.

## Regulatory framework

### Directories

In accordance with the resolution issued on July 15, 2004 by Data Protection Authority (Garante per la protezione dei dati personali), SEAT PAGINE GIALLE S.p.A. has begun using the Universal Data Base ("UDB"), in order to produce all its directories on any platform. This UDB has been created by all fixed and mobile telephone operators following the requirements of the Authority for Communication (AGCom - Autorità per le Garanzie nelle Comunicazioni). The Brescia directory was the first edition published using this UDB: it was distributed in August 2005.

On July 14, 2005, the Data Protection Authority issued a resolution relating to the publication of 'category' directories (such as PAGINEGIALLE®). This resolution affirms the commercial and promotional nature of these directories exempting them from the requirements of Resolution July 15, 2004 on the matter of data protection for telephone directories (such as the requirements to print an envelope or handset for each company-business name, in order to give the consent to be contacted for commercial purposes). This right is also recognised when the category directories are produced using the UDB.

The Authority also established:

- a) the absence of the consent requirement for publishing data of business subscribers, by assuming that this information only relate to the economic activity and hence fall within the scope of the exemptions provided by the Italian Data Protection Code;



- b) exemption from the obligation to send to all interested parties the information required by law on the assumption that there is no proportion between the resources the responsible for the personal data processing would have to use to discharge this obligation and the right that is intended to be protected.

Companies producing category directories are further required as follows by the Authority:

- 1) to publish personal data of business subscribers in each business categories in a complete way (namely: all business subscribers belonging to a specific category are to be included, if not private) and, conversely, private subscribers who didn't provided their TLC operator with consent to publish their personal data in the telephone directories must be excluded, if the directories are produced using the UDB;
- 2) to publish general information (the contents of which are those indicated in the data protection law) on three national daily newspapers (with a size of at least 1/4 of a page) once in September and once in October, as well as the inclusion of the same information on the first pages of each category directory.

#### **Directory Assistance**

As indicated in the timetable established by the Authority for Communication ("AGcom"), as amended in May 2005, on October 1, 2005, the traditional 12 service was closed and twelve new 12xy short numbers were activated (out of a total of sixteen attributed overall by the Ministry of Communications).

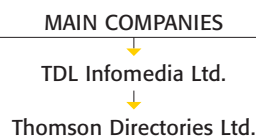
In relation to this liberalisation, SEAT PAGINE GIALLE S.p.A. decided to enter the market with the 12.40 Pronto PAGINEBIANCHE® number. The number was launched through an advertising campaign started at the end of September, which involved TV, radio, press and outdoor advertising.

The SEAT PAGINE GIALLE group also has other numbers at its disposal (1256 and 1289), which, like the 12.40 number, can be reached by all fixed and mobile subscribers of any TLC operator (apart from H3G, which will activate Group's numbers as of January 2006).



## → UK Directories

### Structure of the Business Area



### Main corporate events

In July 2005, the Board of Directors of TDL Infomedia Ltd. decided to put into liquidation four companies that made up the holding structure of the TDL Infomedia group and approved an increase of GBP 74.5 million in the share capital of TDL Infomedia Ltd. through the conversion into equity of intercompany loans.

### Economic and financial performance

The table below sets out the highlights for the third quarter 2005 and the first nine months of 2005 compared to those for the same periods of the prior year.

(euro/million)	3 <sup>rd</sup> quarter	3 <sup>rd</sup> quarter	Change		9 months	9 months	Change	
	2005	2004	Absolute	%	2005	2004	Absolute	%
Product sales and services	45.2	41.2	4.0	9.7	108.5	104.7	3.8	3.6
Gross operating profit	12.1	8.1	4.0	49.4	17.7	16.9	0.8	4.7
Operating income before amortisation, depreciation, non-recurring and restructuring costs (EBITDA)	10.3	6.6	3.7	56.1	13.2	12.8	0.4	3.1
Net invested capital					205.2	203.9	1.3	0.6
Personnel at the end of the period					1.077	998	79	7.9



In the third quarter of 2005, product sales and services of the TDL Infomedia group stood at € 45.2 million, up 9.7% compared to the third quarter of 2004. This result includes exchange rate effects. In sterling terms revenues increased by 11.9%, reflecting the positive performance of online (+38.1%) and printed directories (+9.2%). The revenues performance was positively impacted by effects arising from a different time schedule in the publication of four directories compared to the same period in the previous year. These directories, published in the first half of the previous year, were published in the third quarter of 2005. On a like for like basis, at the same number of published directories, revenues increased by 3.2%.

In the first nine months of 2005 revenues translated into sterling grew by 5.5% including the effect of publishing one directory less than during the previous year (a 7.4% growth at the same number of published directories), boosted by the positive performance of all the product lines: *i*) printed directories (+2.2%); *ii*) online directories (+31.7%), and *iii*) data sales and other business information services (+11.1%). The performance of online revenues was particularly impressive, increasing from GBP 6.3 million to GBP 8.3 million. This was primarily the result of the initiatives taken to innovate product contents, in order to increase users' and customers' loyalty, of the Business Finder distribution agreements, of the growing interest in the Webfinder.com search engine, as well as the sales force incentive mechanisms aimed at rewarding multi-product sales. The long-term agreement signed with Google in May is particularly important. This agreement provides for the integration and use of the Google AdWords services as an integral part of the Thomsonlocal.com and Webfinder.com search

engines. In the first nine months of 2005 the printed products revenues benefited, in turn, from the significant product innovations introduced to support the brand image and hence consultation. These innovations, together with the commercial structure more focused on actions aimed at improving new and existing customer satisfaction, resulted in a significant increase (+7.9%) in the Directories customer base (printed and online) maintaining ARPA substantially stable.

In terms of EBITDA, TDL Infomedia Ltd. showed a slight increase compared to 2004 (+3.1%) with a profitability margin stable over the two periods, at 12.2%. On a like for like basis, at the same number of published directories, EBITDA increased by 10.9% , including the effect of publishing one less directory than in 2004.

### Regulatory framework

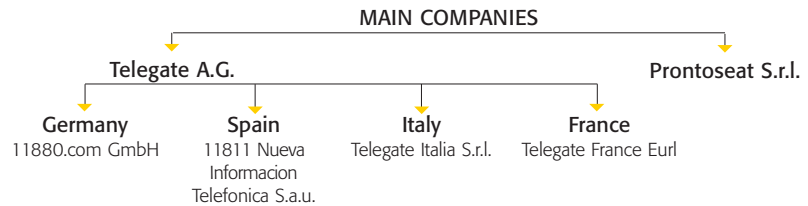
There are no developments to report in addition to those indicated in the First-Half Report as at June 30, 2005.

Eco-fin performance of the Group	11
Eco-fin performance of SEAT PAGINE GIALLE	26
Events subsequent to September 30, 2005	30
Outlook	31
Related party transactions	32
→ <b>Eco-fin performance of the Business Areas</b>	<b>34</b>
Other information	49
Effects of the transition to IAS/IFRS	50

Highlights and general information	3
→ <b>Report on operations</b>	<b>11</b>

## → Directory Assistance

### Structure of the Business Area



### Main corporate events

- With effect as of July 1, 2005, Telegate AG purchased the 100% interest in Febrezomo S.L., a company with share capital of € 3,100, operating in the Spanish Directory Assistance market. At the end of July 2005 the Company changed its company-name to "Uno Uno Ocho Cinco Cero Guías S.L."
- In July 2005, Telegate France Eurl (a company 100% owned by Telegate A.G.) purchased the 100% interest in Scoot France Sarl with registered office in Paris and share capital of € 345,759. The Company operates in the French Directory Assistance market, where it has purchased the 118000 number. The company has therefore changed its name to "Le 118000 Sarl".

### Economic and financial performance

The table below sets out the highlights for the third quarter 2005 and the first nine months of 2005 compared to those for the same periods of the prior year.

(euro/million)	3 <sup>rd</sup> quarter	3 <sup>rd</sup> quarter	Change		9 months	9 months	Change	
	2005	2004	Absolute	%	2005	2004	Absolute	%
Product sales and services	38.5	37.5	1.0	2.7	112.3	112.2	0.1	0.1
Gross operating profit	11.2	11.8	(0.6)	(5.1)	34.5	31.8	2.7	8.5
Operating income before amortisation, depreciation, non-recurring and restructuring costs (EBITDA)	9.9	10.8	(0.9)	(8.3)	31.2	28.7	2.5	8.7
Net invested capital					79.1	74.6	4.5	6.0
Personnel at the end of the period					2.807	2.347	460	19.6

In the first quarter of 2005, product sales and services of the Directory Assistance Business Area grew by 2.7% to € 38.5 million compared to the third quarter of 2004.

In particular, revenues in the Telegate group, amounting to € 36.0 million, were broadly flat compared to the third quarter of 2004 (+0.5%), due to the substantially stable performance in Germany and the slight increase in international activities.

In the third quarter of 2005, operations in Germany (€ 29 million in revenues, unchanged compared to the third quarter of 2004) benefited from the increase in the average value per call due to the continual development of value added services, which offset the reduced call volumes. They also benefited from the development of parallel business lines, such as data sales and management of interconnection services for consumers and businesses.

The policy aimed at consolidating outsourcing services continued in the third quarter. An agreement was reached with the telephone operator COLT Telecom that will allow Telegate A.G. to further increase the handled traffic with further economies of scale.

In Italy and Spain, revenues for the third quarter of 2005 were virtually unchanged at € 7 million.

During the third quarter of 2005, the French branch of the Telegate group purchased Scoot France Sarl, holder of the 118000 number, considered the easiest to be memorised, and reached two important commercial agreements with the mobile telephone operators SFR and Bouygues Telecom. These agreements represent an important step in the strategy adopted to enter the French market allowing Telegate to present itself as the preferred partner for Directory Assistance services of two operators whose overall user base includes about 23.7 million customers.

The slight drop in the Group's profitability reported in the third quarter of 2005 (EBITDA margin at 26.1% of revenues from 29.3% in the third quarter of 2004) is due mainly to the costs incurred to develop the launch of the proprietary service in France and the outsourcing service in Italy following the liberalisation of the respective Directory Assistance markets.

In the first nine months of 2005, the Directory Assistance Business Area recorded revenues of € 112.3 million, in line with the previous year (€ 112.2 million).

In particular, product sales and services for the Telegate group decreased by 2.2% compared to the same period in the previous year, to € 105.7 million (€ 108.1 million in the first nine months of 2004). On a like for like basis, at the same scope of consolidation (in 2004, revenues included about € 1 million by Telegate UK, which was sold in the third quarter of 2004) the decline in revenues was 1.2%. This fall was recorded primarily in Germany, where the reduction in volumes, caused by the general contraction of the German market, was offset not only by new revenue lines but also by the increased contribution of services with value added for the caller, such as weather, traffic information and the booking service which feature an ever-increasing focus on a target audience of frequent users with low price elasticity.

The performance of the Telegate group's international operations (Italy and Spain) is substantially in line with the previous year.

Prontoseat S.r.l. has achieved good results. Its call center services supporting the 89.24.24 Pronto PAGINEGIALLE® service increased by 58% compared to the previous year to € 6.5 million (€ 4.1 million in the first nine months of 2004).

EBITDA for the Directory Assistance Business Area grew by 8.7% to € 31.2 million in the first nine months of 2005. This result reflects the high improvement in the Telegate group's performance (+8.2%), where the positive results achieved by the German operations have compensated for the costs of launching the service in Italy and France. In particular, in the first nine months of 2005 Germany continued to achieve call-center cost efficiencies through the optimisation of the overall capacity and the reduction in the operating costs of the related technological infrastructures. In addition, the decrease in the industrial cost compared to 2004 includes the benefit of approximately € 2 million arising from the lower cost of purchasing data from the "incumbent" telephone operator following the decision taken by the German Authority for Telecommunication (for more details reference is made below to the section "Regulatory framework").

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	Eco-fin performance of the Group	11
	Eco-fin performance of SEAT PAGINE GIALLE	26
	Events subsequent to September 30, 2005	30
	Outlook	31
	Related party transactions	32
	→ <b>Eco-fin performance of the Business Areas</b>	<b>34</b>
	Other information	49
	Effects of the transition to IAS/IFRS	50
→ Highlights and general information	3	
→ <b>Report on operations</b>	<b>11</b>	

The Telegate group continues its strong cash generation. Thanks to a free cash flow of € 26.7 million in the first nine months of 2005, net financial position amounted to € 54.3 million at September 30, 2005 (€ 33.9 million at December 31, 2004).

## Regulatory framework

### France

In June 2005, the French Authority (ARCEP) assigned the new 118xyz numbers for the Directory Assistance services. Telegate received the numbers 118555, 118787, 118321, 118247 and 118244.

The timetable for starting the new services is:

- November 2, 2005: opening of 118xyz numbers;
- April 2006: closing of previous codes together with the addition of neutral and non-discriminatory messages on the start up of new numbers.

In addition, ARCEP issued the rules governing the UDB, which will finally make available the telephone numbers of all subscribers to any TLC Operator (and not only those of France Telecom subscribers as was previously the case) both in printed directories and for directory assistance services.

### Germany/Austria

As outlined in the interim report as at June 30, 2005, in August 2005 the German Authority (RegTP) completed its enquiry on the prices for the subscriber Data Base charged by Deutsche Telekom to Telegate A.G., requiring a significant reduction in the costs of acquiring such data.

At the same time, on August 31 the Cologne Regional Court ordered Deutsche Telekom, in two proceedings of first instance, to refund the costs of supplying subscriber data overcharged to the Telegate group totaling about € 60 million, plus interest accrued from the date the case started, in December 2004. The rulings follow another order of the Düsseldorf Supreme Court in which Deutsche Telekom had been ordered to pay about € 5 million, again in repayment of overcharging for the supply of subscriber data in the period January-September 1999. The ruling of the Düsseldorf Supreme Court confirmed that the pronouncement could not be appealed. Deutsche Telekom brought an appeal against this non-appealability decision which will be discussed early in 2006.

The grounds for the actions brought by Telegate reside in the ruling of the European Court of Justice of November 25, 2004, which had expressed an opinion regarding the "costs of supplying telephone subscriber data" (so-called "data costs") interpreting them in a binding manner for all European Union states.

The costs that had been charged for years by Deutsche Telekom in Germany were higher than those charged in the rest of Europe.

In August 2005, the German Federal Telecommunications Authority regulated the data costs for Germany. As a result Deutsche Telekom is authorized to charge the directory service suppliers operating in the market only 0.13 cents of euro rather 9.00 cents of euro for each item of data supplied, as was previously the case, with an overall maximum ceiling, for all entities using such data, of € 700,000.

#### **Spain**

There are no developments to report in addition to those indicated in the interim financial report as at June 30, 2005.

#### **Switzerland**

BAKOM, the Swiss federal communications office, concluded its consultation on the liberalisation of the Directory Assistance services and decided the end of the "111" service for December 31, 2006 (provided historically by the incumbent operator).

The topics covered by the consultation process were:

- management of the 18XY numbers already implemented (which, similarly to the liberalisation process taking place in the rest of Europe, will represent the only set of numbers that can be used to provide directory assistance services as of January 1, 2007);
- draw for the 18XY numbers still available (expected to take place in the first quarter of 2006; the "golden numbers" 1888, 1881, 1880, 1800 are still available, but blocked);
- neutral message for "111" (for the period: last quarter 2006 - first quarter 2007).

The results of the consultation are expected by the end of 2005.

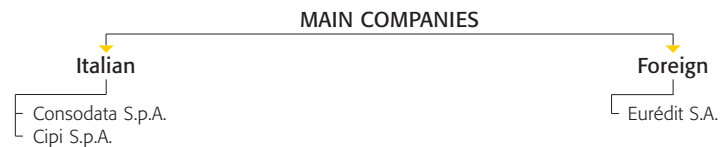
In view of the liberalisation of the Swiss market, the Telegate group acquired the Swiss company Xentel A.G., including its main asset such as the directory assistance, number 1818. Xentel A.G. changed its company name to "1818 - Auskunft A.G." on October 1, 2005.

Eco-fin performance of the Group	11
Eco-fin performance of SEAT PAGINE GIALLE	26
Events subsequent to September 30, 2005	30
Outlook	31
Related party transactions	32
→ <b>Eco-fin performance of the Business Areas</b>	<b>34</b>
Other information	49
Effects of the transition to IAS/IFRS	50

Highlights and general information	3
→ <b>Report on operations</b>	<b>11</b>

## → Other Activities

### Structure of the Business Area



### Main corporate events

- The merger by incorporation of Consodata Marketing Intelligence S.r.l. into Consodata S.p.A. approved by the respective Shareholders' Meetings on April 7, 2005, became effective on July 1, 2005. Merged company's operations will be included in the financial statements of the merging company as of January 1, 2005 both for accounting and tax purposes.
- In July 2005, SEAT PAGINE GIALLE S.p.A. acquired from Consodata S.p.A. its 100% interest in Pubblibaby S.p.A. This company was subsequently sold to the RCS Mediagroup. The disposal became effective as of October 4, 2005.
- In July 2005, SEAT PAGINE GIALLE S.p.A. signed a preliminary contract for the acquisition of the 51% interest in Cipi S.p.A. (a company operating in merchandising and promotional gadget market). The transaction, which was subject to the approval of the Antitrust Authority, was become effective in September.

### Economic and financial performance

The table below sets out the highlights for the third quarter 2005 and the first nine months of 2005, compared to those for the same periods of the prior year.

(euro/million)	3 <sup>rd</sup> quarter	3 <sup>rd</sup> quarter	Change		9 months	9 months	Change	
	2005	2004	Absolute	%	2005	2004	Absolute	%
Product sales and services	31.3	31.0	0.3	1.0	47.0	45.8	1.2	2.6
Gross operating profit	12.8	11.4	1.4	12.3	10.5	9.1	1.4	15.4
Operating income before amortisation, depreciation, non-recurring and restructuring costs (EBITDA)	12.7	11.5	1.2	10.4	10.2	8.9	1.3	14.6
Net invested capital					25.7	22.1	3.6	16.3
Personnel at the end of the period					440	215	225	104.7

The comparison with the same period of the previous year is not consistent due to the consolidation as from July 1, 2005 of Pubblibaby S.r.l. as an asset held for sale. It should also be noted that Cipi S.p.A., purchased in September, was consolidated in the third quarter of 2005 only at balance sheet level: therefore its economic performance will impact those of the SEAT PAGINE GIALLE group from the next quarter.



## Consodata S.p.A.

100% held by SEAT PAGINE GIALLE S.p.A.

The table below sets out the highlights for the third quarter 2005 and the first nine months of 2005, compared to those for the same periods of the prior year.

(euro/million)	3 <sup>rd</sup> quarter	3 <sup>rd</sup> quarter	Change		9 months	9 months	Change	
	2005	2004	Absolute	%	2005	2004	Absolute	%
Product sales and services	4.4	5.6	(1.2)	(21.4)	19.7	19.8	(0.1)	(0.5)
Gross operating profit	0.1	(0.1)	0.2	n.s.	1.9	1.5	0.4	26.7
Operating income before amortisation, depreciation, non-recurring and restructuring costs (EBITDA)	0.1		0.1	n.s.	1.8	1.5	0.3	20.0
Net invested capital					14.8	9.6	5.2	54.2
Personnel at the end of the period					125	152	(27)	(17.8)

Consodata S.p.A. provides various types of direct marketing and location-based marketing products both to Italian SMEs and large enterprises, using the Parent Company's extensive sales network and its own dedicated sales network. In the first nine months of 2005 its revenues remained stable at € 19.7 million, also thanks to the product, commercial and operating synergies with the Italian operations of SEAT PAGINE GIALLE S.p.A. This performance also includes the disposal of Pubblibaby S.p.A. The growth in revenues was 8.6%, net of this disposal. EBITDA amounted to € 1.8 million, a 20.0% increase compared to the same period of 2004, due to the positive performance of revenues and optimisation of some overhead costs.



## Eurédit S.A.

93.562% held by SEAT PAGINE GIALLE S.p.A.

The table below sets out the highlights for the third quarter 2005 and the first nine months of 2005, compared to those for the same periods of the prior year.

(euro/million)	3 <sup>rd</sup> quarter	3 <sup>rd</sup> quarter	Change		9 months	9 months	Change	
	2005	2004	Absolute	%	2005	2004	Absolute	%
Product sales and services	27.0	25.3	1.7	6.7	27.4	25.8	1.6	6.2
Gross operating profit	12.7	11.6	1.1	9.5	8.7	7.8	0.9	11.5
Operating income before amortisation, depreciation, non-recurring and restructuring costs (EBITDA)	12.6	11.6	1.0	8.6	8.5	7.7	0.8	10.4
Net invested capital					8.2	6.6	1.6	24.2
Personnel at the end of the period					60	63	(3)	(4.8)

Eurédit S.A. is the publisher of the pan-European directory Europages, distributed to more than 500,000 European companies and available on Internet in 24 languages. It published its directory in September and therefore has recognised most of its annual revenues in the third quarter, up 6.2% compared to 2004. This performance, which was due particularly to the growth in sales to Italian customers (+9.5%) achieved by the SEAT PAGINE GIALLE S.p.A.'s network, is supported by the high increase in the number of online consultations on Europages.com. In September, for the first time these consultations exceeded the record level of 2 million a month of page views (+ 76.2% compared to September 2004, +17.4% compared to the previous month), topping 16.8 million since the beginning of the year. The growth in revenues boosted EBITDA, which rose 10.4% compared to the same period in 2004.



Highlights and general information	
→ <b>Report on operations</b>	

Eco-fin performance of the Group	11
Eco-fin performance of SEAT PAGINE GIALLE	26
Events subsequent to September 30, 2005	30
Outlook	31
Related party transactions	32
Eco-fin performance of the Business Areas	34
→ <b>Other information</b>	<b>49</b>
Effects of the transition to IAS/IFRS	50

## ➤ Other information

### ➔ Main litigation

Seat S.p.A., as the Beneficiary of the proportional partial spin-off of Telecom Italia Media S.p.A., is jointly liable with the spun-off Company (Telecom Italia Media S.p.A.), for the liabilities resulting from litigation not settled by Telecom Italia Media S.p.A. as regards the Cecchi Gori group, pursuant to article 2506-quater paragraph 3, of the Italian Civil Code. No further developments, in relation to the information given in the interim financial report as at June 30, 2005 have taken place as regards such litigation.

## ➤ Effects of the transition to IAS/IFRS on the interim Financial Statements of the Group as at September 30, 2004

As the European regulation No. 1606 dated July 2002 became effective, as from January 1, 2005, the SEAT PAGINE GIALLE group adopted the International Accounting Standards ("IAS/IFRS") issued by the International Accounting Standards Board and approved by the European Union, including all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC").

The balance sheets as at January 1, 2004 and as at December 31, 2004 and the statement of operations for the year 2004 were prepared in accordance with IFRS 1 - First time adoption - of IAS/IFRS. In particular, IAS/IFRS that are already applicable as from January 1, 2005 were used, a part from IAS 39. (It should be noted that IAS 39 became effective on January 1, 2005 and gave companies the possibility of adopting it without applying it to the 2004 figures for comparative purposes).

For additional information, reference is made to the report "Transition to IAS/IFRS" published with the Interim Financial Report as at June 30, 2005 which is available on the official web site of the Company [www.seat.it](http://www.seat.it).

## 1. Effects of the transition to IAS/IFRS on the Balance Sheet of the Group as at September 30, 2004

	At 09.30.2004	Note	Reclassifications	Adjustments	At 09.30.2004	
(euro/million)	ITA GAAP				IAS/IFRS	
<b>Fixed assets</b>	<b>4,401.4</b>		<b>(36.7)</b>	<b>164.0</b>	<b>4,528.7</b>	<b>Non-current assets</b>
Intangible assets	4,356.2		(122.7)	151.9	4,385.4	Intangible assets
- Goodwill	3,419.2	(A)		152.5	3,571.7	- Intangible assets with indefinite useful life
- Other intangible assets	937.0	(B)	(122.7)	(0.6)	813.7	- Intangible assets with finite useful life
Tangible assets	33.5		1.8	0.1	35.4	Property, plant and equipment
Long-term investments						
- Equity investments	8.8	(C)	(0.1)		8.7	Equity investments
- Other	2.9		1.8		4.7	Other non-current financial assets
			2.4		2.4	Other non-current assets
		(D)	80.1	12.0	92.1	Deferred tax assets
<b>Current assets</b>	<b>1,114.8</b>		<b>(60.1)</b>	<b>(15.0)</b>	<b>1,039.7</b>	<b>Current assets</b>
Inventories	17.6				17.6	Inventories
Trade account receivables	658.8				658.8	Trade account receivables
Other receivables						
- tax receivables	86.9	(D)	(80.1)		6.8	Current tax assets
- other receivables	91.1	(E)	18.2	(15.0)	94.3	Other current assets
Current financial assets	2.3		(0.4)		1.9	Current financial assets
Cash and cash equivalents	258.1		2.2		260.3	Cash and cash equivalents
Accrued income and prepaid expenses	27.2		(27.2)			
<b>TOTAL ASSETS</b>	<b>5,543.4</b>		<b>(124.0)</b>	<b>149.0</b>	<b>5,568.4</b>	<b>TOTAL ASSETS</b>
<b>Liabilities</b>	<b>4,625.3</b>				<b>3,933.0</b>	<b>Non-current liabilities</b>
Reserve for severance indemnities	33.3		(33.3)			
Reserve for risks and charges	84.5	(F)	(50.8)	21.8	55.5	Non-current reserves to employees
			0.7		0.7	Deferred income taxes and non-current payables for income taxes
		(G)	28.6	(7.1)	21.5	Other non-current liabilities
Bonds	107.7		3,747.6		3,855.3	Non-current financial debts
Debts due to other lenders	0.3		(0.3)			
					<b>835.6</b>	<b>Current liabilities</b>
Debts due to banks	2,721.7		(2,454.8)		266.9	Current financial debts
			53.9	2.3	56.2	Reserve for current risks and charges
Trade account payables	174.6		46.4		221.0	Trade account payables
Debts due to Group's companies	1,300.0		(1,300.0)			
Tax payables	82.5		10.6		93.1	Current tax debts
Debts due to social security institutions	9.4		(9.4)			
Other liabilities	219.0		(20.6)		198.4	Payables for services to be rendered and other current liabilities
Accrued expenses and deferred income	142.6		(142.6)			
Minority interests	8.7		0.3	(0.1)	8.9	Minority interests
<b>Net equity of the Group</b>	<b>659.1</b>		<b>(0.3)</b>	<b>132.1</b>	<b>790.9</b>	<b>Net equity of the Group</b>
Share capital and reserves	793.9				793.9	Share capital and reserves
				1.6	1.6	Reserve for stock options
			(0.7)	(16.2)	(16.9)	Reserve for transition to IAS/IFRS
Reserve for exchange rate adjustments	(7.5)		0.4	(0.7)	(7.8)	Reserve for exchange rate adjustments
Income (loss) for the period	(127.3)			147.4	20.1	Income (loss) for the period
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>5,543.4</b>		<b>(124.0)</b>	<b>149.0</b>	<b>5,568.4</b>	<b>TOTAL LIABILITIES AND NET EQUITY</b>

## 2. Effects of the transition to IAS/IFRS on the Statement of Operations of the Group for the nine-month period ended September 30, 2004

(euro/million)	9 months 2004 ITA GAAP	Note	Reclassi- fications	Adjustments	9 months 2004 IAS/IFRS	
<b>Product sales and services</b>	<b>952.8</b>		<b>0.4</b>		<b>953.2</b>	<b>Product sales and services</b>
- Sales of goods	18.2				18.2	- Sales of goods
- Revenues from services	934.6		0.4		935.0	- Revenues from services
Changes in inventories of works in progress, semi-finished and finished goods	1.1		(1.1)			
Cost capitalised as tangible or intangible assets	1.1		(1.1)			
Other income and revenues	2.3		0.3		2.6	Other income and revenues
<b>TOTAL PRODUCTION VALUE</b>	<b>957.3</b>		<b>(1.5)</b>		<b>955.8</b>	<b>TOTAL REVENUES</b>
Raw materials, supplies and consumable items	(49.3)		4.8		(44.5)	Cost of raw materials
Services	(285.8)		(16.4)	(0.1)	(302.3)	Cost of external services
Use of third-party property	(23.9)		23.9			
Personnel	(143.1)	(H)	(6.3)	(3.7)	(153.1)	Salaries, wages and employees benefits
Changes in inventories of raw materials, supplies and consumable items	3.7		(3.7)			
Write-downs	(32.2)				(32.2)	Other valuation adjustments
Provision for risks	(17.5)				(17.5)	Provisions to reserves for risks and charges
Miscellaneous operating costs	(2.1)		0.1		(2.0)	Other operating expenses
<b>EBITDA</b>	<b>407.1</b>		<b>0.9</b>	<b>(3.8)</b>	<b>404.2</b>	<b>Operating income before amortisation, depreciation, non-recurring and restructuring costs (EBITDA)</b>
Operating amortisation and depreciation	(21.9)			(0.4)	(22.3)	Operating amortisation and depreciation
Non-operating amortisation	(291.3)	(B);(A)	12.0	152.8	(126.5)	Non-operating amortisation and write-downs
		(I)	(29.9)	(1.6)	(31.5)	Non-recurring costs, net
			(3.8)	(1.0)	(4.8)	Restructuring costs, net
<b>OPERATING INCOME</b>	<b>93.9</b>		<b>(20.8)</b>	<b>146.0</b>	<b>219.1</b>	<b>OPERATING INCOME</b>
Interest income	4.3			0.3	4.6	Interest income
Interest expenses	(146.8)	(L)	(20.9)	(0.9)	(168.6)	Interest expenses
Valuation adjustments to financial assets	(1.8)				(1.8)	Profit (losses) on investments accounted for at equity
		(M)	0.8		0.8	Gains (losses) on disposal of equity investments
Extraordinary income	10.9		(10.9)			
Extraordinary expenses	(51.9)		51.9			
Income taxes	(30.6)	(D)	(0.1)	1.9	(28.8)	Income taxes
Income (loss) of Minority interests	(5.3)	(N)		0.1	(5.2)	Income (loss) of Minority interests
<b>INCOME (LOSS) FOR THE PERIOD</b>	<b>(127.3)</b>			<b>147.4</b>	<b>20.1</b>	<b>INCOME (LOSS) FOR THE PERIOD</b>

### 3. Effects of the transition to IAS/IFRS on the Cash Flow of the Group for the nine-month period ended September 30, 2004

(euro/million)	9 months 2004 ITA GAAP	Note	Reclassifications	Adjustments	9 months 2004 IAS/IFRS
<b>Net cash inflow from operating activities</b>					
Income (loss) for the period	(122.0)			147.3	25.3
Amortisation and depreciation	313.2	(A)	(12.0)	(152.4)	148.8
Interest expenses, net	142.5		20.9	0.6	164.0
Stock options		(I)		1.6	1.6
Income taxes	30.6		0.1	(1.9)	28.8
(Gains) losses on disposal of non-current assets	(2.9)				(2.9)
(Write-up) write-down of non-current assets	9.0		(8.4)		0.6
Change in working capital	(57.0)		0.9	8.5	(47.6)
Change in non-current liabilities	3.2			(2.8)	0.4
Exchange rates and other movements	32.0			(0.7)	31.3
<b>Net cash inflow from operating activities</b>	<b>(A) 348.6</b>		<b>1.5</b>	<b>0.2</b>	<b>350.3</b>
<b>Net cash outflow for investments</b>					
Investments on intangible assets with indefinite useful life	(138.0)		129.0		(9.0)
Investments on intangible assets with finite useful life	(10.1)		0.1		(10.0)
Investments on property, plant and equipment	(6.0)		(0.1)	(0.2)	(6.3)
Equity investments	(0.2)				(0.2)
Investments on financial assets available for sale	(0.1)				(0.1)
Investments on other non-current assets	(0.5)		0.5		
Proceeds from disposal of non-current assets	9.6		(2.5)		7.1
<b>Net cash outflow for investments</b>	<b>(B) (145.3)</b>		<b>127.0</b>	<b>(0.2)</b>	<b>(18.5)</b>
<b>Net cash outflow for financing</b>					
Proceeds from non-current financial debts	4,050.0				4,050.0
Repayment of non-current financial debts	(28.4)				(28.4)
Repayment of current financial debts	(528.4)				(528.4)
Payment of transaction costs on loans			(129.0)		(129.0)
Paid interest expenses, net	(143.0)		(0.3)		(143.3)
Change in current financial debts	111.2		(0.7)		110.5
Change in financial assets	2.0		(5.1)		(3.1)
Exchange rate effects and change in the scope of consolidation	3.9				3.9
Paid dividends	(3,578.4)				(3,578.4)
<b>Net cash outflow for financing</b>	<b>(C) (111.1)</b>		<b>(135.1)</b>		<b>(246.2)</b>
<b>Increase in cash and cash equivalents in the period</b>	<b>92.2</b>		<b>(6.6)</b>		<b>85.6</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>(A+B+C) 165.9</b>		<b>8.8</b>		<b>174.7</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>258.1</b>		<b>2.2</b>		<b>260.3</b>

#### 4. Effects of the transition to IAS/IFRS on the Net Equity of the Group as at September 30, 2004

(euro/million)	At 01.01.2004	Change during the period	At 09.30.2004
Share capital	247.5		247.5
Additional paid-in capital	4,189.5	(3,647.6)	541.9
Other capital reserves	(35.3)	32.3	(3.0)
Income (loss) for the period	(32.5)	(94.8)	(127.3)
<b>Net equity of the Group</b>	<b>4,369.2</b>	<b>(3,710.1)</b>	<b>659.1</b>
Minority interests	5.4	3.3	8.7
<b>Total net equity (Italian GAAP)</b>	<b>4,374.6</b>	<b>(3,706.8)</b>	<b>667.8</b>
<b>Reserve for transition to IAS/IFRS</b>	<b>(16.2)</b>	<b>147.4</b>	<b>131.2</b>
<i>IAS 36 - derecognition of goodwill amortisation</i>		152.8	152.8
<i>IFRS 2 - stock options</i>		(1.6)	(1.6)
<i>IAS 19 - benefits to employees</i>	(16.1)	1.0	(15.1)
<i>IAS 19 - present value of T.F.R.</i>	0.8	(0.4)	0.4
<i>IAS 2 - deferred expenses related to salaries, wages and employees benefits</i>	(5.9)	(5.9)	(11.8)
<i>IAS 37 - present value of non-current assets and liabilities</i>	1.9	0.3	2.2
<i>IAS 37 - derecognition of restructuring reserves</i>	1.6	(0.9)	0.7
<i>IAS 38 - intangible assets with finite useful life and others</i>	1.5	2.1	3.6
<i>IAS 39 - hedging instruments: Interest Rate Collars</i>			
<b>Reserve for exchange rate adjustments</b>		<b>(0.8)</b>	<b>(0.8)</b>
<b>Reserve for hedging instruments</b>			
<b>Reserve for stock options</b>		<b>1.6</b>	<b>1.6</b>
<b>Total adjustments for transition to IAS/IFRS</b>	<b>(16.2)</b>	<b>148.2</b>	<b>132.0</b>
<b>of which Minority interests</b>	<b>0.3</b>	<b>(0.1)</b>	<b>(0.2)</b>
<b>Total net equity</b>	<b>4,358.4</b>	<b>(3,558.6)</b>	<b>799.8</b>

## Notes on the main adjustments arising from the adoption of IAS/IFRS

### (A) Intangible assets with indefinite useful life

#### Adjustments

(euro/million)	At 09.30.2004	Note
derecognition of goodwill amortisation	152.5	(A1)
<b>Total</b>	<b>152.5</b>	

#### (A1) Derecognition of goodwill amortisation

The SEAT PAGINE GIALLE group amortised goodwill arising from an acquisition or a merger on the basis of Italian accounting standards. Goodwill was recognised in the balance sheet over a period of time between 5 and 20 years in relation to the estimated useful life of the assets which the goodwill referred to. Useful lives of more than five years were based on internal or expert analyses and evaluations, which enabled SEAT to consider the amortisation periods consistent with the expected duration and development plans of the activities as well as with the possibility of maintaining the positions gained in different markets. In the cases where the net carrying value of goodwill, following amortisation for the period, was higher than the recoverable value, further write-downs were recognised in the statement of operations.

According to IAS 36 goodwill, initially recognised at cost, is now tested once a year to identify any indication that it may be impaired, or more frequently if specific events or significant changes indicate possible losses. The method followed to perform this evaluation is consistent with that used according to the Italian accounting standards. Amortisation of goodwill is no longer recognised.

### (B) Intangible assets with finite useful life

#### Reclassifications

(euro/million)	At 09.30.2004	Note
to non-current financial debts	(120.9)	(B1)
to property, plant and equipment	(1.8)	(B2)
<b>Total</b>	<b>(122.7)</b>	

#### (B1) Transaction costs on non-current financial loans

The SEAT PAGINE GIALLE group recognised the transaction costs incurred at the inception and refinancing dates as intangible assets according to the Italian accounting standards. These costs were amortised based on the amount and useful life of the outstanding loans. The relevant amortisation was recognised in the statement of operations as non operating amortisation.

IAS 38 does not allow such costs to be recognised as intangible assets.

These costs should, instead, be recognised in reduction of the long-term debts they refer to, according - only for representation purposes - to IAS 39. The relevant amortisation for the period is now recognised as interest expenses (€ 16.9 million in 2004).

#### (B2) Capitalised expenses on third party property

The SEAT PAGINE GIALLE group recognised expenses incurred for carrying out improvements to third party property (mainly rented offices) as intangible assets according to the Italian accounting standards. Amortisation was measured over the duration of the rent period.

According to IAS 38 such expenses cannot be recognised as intangible assets since they lack the requirement of identifiability. Consequently these expenses were analysed in order to verify if they can be considered fixed assets (new plant or equipment) and therefore if they can be recognised under the item "Property, plant and equipment". Should these requirements not be satisfied, the related amounts recognised in the balance sheet according to Italian accounting standards were derecognised, net of the relevant tax effect, against net equity.



## (C) Equity investments

### Reclassifications

(euro/million)	At 09.30.2004	Note
to financial assets available for sale	(0.1)	(C1)
<b>Total</b>	<b>(0.1)</b>	

### (C1) Equity investments in other companies

The SEAT PAGINE GIALLE group recognised as "Equity investments" not only not consolidated subsidiaries and associates accounted for at equity, but also Minority equity investments accounted for at cost on the basis of Italian accounting standards.

Pursuant to IAS 27 and 28 the Minority equity investments cannot be recognised as "equity investments", but as "financial assets available for sale" according to IAS 32.

## (D) Deferred tax assets

### Reclassifications

(euro/million)	At 09.30.2004	Note
from other tax receivables	80.1	
<b>Total</b>	<b>80.1</b>	

### Adjustments

(euro/million)	At 09.30.2004	Note
tax effects on IAS/IFRS adjustments	12.0	(D1)
<b>Total</b>	<b>12.0</b>	

### (D1) Deferred tax assets

Deferred tax assets were adjusted to reflect the net tax effects of the adjustments arising in balance sheet from the transition to IAS/IFRS. When these IAS/IFRS adjustments had a corresponding entry in the net equity, also the relevant tax effects were recognised directly in the net equity.

Deferred tax assets, included in working capital pursuant to the Italian accounting standards, are recognised as non-current assets according to IAS/IFRS.

## (E) Other current assets

### Adjustments

(euro/million)	At 09.30.2004	Note
present value of receivables due to sales agents	(0.6)	(E1)
deferred expenses referred to costs for sales employees	(14.4)	(E2)
<b>Total</b>	<b>(15.0)</b>	

### (E1) Present value of receivables due to sales agents

A portion of receivables due to sales agents fall due beyond 12 months. These receivables are included among "other current assets", since they fall within the company's normal operating cycle. They were discounted using an average market rate for receivables of similar duration.

The cumulated actuarial losses at January 1, 2004 were recognised with a corresponding entry in the net equity. Actuarial gains for 2004 were recognised in the statement of operations as interest income.

## (E2) Deferred expenses referred to costs for sales employees

Deferred expenses referred to costs for sales employees were recognised in accordance with Italian accounting standards, in order to have a correspondence between costs and revenues, for an amount equivalent to the cost for sales employees incurred for securing advertising orders for future periods.

According to IAS/IFRS it is no longer possible to defer selling costs.

## (F) Non-current reserves to employees

### Adjustments

(euro/million)	At 09.30.2004	Note
present value of the reserve for severance indemnities	(0.9)	(F1)
reserve for defined benefit plans	74.2	(F1)
pension plans	(51.5)	(F1)
<b>Total</b>	<b>21.8</b>	

### (F1) Reserves to employees - reserve for severance indemnities (TFR)

The Group recognises various forms of benefits for its employees that may be classified as defined benefit pension plans or as other long term benefits.

A part from the reserve for severance indemnities (TFR) accounted for pursuant to specific Italian laws, employee benefits had been already accounted for on the basis of Italian accounting standards according to requirements of IAS 19 - Employee benefits - using the "corridor approach". The portion of the cumulative actuarial gains and losses which exceeds the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of any plan assets is divided by the expected average remaining working lives of employees. The portion included in the 10% corridor is not recognised.

With the adoption of IAS/IFRS the reserve for severance indemnities (TFR) is considered as a defined benefit obligation to be accounted for in accordance with IAS 19 and, consequently, it was restated by applying the "projected unit credit method".

In addition the SEAT PAGINE GIALLE group decided to recognise all the cumulative actuarial losses as at January 1, 2004. Therefore costs for pension plans and other post employees benefits, recognised in the statement of operations for the year 2004 and the first half of 2005 according to IAS/IFRS, do not include any amortisation of the actuarial losses, which were not previously recognised using the corridor approach in accordance with Italian accounting standards.

Finally, the Group decided to apply the corridor approach to actuarial gains and losses arising after January 1, 2004.

## (G) Other non-current liabilities

### Adjustments

(euro/million)	At 09.30.2004	Note
present value of reserve for sales agents' termination indemnities	(3.8)	(G1)
write-off of restructuring reserves	(3.3)	(G2)
<b>Total</b>	<b>(7.1)</b>	

### (G1) Other non-current liabilities - reserve for termination indemnities to sales agents

The reserve for termination indemnities to sales agents was considered a non-current liability. Therefore, following the transition to IAS/IFRS, it was discounted (according to IAS 37) using an average market rate for payables of similar duration: the expected future outflow of resource was estimated also on the basis of the average lives of sales agency agreements.

## (G2) Restructuring reserves

The SEAT PAGINE GIALLE group recognised restructuring reserves for an amount equivalent to the best estimate carried out by the management in relation to the expected expenditure for each restructuring plan, at the time the relevant restructuring plans were formally approved, according to Italian accounting standards.

IAS/IFRS requirements for the recognition of a constructive obligation are more restrictive. Therefore some restructuring reserves, recognised according to Italian accounting standards, were derecognised at January 1, 2004 with a consequent increase in restructuring costs recorded in the statement of operations for the year 2004.

## (H) Salaries, wages and employees benefits

Adjustments (euro/million)	9 months 2004	Note
salaries, wages and employees benefits	(5.3)	(E2)
adjustments of reserve for defined benefits plan to IAS 19	1.0	(F1)
adjustments of the reserve for severance indemnities to IAS 19	0.6	(F1)
<b>Total</b>	<b>(3.7)</b>	

## (I) Non-recurring costs

Adjustments (euro/million)	9 months 2004	Note
Stock option costs	(1.6)	(I1)
<b>Total</b>	<b>(1.6)</b>	

## (I1) Non-recurring costs - share-based benefits

No costs referred to share-based benefits were recognised in the past in the statement of operations according to Italian accounting standards.

Pursuant to IFRS 2 - Share-based payments, the current value of stock options at the granted date is to be recognised in the statement of operations. Changes in the fair value subsequent to the granted date will have no impact on this first evaluation. The stock option cost - valued at fair value at the granted date - is recognised as a non-recurring cost to employees split in straight-line amounts during the vesting period, with a corresponding entry in a specific reserve of net equity.

## (L) Interest expenses

Reclassifications (euro/million)	9 months 2004	Note
from non-operating amortisation	(12.0)	(B1)
from extraordinary expenses	(8.9)	(B1)
<b>Total</b>	<b>(20.9)</b>	

Adjustments (euro/million)	9 months 2004	Note
reserve for severance indemnities	(0.9)	(F1)
<b>Total</b>	<b>(0.9)</b>	

Highlights and general information  
→ **Report on operations**

Eco-fin performance of the Group	11
Eco-fin performance of SEAT PAGINE GIALLE	26
Events subsequent to September 30, 2005	30
Outlook	31
Related party transactions	32
Eco-fin performance of the Business Areas	34
Other information	49
<b>11 → Effects of the transition to IAS/IFRS</b>	<b>50</b>

## (M) Gains (losses) on disposal of equity investments

### Reclassifications

(euro/million)	9 months 2004	Note
from extraordinary income from the disposal of equity investments	9.0	
from extraordinary expenses from the disposal of equity investments	(8.2)	
<b>Total</b>	<b>0.8</b>	

## (N) Minority interests

### Adjustments

(euro/million)	9 months 2004	Note
IAS adjustments on the result to Minority (Telegate)	0.1	
<b>Total</b>	<b>0.1</b>	

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