

➤ Transition to International Accounting Standards (IAS/IFRS): SEAT Pagine Gialle group

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).

Taking into account the Recommendation of CESR (Committee of European Securities Regulators) issued on December 30, 2003 and the Regulation for listed companies, as modified by CONSOB with Resolution No. 14990 dated April 14, 2005, hereafter is set out the information required by IFRS 1. In particular this report describes:

- a) IAS/IFRS adopted in preparing the opening Balance Sheet as at January 1, 2004, the Statement of Operations for the year 2004 and the Balance Sheet as at December 31, 2004;
- b) the effects of the transition to IAS/IFRS on the previously reported financial statements (prepared in accordance with Italian accounting standards) and the reconciliations with the corresponding figures restated on the basis of IAS/IFRS.

The Balance Sheet and Statement of Operations for 2004 were prepared in accordance with the provisions of 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).

a) Accounting standards adopted in preparing the opening Balance Sheet as at January 1, 2004, the Statement of Operations for 2004 and the Balance Sheet as at December 31, 2004

Please refer to the section "Financial statements of the SEAT Pagine Gialle group - Accounting principles and notes" for a brief description of the IAS/IFRS which were adopted.

First time adoption of IAS/IFRS

General principle

IAS/IFRS, which were effective at December 31, 2004 (as well as IFRS 2) were applied retrospectively by the SEAT Pagine Gialle group to the opening Balance Sheet as at January 1, 2004, the Statement of Operations for the year 2004 and the Balance Sheet as at December 31, 2004, except for some exemptions adopted by the Group in compliance with IFRS 1, as described below.

The financial statements thus prepared will represent the official values reported for comparative purposes in the consolidated financial statements as at December 31, 2005. These values may be subject to variations that might be necessary if some International Accounting Standards should be reviewed or changed during 2005. If new versions or interpretations of IAS/IFRS should be issued, possibly with retroactive impact, before the consolidated financial statements as at December 31, 2005 will be approved, these might have effects on the balance sheet and statement of operations for 2004 restated in accordance with IAS/IFRS and here presented.

The reconciliation tables to IAS/IFRS were prepared only for transition purposes in order to produce the first consolidated financial statements in compliance with IAS/IFRS as approved by the European Commission. Therefore, these reconciliation tables don't include comparative figures and notes which are requested by IAS/IFRS for a fairly representation of the consolidated financial position and economic performance.

Highlights and general information	5		
Report on Operations	16		
Financial Statements of the Group	96		
Financial Statements of SEAT Pagine Gialle S.p.A.	142	→	Transition to IAS/IFRS: SEAT PG group
Other information	175		Transition to IAS/IFRS: SEAT Pagine Gialle S.p.A.
→ Transition to IAS/IFRS	182		Independent Auditors' Report
			182
			196
			208

The opening balance sheet as at January 1, 2004 reflects the following accounting differences compared to the consolidated financial statements as at December 31, 2003, prepared in accordance with Italian accounting standards:

- all assets and liabilities, which are to be recognised under IAS/IFRS, including those not recognised under Italian accounting standards, were recognised and evaluated in compliance with IAS/IFRS;
- all assets and liabilities, which are to be recognised under Italian accounting standards, but not permitted by IAS/IFRS, were written-off;
- some items were reclassified in accordance with IAS/IFRS.

The effects of these adjustments were directly recognised in the opening net equity at the transition date (January 1, 2004). The transition to IAS/IFRS required the estimates previously performed in accordance with Italian accounting standards remained unchanged, unless the adoption of IAS/IFRS required the application of different criteria to produce these estimates.

Accounting policies in opening IFRS balance sheet

In order to restate the consolidated balance sheet as at January 1, 2004 and December 31, 2004, among other things, the SEAT Pagine Gialle group had to choose among the options provided for IAS/IFRS:

- **presentation of financial statements:** for the face of the balance sheet it was decided to use the "current/non-current" criterion (which is generally applied by manufacturing and trading companies), while for the face of statement of operations it was decided to classify the costs by nature; this decision implied the reclassification of the historic financial statements that were prepared in accordance with the formats provided for by Legislative Decree 127/1991;
- **optional exemptions allowed by IFRS 1 at the transition date to IAS/IFRS (January 1, 2004):**
 - *business combinations:* the SEAT Pagine Gialle group decided not to apply IFRS 3 "Business combinations" retrospectively for transactions that took place before the date of transition to IAS/IFRS;
 - *employee benefits:* the SEAT Pagine Gialle group decided to recognise all cumulative actuarial gains and losses as at January 1, 2004, and to adopt the "corridor approach" for the actuarial gains and losses that will arise following that date;
 - *share-based payments:* the SEAT Pagine Gialle group adopted the transitory provisions of IFRS 2 and, therefore, applied this standard to all the stock option plans granted after November 7, 2002 and not yet vested at the effective date of IFRS 2 (January 1, 2005). According to transitory provisions of IFRS 2, no expenses are to be recognised for stock options granted before November 7, 2002;
- **measurements of financial instruments:** IAS 39, in relation to the measurements of financial instruments, was adopted as from January 1, 2005 (effective date).

b) Effects of the transition to IAS/IFRS on the previously reported financial statements (prepared in accordance with Italian accounting standards) and reconciliation tables with the corresponding figures restated on the basis of IAS/IFRS

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

(euro/million)	At 01.01.2004 ITA GAAP	Note	Reclassifications	Adjustments	At 01.01.2004 IAS/IFRS	
Fixed assets	4,613.8		86.7	9.5	4,710.0	Non-current assets
Intangible assets	4,557.5		(14.8)	(0.3)	4,542.4	Intangible assets
- Goodwill	3,602.8	(A)			3,602.8	- Intangible assets with indefinite useful life
- Other intangible assets	954.7	(B)	(14.8)	(0.3)	939.6	- Intangible assets with finite useful life
Tangible assets	42.6		2.5	(0.1)	45.0	Property, plant and equipment
Long-term investments						
- Equity investments	8.3	(C)	(0.2)		8.1	Equity investments
- Other	5.4		(2.6)		2.8	Other non-current financial assets
			2.8		2.8	Other non-current assets
		(D)	99.0	9.9	108.9	Deferred tax assets
Current assets	1,193.5		(84.2)	(9.3)	1,100.0	Current assets
Inventories	12.9		(0.2)		12.7	Inventories
Trade accounts receivable	754.7		0.2		754.9	Trade accounts receivable
Other receivables						
- tax receivables	169.6	(D)	(100.3)		69.3	Current tax assets
- other receivables	81.3	(E)	15.4	(9.3)	87.4	Other current assets
Current financial assets	9.1		(8.1)		1.0	Current financial assets
Cash and cash equivalents	165.9		8.8		174.7	Cash and cash equivalents
Accrued income and prepaid expenses	20.4		(20.4)			
TOTAL ASSETS	5,827.7		(17.9)	0.2	5,810.0	TOTAL ASSETS
Liabilities	1,425.9				165.3	Non-current liabilities
Reserve for severance indemnities	32.4	(F)	(32.4)			
Reserve for risks and charges	95.6	(F)	(61.9)	21.9	55.6	Non-current reserves to employees
			0.2		0.2	Deferred tax liabilities and non-current payables for income taxes
		(G)	26.1	(5.3)	20.8	Other non-current liabilities
Bonds	105.0		(16.3)		88.7	Non-current financial debts
Debts due to other lenders	0.3		(0.3)			
					1,286.3	Current liabilities
Debts due to banks	528.3		6.1		534.4	Current financial debts
			67.1	(0.1)	67.0	Reserve for current risks and charges
Advances to suppliers	0.5		(0.5)			
Trade accounts payable	229.8		55.7		285.5	Trade accounts payable
Tax payables	243.7				243.7	Current tax payables
Debts due to social security institutions	9.0		(9.0)			
Other liabilities	181.3		(25.5)	(0.1)	155.7	Payables for services to be rendered and other current liabilities
Accrued expenses and deferred income	27.2		(27.2)			
Minority interests	5.4		0.3		5.7	Minority interests
Equity of the Group	4,369.2		(0.3)	(16.2)	4,352.7	Equity of the Group
Share capital and reserves	4,374.8				4,374.8	Share capital and reserves
Reserve for exchange rate adjustments	(5.6)		0.3		(5.3)	Reserve for exchange rate adjustments
			(0.6)	(16.2)	(16.8)	Reserve for transition to IAS/IFRS
TOTAL LIABILITIES AND EQUITY	5,827.7		(17.9)	0.2	5,810.0	TOTAL LIABILITIES AND EQUITY

2. Effects of the transition to IAS/IFRS on the Balance Sheet of the Group as at December 31, 2004

(euro/million)	At 12.31.2004 ITA GAAP	Note	Reclassifications	Adjustments	At 12.31.2004 IAS/IFRS	
Fixed assets	4,296.1		(46.5)	211.3	4,460.9	Non-current assets
Intangible assets	4,259.2		(118.7)	202.2	4,342.7	Intangible assets
- Goodwill	3,362.2	(A)		202.8	3,565.0	- Intangible assets with indefinite useful life
- Other intangible assets	897.0	(B)	(118.7)	(0.6)	777.7	- Intangible assets with finite useful life
Tangible assets	33.2		2.5		35.7	Property, plant and equipment
Long-term investments						
- Equity investments	0.4	(C)	(0.2)		0.2	Equity investments
- Other	3.3		1.6		4.9	Other non-current financial assets
			1.4		1.4	Other non-current assets
		(D)	66.9	9.1	76.0	Deferred tax assets
Current assets	992.6		(51.4)	(9.1)	932.1	Current assets
Inventories	10.3				10.3	Inventories
Trade accounts receivable	684.2		0.1		684.3	Trade accounts receivable
Other receivables						
- tax receivables	83.2	(D)	(66.9)		16.3	Current tax assets
- other receivables	76.9	(E)	13.6	(9.1)	81.4	Other current assets
Current financial assets	9.6		(7.7)		1.9	Current financial assets
Cash and cash equivalents	128.4		9.5		137.9	Cash and cash equivalents
Accrued income and prepaid expenses	19.4		(19.4)			
TOTAL ASSETS	5,308.1		(117.3)	202.2	5,393.0	TOTAL ASSETS
Liabilities	4,585.3				3,835.4	Non-current liabilities
Reserve for severance indemnities	31.4	(F)	(31.4)			
Reserve for risks and charges	75.3	(F)	(43.5)	21.1	52.9	Non-current reserves to employees
		(G)	27.9	(5.9)	22.0	Other non-current liabilities
Bonds		(B)	3,760.5		3,760.5	Non-current financial debts
Debts due to other lenders	0.2		(0.2)			
					697.6	Current liabilities
Debts due to banks	2,747.9		(2,555.7)		192.2	Current financial debts
			58.9	2.0	60.9	Reserve for current risks and charges
Trade accounts payable	227.6		46.6		274.2	Trade accounts payable
Debts due to Group's companies	1,300.4		(1,300.4)			
Tax payables	43.1				43.1	Current tax payables
Debts due to social security institutions	11.0		(11.0)			
Other liabilities	148.4		(21.2)		127.2	Payables for services to be rendered and other current liabilities
Accrued expenses and deferred income	47.9		(47.9)			
Minority interests	9.9		0.3	(0.4)	9.8	Minority interests
Equity of the Group	665.0		(0.2)	185.4	850.2	Equity of the Group
Share capital and reserves	793.2				793.2	Share capital and reserves
				3.0	3.0	Reserve for stock options
			(0.7)	(16.2)	(16.9)	Reserve for transition to IAS/IFRS
Reserve for exchange rate adjustments	(8.7)		0.5	(0.8)	(9.0)	Reserve for exchange rate adjustments
Income (loss) for the year	(119.5)			199.4	79.9	Income (loss) for the year
TOTAL LIABILITIES AND EQUITY	5,308.1		(117.3)	202.2	5,393.0	TOTAL LIABILITIES AND EQUITY

3. Effects of the transition to IAS/IFRS on the Statement of Operations of the Group for the year 2004

(euro/million)	Year 2004 ITA GAAP	Note	Reclassifications	Adjustments	Year 2004 IAS/IFRS	
Product sales and services	1,406.3		(0.6)		1,405.7	Revenues from sales and services
- Sales of goods	32.5				32.5	- Sales of goods
- Revenues from services	1,373.8		(0.6)		1,373.2	- Rendering of services
Costs capitalised as tangible or intangible assets	1.4		(1.4)			
Other income and revenues	5.0		(0.6)		4.4	Other income and revenues
TOTAL PRODUCTION VALUE	1,412.7		(2.6)		1,410.1	TOTAL REVENUES
Raw materials, supplies and consumable items	(71.8)		(2.6)		(74.4)	Raw materials
Services	(423.5)		(23.2)	0.4	(446.3)	External services
Use of third-party property	(33.8)		33.8			
Personnel	(200.7)	(H)	(7.7)	1.8	(206.6)	Salaries, wages and employees benefits
Changes in inventories of raw materials, supplies and consumable items	(2.4)		2.4			
Write-downs	(38.6)		0.6		(38.0)	Other valuation adjustments
Provision for risks	(26.9)		0.2		(26.7)	Provision to reserves for risks and charges
Miscellaneous operating costs	(3.5)		(0.2)		(3.7)	Other operating expenses
EBITDA	611.5		0.7	2.2	614.4	Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)
Operating amortisation and depreciation	(29.9)			(0.4)	(30.3)	Operating amortisation and depreciation
Non-operating amortisation	(389.2)	(B);(A)	16.9	203.5	(168.8)	Non-operating amortisation and write-down
		(I)	(28.3)	(3.0)	(31.3)	Non-recurring costs, net
		(G)	(2.7)	(1.9)	(4.6)	Restructuring costs, net
OPERATING INCOME (LOSS)	192.4		(13.4)	200.4	379.4	OPERATING INCOME (LOSS)
Interest income	8.5			0.5	9.0	Interest income
Interest expenses	(232.9)	(L)	(25.8)	(1.2)	(259.9)	Interest expenses
Valuation adjustments to financial assets	(2.0)		0.2		(1.8)	Gains (losses) on investments accounted for at equity
		(M)	8.4		8.4	Gains (losses) on disposal of equity investments
Extraordinary income	27.3		(27.3)			
Extraordinary expenses	(58.1)		58.1			
Income taxes	(48.1)		(0.2)	(0.7)	(48.9)	Income taxes
Minority interests	(6.6)	(N)		0.4	(6.2)	Minority interests
INCOME (LOSS) FOR THE YEAR	(119.5)			199.4	79.9	INCOME (LOSS) FOR THE YEAR

4. Effects of the transition to IAS/IFRS on the Statement Cash Flow of the Group for the year 2004

(euro/million)	Year 2004	Note	Reclassifications	Adjustments	Year 2004
	ITA GAAP				IAS/IFRS
Cash inflow from operating activities					
Income (loss) for the year	(112.9)			199.0	86.1
Amortisation, depreciation and write-downs	419.1	(A)	(16.9)	(203.2)	199.0
Interest expenses, net	224.4		25.8	0.8	251.0
Costs for stock options		(I)		3.0	3.0
Income taxes for the year	48.1		0.1	0.7	48.9
(Gains) losses on disposal of non-current assets	(10.8)				(10.8)
(Write-up) write-down of non-current assets	9.4		(8.5)		0.9
Changes in working capital	(134.4)		(0.1)	2.2	(132.3)
Changes in non-current liabilities	2.4		(1.7)	(2.4)	(1.7)
Exchange rates and other movements	38.3		1.7		40.0
Cash inflow from operating activities	(A)		0.4	0.1	484.1
Cash outflow for investments					
Purchase of intangible assets	(159.2)		130.2		(29.0)
Purchase of property, plant and equipment	(9.9)		(0.9)	(0.1)	(10.9)
Equity investments	(0.2)				(0.2)
Purchase of financial assets available for sale	(0.1)				(0.1)
Purchase of other non-current assets	(1.4)		1.3		(0.1)
Proceeds from disposal of non-current assets	24.0		(1.9)		22.1
Cash outflow for investments	(B)		128.7	(0.1)	(18.2)
Cash outflow for financing					
Proceeds from non-current financial loans	4,159.1				4,159.1
Repayment of non-current financial loans	(217.6)				(217.6)
Repayment of current financial loans	(528.4)				(528.4)
Repayment of transaction costs on loans			(129.3)		(129.3)
Paid interest expenses, net	(206.0)		(0.2)		(206.2)
Changes in current financial debts	0.5		0.6		1.1
Changes in non-current financial assets	(3.6)		0.5		(3.1)
Stock options and contributions from Shareholders	0.1				0.1
Paid dividends	(3,578.4)				(3,578.4)
Cash outflow for financing	(C)		(128.4)		(502.7)
Increase in cash and cash equivalents in the year	(A+B+C)		0.7		(36.8)
Cash and cash equivalents at the beginning of the year	165.9		8.8		174.7
Cash and cash equivalents at the end of the year	128.4		9.5		137.9

5. Effects on the Balance Sheet of the Group as at January 1, 2005 arising from the adoption of IAS 39

(euro/million)	At 12.31.2004 IAS/IFRS	Note	Adjustments	At 01.01.2005 IAS/IFRS
Non-current assets	4,460.9		7.9	4,468.8
Intangible assets	4,342.7			4,342.7
- Intangible assets with indefinite useful life	3,565.0			3,565.0
- Intangible assets with finite useful life	777.7			777.7
Property, plant and equipment	35.7			35.7
Equity investments	0.2			0.2
Other financial assets	4.9	(O)	(3.7)	1.2
Other non-current assets	1.4			1.4
Deferred tax assets	76.0	(O)	11.6	87.6
Current assets	932.1			932.1
Inventories	10.3			10.3
Trade accounts receivable	684.3			684.3
Current tax assets	16.3			16.3
Other current assets	81.4			81.4
Current financial assets	1.9			1.9
Cash and cash equivalents	137.9			137.9
TOTAL ASSETS	5,393.0		7.9	5,400.9
Non-current liabilities	3,835.4			3,835.4
Non-current reserves to employees	52.9			52.9
Other non-current liabilities	22.0			22.0
Non-current financial debts	3,760.5			3,760.5
Current liabilities	697.6		31.5	729.1
Current financial debts	192.2	(O)	31.5	223.7
Reserve for current risks and charges	60.9			60.9
Trade accounts payable	274.2			274.2
Current tax debts	43.1			43.1
Payables for services to be rendered and other current liabilities	127.2			127.2
Minority interests	9.8			9.8
Equity of the Group	850.2		(23.6)	826.6
Share capital and reserves	793.2			793.2
Reserve for stock options	3.0			3.0
Reserve for transition to IAS/IFRS	(16.9)	(O)	(2.5)	(19.4)
Reserve for hedging instruments		(O)	(21.1)	(21.1)
Reserve for exchange rate adjustments	(9.0)			(9.0)
Income (loss) for the year	79.9			79.9
TOTAL LIABILITIES AND EQUITY	5,393.0		7.9	5,400.9

6. Effects of the transition to IAS/IFRS on the Equity of the Group

(euro/million)	At 01.01.2004	Change during the year	At 12.31.2004	At 01.01.2005
Share capital	247.5		247.5	247.5
Additional paid-in capital	4,189.5	(3,647.6)	541.9	541.9
Other capital reserves	(35.3)	30.5	(4.8)	(4.8)
Income (loss) for the year	(32.5)	(87.0)	(119.5)	(119.5)
Total equity of the Group	4,369.2	(3,704.1)	665.1	665.1
Minority interests	5.4	4.5	9.9	9.9
Total equity Italian GAAP	4,374.6	(3,699.6)	675.0	675.0
Reserve for transition to IAS/IFRS	(16.2)	199.0	182.8	180.3
<i>IAS 36 - derecognition of goodwill amortisation</i>		203.6	203.6	203.6
<i>IFRS 2 - stock options</i>		(3.0)	(3.0)	(3.0)
<i>IAS 19 - benefits to employees</i>	(16.1)	1.3	(14.8)	(14.8)
<i>IAS 19 - present value of T.F.R.</i>	0.8	(0.5)	0.3	0.3
<i>IAS 2 - deferred expenses related to salaries, wages and employees benefits</i>	(5.9)	(0.2)	(6.1)	(6.1)
<i>IAS 37 - present value of non-current assets and liabilities</i>	1.9	0.5	2.4	2.4
<i>IAS 37 - derecognition of restructuring reserves</i>	1.6	(1.9)	(0.3)	(0.3)
<i>IAS 38 - intangible assets with finite useful life and others</i>	1.5	(0.8)	0.7	0.7
<i>IAS 39 - hedging instruments: Interest Rate Collars</i>				(2.5)
Reserve for exchange rate adjustments		(0.8)	(0.8)	(0.8)
Reserve for hedging instruments				(21.1)
Reserve for stock options		3.0	3.0	3.0
Total adjustments for transition to IAS/IFRS	(16.2)	201.2	185.0	161.4
of which Minority interests	0.3	(0.4)	(0.1)	(0.1)
Total equity	4,358.4	(3,498.4)	860.0	836.4

Notes on the main differences arising from the adoption of IAS/IFRS

(A) Intangible assets with indefinite useful life

Adjustments			
(euro/million)	At 01.01.2004	At 12.31.2004	Note
derecognition of goodwill amortisation		202.8	(A1)
Total		202.8	

(A1) Derecognition of goodwill amortisation

The SEAT Pagine Gialle group amortised goodwill arising from mergers and consolidation 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 01.01.2004	At 12.31.2004	Note
to non-current financial debts	(12.3)	(116.3)	(B1)
to property, plant and equipment	(2.5)	(2.4)	(B2)
Total	(14.8)	(118.7)	

(B1) Transaction costs on non-current financial loans

The SEAT Pagine Gialle group recognised the transaction costs incurred at the acquisition 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 32. The relevant amortisation for the period is now recognised as interest expenses (€ 16.9 million in 2004).

(B2) Capitalized 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 as at January 1, 2004 were derecognised, net of the relevant tax effect, against equity.

Highlights and general information	5		
Report on Operations	16		
Financial Statements of the Group	96		
Financial Statements of SEAT Pagine Gialle S.p.A.	142	→	Transition to IAS/IFRS: SEAT PG group 182
Other information	175		Transition to IAS/IFRS: SEAT Pagine Gialle S.p.A. 196
→ Transition to IAS/IFRS	182		Independent Auditors' Report 208

(C) Equity investments

Reclassifications

(euro/million)	At 01.01.2004	At 12.31.2004	Note
to financial assets available for sale	(0.2)	(0.2)	(C1)
Total	(0.2)	(0.2)	

(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 equity investments with a non significant interest accounted for at cost on the basis of Italian accounting standards. Pursuant to IAS 27 and 28 these 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 01.01.2004	At 12.31.2004	Note
from other tax receivables	100.3	66.9	
from deferred tax liabilities	(1.3)	-	
Total	99.0	66.9	

Adjustments

(euro/million)	At 01.01.2004	At 12.31.2004	Note
tax effects on IAS/IFRS adjustments	9.9	9.1	(D1)
Total	9.9	9.1	

(D1) Deferred tax assets

Deferred tax assets were adjusted to reflect the net tax effects on the adjustments arising in balance sheet from the transition to IAS/IFRS. When these IAS/IFRS adjustments had a corresponding entry in the 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 01.01.2004	At 12.31.2004	Note
present value of receivables due to sales agents	(0.9)	(0.6)	(E1)
prepaid expenses	(8.4)	(8.6)	(E2)
Total	(9.3)	(9.1)	

(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 cumulative actuarial losses as 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 01.01.2004	At 12.31.2004	Note
present value of the reserve for severance indemnities	(1.2)	(0.7)	(F1)
reserve for defined benefit plans	66.5	74.1	(F1)
pension plans	(43.4)	(52.3)	(F1)
Total	21.9	21.1	

(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 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 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 each plan asset is divided by the expected average remaining working life 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, as noted in the paragraph "Optional exemptions allowed by IFRS 1", 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 employee benefits, recognised in the statement of operations for 2004 and 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.

Highlights and general information	5		
Report on Operations	16		
Financial Statements of the Group	96		
Financial Statements of SEAT Pagine Gialle S.p.A.	142	→ Transition to IAS/IFRS: SEAT PG group	182
Other information	175	Transition to IAS/IFRS: SEAT Pagine Gialle S.p.A.	196
→ Transition to IAS/IFRS	182	Independent Auditors' Report	208

(G) Other non-current liabilities

Adjustments

(euro/million)	At 01.01.2004	At 12.31.2004	Note
present value of reserve for sales agents' termination indemnities	(3.8)	(3.8)	(G1)
present value of reserve for non-current risks and charges	-	(0.1)	(G1)
write-off of restructuring reserves	(1.5)	(2.0)	(G2)
Total	(5.3)	(5.9)	

(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 life of sales agency agreements.

(G2) Reserves for restructuring costs

The SEAT Pagine Gialle group recognised reserves for restructuring costs 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 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 2004.

(H) Salaries, wages and employees benefits

Adjustments

(euro/million)	Year 2004	Note
salaries, wages and benefits employees	(0.2)	(E2)
adjustments of reserve for defined benefits plan to IAS 19	1.3	(F1)
adjustments of reserve for severance indemnities to IAS 19	0.7	(F1)
Total	1.8	

(I) Non-recurring costs

Adjustments

(euro/million)	Year 2004	Note
stock option costs	(3.0)	(I1)
Total	(3.0)	

(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 grant date is to be recognised in the statement of operations. Changes in the fair value subsequent to grant date will have no impact on this first evaluation. The stock options cost - equivalent to their fair value at grant date - is recognised as a non-recurring cost to employees split in straight-line amounts in the vesting period, with a corresponding entry in a specific reserve of equity.

(L) Interest expenses

Reclassifications

(euro/million)	Year 2004	Note
from non-operating amortisation	(16.9)	(B1)
from extraordinary expenses	(8.7)	(B1)
from valuation adjustments to equity investments	(0.2)	(C1)
Total	(25.8)	

Adjustments

(euro/million)	Year 2004	Note
reserve for severance indemnities	(1.2)	(F1)
Total	(1.2)	

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

Reclassifications

(euro/million)	Year 2004	Note
from extraordinary income from the disposal of equity investments	22.8	
from extraordinary expenses from the disposal of equity investments	(14.4)	
Total	8.4	

(N) Minority interests

Adjustments

(euro/million)	Year 2004	Note
IAS adjustments on the result to Minority (Telegate)	0.4	
Total	0.4	

Highlights and general information	5		
Report on Operations	16		
Financial Statements of the Group	96		
Financial Statements of SEAT Pagine Gialle S.p.A.	142	→	Transition to IAS/IFRS: SEAT PG group 182
Other information	175		Transition to IAS/IFRS: SEAT Pagine Gialle S.p.A. 196
→ Transition to IAS/IFRS	182		Independent Auditors' Report 208

(O) Effects at January 1, 2005 arising from the adoption of IAS 39

a) Interest Rate Swaps as hedging instruments

The SEAT Pagine Gialle group in the past entered into two Interest Rate Swaps with major international financial counterparties. The adoption of IAS 39 as from January 1, 2005 required the recognition of:

- a liability of € 19.1 million;
- deferred tax assets of € 6.3 million;
- a reserve of equity of € -12.8 million.

b) Interest Rate Collar hedging instruments

The SEAT Pagine Gialle group last year entered into three Interest Rate Collars with major international financial counterparties to enhance the previous hedging instruments. The adoption of IAS 39 as from January 1, 2005 required the recognition of:

- a liability of € 12.4 million;
- deferred tax assets of € 4.1 million;
- a reserve of equity of € -8.3 million.

In addition, pursuant to Italian accounting standards, the expenses, which amounted to € 3.7 million, incurred for entering the aforementioned Interest Rate Collars were deferred until the relevant hedging instruments are effective (December 2006).

On January 1, 2005 according to IAS 39, these deferred costs were written off with a corresponding entry in the "Reserve for the transition to IAS/IFRS", net of € 1.2 million for the relevant tax effect.

➤ Transition to International Accounting Standards (IAS/IFRS): SEAT Pagine Gialle S.p.A.

As the European regulation No. 1606 dated July 2002 became effective, as from January 1, 2005, SEAT Pagine Gialle S.p.A. 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).

Taking into account the Recommendation of CESR (Committee of European Securities Regulators) issued on December 30, 2003 and the Regulation for listed companies, as modified by CONSOB with Resolution No. 14990 dated April 14, 2005, hereafter is set out the information required by IFRS 1. In particular this report describes:

- a) IAS/IFRS adopted in preparing the opening Balance Sheet as at January 1, 2004, the Statement of Operations for 2004 and the Balance Sheet as at December 31, 2004;
- b) the effects of the transition to IAS/IFRS on the previously reported financial statements (prepared in accordance with Italian accounting standards) and the reconciliations with the corresponding figures restated on the basis of IAS/IFRS.

The Balance Sheet and Statement of Operations for 2004 were prepared in accordance with the provisions of 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).

a) Accounting standards adopted in preparing the opening Balance Sheet as at January 1, 2004, the Statement of Operations for 2004 and Balance Sheet as at December 31, 2004

Please refer to the section "Financial statements of SEAT Pagine Gialle S.p.A. - Accounting principles and notes" for a brief description of the IAS/IFRS adopted.

First time application of IAS/IFRS

General principle

IAS/IFRS, which were effective at December 31, 2004 (as well as IFRS 2) were applied retrospectively by SEAT Pagine Gialle S.p.A., to the opening balance sheet as at January 1, 2004, the statement of operations for the year 2004 and the balance sheet as at December 31, 2004, except for some exemptions adopted by the Group in compliance with IFRS 1, as described below.

The financial statements thus prepared will represent the official values reported for comparative purposes in the financial statements as at December 31, 2005 of SEAT Pagine Gialle S.p.A.. These values may be subject to variations that might be necessary if some international accounting standards should be reviewed or changed during 2005. If new versions or interpretations of IAS/IFRS should be issued, possibly with retroactive impact, before the financial statements as at December 31, 2005 will be approved, these might have effects on the balance sheet and statement of operations for 2004 restated in accordance with IAS/IFRS and here presented.

The reconciliation tables to IAS/IFRS were prepared only for transition purposes in order to produce the first consolidated financial statements in compliance with IAS/IFRS as approved by the European Commission. Therefore, these reconciliation tables don't include comparative figures and notes which are requested by IAS/IFRS for a fairly representation of the financial position and economic performance.

Highlights and general information	5		
Report on Operations	16		
Financial Statements of the Group	96		
Financial Statements of SEAT Pagine Gialle S.p.A.	142	Transition to IAS/IFRS: SEAT PG group	182
Other information	175	→ Transition to IAS/IFRS: SEAT Pagine Gialle S.p.A.	196
→ Transition to IAS/IFRS	182	Independent Auditors' Report	208

The opening balance sheet as at January 1, 2004 reflects the following accounting differences compared to the financial statements as at December 31, 2003, prepared in accordance with Italian accounting standards:

- all assets and liabilities, which are to be recognised under IAS/IFRS, including those not recognised under Italian accounting standards, were recognised and evaluated in compliance with IAS/IFRS;
- all assets and liabilities, which are to be recognised under Italian accounting standards, but not permitted by IAS/IFRS, were written-off;
- some items were reclassified in accordance with IAS/IFRS.

The effects of these adjustments were directly recognised in the opening net equity at the transition date (January 1, 2004). The transition to IAS/IFRS required the estimates previously performed in accordance with Italian accounting standards remained unchanged, unless the adoption of IAS/IFRS required the application of different criteria to produce these estimates.

Accounting policies in opening IFRS balance sheet

In order to restate the balance sheet as at January 1, 2004 and December 31, 2004, among other things, SEAT Pagine Gialle S.p.A. had to choose among the options provided for IAS/IFRS:

- **presentation of financial statements:** for the face of the balance sheet it was decided to use the "current/non-current" criterion (which is generally applied by manufacturing and trading companies), while for the face of statement of operations it was decided to classify the costs by nature; this decision implied the reclassification of the historic financial statements that were prepared in accordance with the formats provided for by Legislative Decree 127/1991;
- **optional exemptions allowed by IFRS 1 at the transition date to IAS/IFRS (January 1, 2004):**
 - *business combinations:* SEAT Pagine Gialle S.p.A. decided not to apply IFRS 3 "Business combinations" retrospectively for transactions that took place before the date of transition to IAS/IFRS;
 - *employee benefits:* SEAT Pagine Gialle S.p.A. decided to recognise all cumulative actuarial gains and losses as at January 1, 2004, and to adopt the "corridor approach" for the actuarial gains and losses that will arise following that date;
 - *share-based payments:* SEAT Pagine Gialle S.p.A. adopted the transitory provisions of IFRS 2 and, therefore, applied this standard to all the stock option plans granted after November 7, 2002 and not yet vested at the effective date of IFRS 2 (January 1, 2005). according to transitory provisions of IFRS 2, no expenses are to be recognised for stock options granted before November 7, 2002;
- **measurements of financial instruments:** IAS 39, in relation to the measurements of financial instruments, was adopted as from January 1, 2005 (effective date).

b) Effects of the transition to IAS/IFRS on the previously reported financial statements (prepared in accordance with Italian accounting standards) and reconciliation tables with the corresponding figures restated on the basis of IAS/IFRS

1. Effects of the transition to IAS/IFRS on the Balance Sheet of SEAT Pagine Gialle S.p.A. as at January 1, 2004

(euro/million)	At 01.01.2004 ITA GAAP	Note	Reclassifications	Adjustments	At 01.01.2004 IAS/IFRS	
Fixed assets	4,394.9		76.0	7.6	4,478.5	Non-current assets
Intangible assets	4,120.0		(13.4)	10.2	4,116.8	Intangible assets
- Goodwill	3,177.0	(A)		10.2	3,187.2	- Intangible assets with indefinite useful life
- Other intangible assets	943.0	(B)	(13.4)		929.6	- Intangible assets with finite useful life
Tangible assets	9.2		1.1		10.3	Property, plant and equipment
Long-term investments						
- Equity investments	262.9				262.9	Equity investments
- Other	2.8		(2.0)		0.8	Other non-current financial assets
			2.4		2.4	Other non-current assets
		(C)	87.9	(2.6)	85.3	Deferred tax assets
Current assets	1,248.0		(83.0)	(1.0)	1,164.0	Current assets
Inventories	11.6				11.6	Inventories
Trade accounts receivable	671.0		4.5		675.5	Trade accounts receivable
Receivables from subsidiaries and associates	203.3		(203.3)			
Other receivables						
- tax receivables	154.2	(C)	(87.9)		66.3	Current tax assets
- other receivables	77.7	(D)	1.2	(1.0)	77.9	Other current assets
Current financial assets			202.5		202.5	Current financial assets
Cash and cash equivalents	130.2				130.2	Cash and cash equivalents
Accrued income and prepaid expenses	5.3		(5.3)			
TOTAL ASSETS	5,648.2		(12.3)	6.6	5,642.5	TOTAL ASSETS
Liabilities	1,214.2				31.6	Non-current liabilities
Reserve for severance indemnities	30.0	(E)	(30.0)			
Reserve for risks and charges	63.2	(E)	(33.2)	(1.2)	28.8	Non-current reserves to employees
		(F)	18.9	(3.8)	15.1	Other non-current liabilities
Bonds			(12.3)		(12.3)	Non-current financial debts
					1,168.8	Current liabilities
Debts due to banks	528.3		3.4		531.7	Current financial debts
			44.3		44.3	Reserve for current risks and charges
Trade accounts payable	198.4		29.7		228.1	Trade accounts payable
Debts due to Group's companies	7.1		(7.1)			
Tax payables	227.2				227.2	Current tax payables
Debts due to social security institutions	6.6		(6.6)			
Other liabilities	153.4		(15.9)		137.5	Payables for services to be rendered and other current liabilities
Accrued expenses and deferred income	3.5		(3.5)			
Equity	4,430.5			11.6	4,442.1	Equity
Share capital and reserves	4,430.5				4,430.5	Share capital and reserves
				11.6	11.6	Reserve for transition to IAS/IFRS
TOTAL LIABILITIES AND EQUITY	5,648.2		(12.3)	6.6	5,642.5	TOTAL LIABILITIES AND EQUITY

2. Effects of the transition to IAS/IFRS on the Balance Sheet of SEAT Pagine Gialle S.p.A. as at December 31, 2004

(euro/million)	At 12.31.2004 ITA GAAP	Note	Reclassifications	Adjustments	At 12.31.2004 IAS/IFRS	
Fixed assets	4,357.7		(59.8)	161.4	4,459.3	Non-current assets
Intangible assets	3,913.1		(117.9)	162.7	3,957.9	Intangible assets
- Goodwill	3,024.4	(A)		162.7	3,187.1	- Intangible assets with indefinite useful life
- Other intangible assets	888.7	(B)	(117.9)		770.8	- Intangible assets with finite useful life
Fixed assets	8.4		1.6		10.0	Property, plant and equipment
Long-term investments						
- Equity investments	265.6		(0.1)		265.5	Equity investments
- Other	170.6		1.7		172.3	Other non-current financial assets
			1.3		1.3	Other non-current assets
		(C)	53.6	(1.3)	52.3	Deferred tax assets
Current assets	943.4		(49.1)	(0.5)	893.8	Current assets
Inventories	8.8				8.8	Inventories
Trade accounts receivable	605.3		12.4		617.7	Trade accounts receivable
Receivables from subsidiaries and associates	79.9		(79.9)			
Other receivables						
- tax receivables	68.5	(C)	(53.6)		14.9	Current tax assets
- other receivables	73.0	(D)	0.9	(0.5)	73.4	Other current assets
Current financial assets			71.1		71.1	Current financial assets
Cash and cash equivalents	107.9				107.9	Cash and cash equivalents
Accrued income and prepaid expenses	8.1		(8.1)			
TOTAL ASSETS	5,309.2		(117.0)	160.9	5,353.1	TOTAL ASSETS
Liabilities	4,553.9				3,807.0	Non-current liabilities
Reserve for severance indemnities	28.9	(E)	(28.9)			
Reserve for risks and charges	63.3	(E)	(33.9)	(0.7)	28.7	Non-current reserves to employees
		(F)	21.7	(3.8)	17.9	Other non-current liabilities
Bonds		(B)	3,760.4		3,760.4	Non-current financial debts
Debts due to Lighthouse	1,300.4		(1,300.4)			
					646.4	Current liabilities
Debts due to banks	2,747.9		(2,515.4)		232.5	Current financial debts
			40.5		40.5	Reserve for current risks and charges
Trade accounts payable	199.3		32.0		231.3	Trade accounts payable
Debts due to Group's companies	46.7		(46.7)			
Tax payables	28.6				28.6	Current tax payables
Debts due to social security institutions	8.1		(8.1)			
Other liabilities	130.7		(17.2)		113.5	Payables for services to be rendered and other current liabilities
Accrued expenses and deferred income	21.0		(21.0)			
Equity	734.3			165.4	899.7	Equity
Share capital and reserves	852.3				852.3	Share capital and reserves
				2.5	2.5	Reserve for stock options
				11.6	11.6	Reserve for transition to IAS/IFRS
Income (loss) for the year	(118.0)			151.3	33.3	Income (loss) for the year
TOTAL LIABILITIES AND EQUITY	5,309.2		(117.0)	160.9	5,353.1	TOTAL LIABILITIES AND EQUITY

3. Effects of the transition to the IAS/IFRS on the Statement of Operations of SEAT Pagine Gialle S.p.A. for the year 2004

(euro/million)	Year 2004 ITA GAAP	Note	Reclassifications	Adjustments	Year 2004 IAS/IFRS	
Product sales and services	1,060.4		(0.7)		1,059.7	Revenues from sales and services
- Sales of goods	27.1				27.1	- Sales of goods
- Revenues from services	1,033.3		(0.7)		1,032.6	- Rendering of services
Other income and revenues	5.0				5.0	Other income and revenues
TOTAL PRODUCTION VALUE	1,065.4		(0.7)		1,064.7	TOTAL REVENUES
Raw materials, supplies and consumable items	(59.1)		(2.8)		(61.9)	Raw materials
Services	(312.2)		(19.1)		(331.3)	External services
Use of third-party property	(24.2)		24.2			
Personnel	(82.0)		(4.1)	0.8	(85.3)	Salaries, wages and employees benefits
Changes in inventories of raw materials, supplies and consumable items	(2.8)		2.8			
Write-downs	(28.5)				(28.5)	Other valuation adjustments
Provision for risks	(23.9)				(23.9)	Provision to reserves for risks and charges
Miscellaneous operating costs	(2.9)				(2.9)	Other operating expenses
EBITDA	529.8		0.3	0.8	530.9	Operating income before amortisation, depreciation, non-recurring and restructuring costs, net (EBITDA)
Operating amortisation and depreciation	(17.3)				(17.3)	Operating amortisation and depreciation
Non-operating amortisation	(341.7)	(B);(A)	16.9	162.7	(162.1)	Non-operating amortisation
		(G)	(25.1)	(2.5)	(27.6)	Non-recurring costs, net
			(2.8)		(2.8)	Restructuring costs, net
OPERATING INCOME (LOSS)	170.8		(10.7)	161.0	321.1	OPERATING INCOME (LOSS)
Interest income	21.2			0.4	21.6	Interest income
Interest expenses	(211.6)		(25.6)	(1.2)	(238.4)	Interest expenses
Valuation adjustments to financial assets	(30.0)		(1.5)		(31.5)	Write-down of equity investments
			4.5		4.5	Gains (losses) on disposal of equity investments
Extraordinary income	26.0	(A)	(15.8)	(10.2)		
Extraordinary expenses	(50.5)	(A)	49.2	1.3		
Income taxes	(43.9)		(0.1)		(44.0)	Income taxes
INCOME (LOSS) FOR THE YEAR	(118.0)			151.3	33.3	INCOME (LOSS) FOR THE YEAR

4. Effects of the transition to IAS/IFRS on the Statement of Cash Flow of SEAT Pagine Gialle S.p.A. for the year 2004

(euro/million)	Year 2004 ITA GAAP	Note	Reclassifications	Adjustments	Year 2004 IAS/IFRS
Cash inflow from operating activities					
Income (loss) for the year	(118.0)			151.3	33.3
Amortisation, depreciation and write-downs	359.0	(A)	(16.9)	(162.7)	179.4
Interest expenses, net	190.4		25.6	0.9	216.9
Costs for stock options		(G)		2.5	2.5
Income taxes for the year	43.9		1.4	(1.3)	44.0
(Gains) losses on disposal of non-current assets	(7.0)		2.4		(4.6)
(Write-up) write-down of non-current assets	32.4	(A)	(12.5)	10.2	30.1
Changes in operating working capital	66.5		(0.7)	(0.4)	65.4
Changes in non-operating working capital	(181.6)		(1.3)		(182.9)
Changes in non-current operating liabilities	2.9		(0.7)	0.4	2.6
Cash inflow from operating activities	(A)		(2.7)	0.9	386.7
Cash outflow for investments					
Purchase of intangible assets	(145.3)		130.2		(15.1)
Purchase of property, plant and equipment	(4.6)		(0.9)		(5.5)
Equity investments	(213.3)		172.8		(40.5)
Purchase of financial assets available for sale			(0.1)		(0.1)
Proceeds from disposal of non-current assets	16.0		(2.2)		13.8
Net cash outflow for investments	(B)		299.8		(47.4)
Net cash outflow for financing					
Proceeds from non-current financial loans	4.159.1				4.159.1
Repayment of non-current financial loans	(108.5)				(108.5)
Repayment of current financial loans	(528.4)				(528.4)
Repayment of transaction costs on loans	(129.3)				(129.3)
Changes in current financial debts	169.0		(129.3)		39.7
Paid interest expenses, net	(173.7)		3.8	(0.9)	(170.8)
Changes in current financial assets	130.2				130.2
Changes in non-current financial assets	(3.8)		(171.6)		(175.4)
Paid dividends	(3.578.2)				(3.578.2)
Cash outflow for financing	(C)		(297.1)	(0.9)	(361.6)
Increase in cash and cash equivalents in the year	(A+B+C)				(22.3)
Cash and cash equivalents at the beginning of the year					130.2
Cash and cash equivalents at the end of the year					107.9

5. Effects on the Balance Sheet of SEAT Pagine Gialle S.p.A. as at January 1, 2005 arising from the adoption of IAS 39

(euro/million)	At 12.31.2004 IAS/IFRS	Note	Adjustments	At 01.01.2005 IAS/IFRS
Non-current assets	4,459.3		7.9	4,467.2
Intangible assets	3,957.9			3,957.9
- Intangible assets with indefinite useful life	3,187.1			3,187.1
- Intangible assets with finite useful life	770.8			770.8
Property, plant and equipment	10.0			10.0
Equity investments	265.5			265.5
Other financial assets	172.3	(H)	(3.7)	168.6
Other non-current assets	1.3			1.3
Deferred tax assets	52.3	(H)	11.6	63.9
Current assets	893.8			893.8
Inventories	8.8			8.8
Trade accounts receivable	617.6			617.6
Current tax assets	15.0			15.0
Other current assets	73.4			73.4
Current financial assets	71.1			71.1
Cash and cash equivalents	107.9			107.9
TOTAL ASSETS	5,353.1		7.9	5,361.0
Non-current liabilities	3,807.0			3,807.0
Non-current reserves to employees	28.7			28.7
Other non-current liabilities	17.9			17.9
Non-current financial debts	3,760.4			3,760.4
Current liabilities	646.4		31.5	677.9
Current financial debts	232.5	(H)	31.5	264.0
Reserve for current risks and charges	40.5			40.5
Trade accounts payable	231.3			231.3
Current tax debts	28.6			28.6
Payables for services to be rendered and other current liabilities	113.5			113.5
Equity	899.7		(23.6)	876.1
Share capital and reserves	852.3			852.3
Reserve for stock options	2.5			2.5
Reserve for transition to IAS/IFRS	11.6	(H)	(2.5)	9.1
Reserve for hedging instruments		(H)	(21.1)	(21.1)
Income for the year	33.3			33.3
TOTAL LIABILITIES AND EQUITY	5,353.1		7.9	5,361.0

Highlights and general information	5		
Report on Operations	16		
Financial Statements of the Group	96		
Financial Statements of SEAT Pagine Gialle S.p.A.	142	Transition to IAS/IFRS: SEAT PG group	182
Other information	175	→ Transition to IAS/IFRS: SEAT Pagine Gialle S.p.A.	196
→ Transition to IAS/IFRS	182	Independent Auditors' Report	208

6. Effects of the transition to IAS/IFRS on the Equity of SEAT PAGINE GIALLE S.p.A.

(euro/million)	At 01.01.2004	Change during the year	At 12.31.2004	At 01.01.2005
Share capital	247.5		247.5	247.5
Additional paid-in capital	4,189.5	(3,647.6)	541.9	541.9
Other reserves	34.6	28.3	62.9	62.9
Income (loss) for the year	(41.1)	(76.9)	(118.0)	(118.0)
Total equity (Italian GAAP)	4,430.5	(3,696.2)	734.3	734.3
Reserve for transition to IAS/IFRS	11.6	151.3	162.9	160.4
<i>IAS 36 - derecognition of goodwill amortisation</i>	8.9	153.9	162.8	162.8
<i>IFRS 2 - stock options</i>		(2.5)	(2.5)	(2.5)
<i>IAS 19 - present value of T.F.R.</i>	0.8	(0.4)	0.4	0.4
<i>IAS 37 - present value of non-current assets and liabilities</i>	1.9	0.3	2.2	2.2
<i>IAS 39 - hedging instruments: Interest Rate Collars</i>				(2.5)
Reserve for hedging instruments				(21.1)
Reserve for stock options		2.5	2.5	2.5
Total adjustments for transition to IAS /IFRS	11.6	153.8	165.4	141.8
Total equity	4,442.1	(3,542.4)	899.7	876.1

Notes on the main differences arising from adoption of IAS/IFRS

(A) Intangible assets with indefinite useful life

Adjustments			
(euro/million)	At 01.01.2004	At 12.31.2004	Note
derecognition of goodwill amortisation		162.7	(A1)
derecognition of goodwill amortisation recognised in the past for tax purpose	10.2		(A2)
Total	10.2	162.7	

(A1) Derecognition of goodwill amortisation

SEAT Pagine Gialle S.p.A. amortised goodwill recognised in the balance sheet according to the Italian accounting standards. 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.

(A2) Derecognition of goodwill amortisation recognised in the past for tax purposes

The goodwill amortisation recognised exclusively for tax purposes in 2003 were derecognised, net of the relevant tax effects.

(B) Intangible assets with finite useful life

Reclassifications			
(euro/million)	At 01.01.2004	At 12.31.2004	Note
to non-current financial debts	(12.3)	(116.3)	(B1)
to property, plant and equipment	(1.1)	(1.6)	(B2)
Total	(13.4)	(117.9)	

(B1) Transaction costs on non-current financial debts

SEAT Pagine Gialle S.p.A. recognised the transaction costs incurred at the acquisition 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 36 and 38 do 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 32. The relevant amortisation for the period is now recognised as interest expenses (€ 16.9 million in 2004).

(B2) Capitalised expenses on third party property

SEAT Pagine Gialle S.p.A. 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 on 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 analyzed 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".

Highlights and general information	5		
Report on Operations	16		
Financial Statements of the Group	96		
Financial Statements of SEAT Pagine Gialle S.p.A.	142	Transition to IAS/IFRS: SEAT PG group	182
Other information	175	→ Transition to IAS/IFRS: SEAT Pagine Gialle S.p.A.	196
→ Transition to IAS/IFRS	182	Independent Auditors' Report	208

(C) Deferred tax assets

Reclassifications			
(euro/million)	At 01.01.2004	At 12.31.2004	Note
from other receivables (included in the current assets)	87.9	53.6	
Total	87.9	53.6	

Adjustments			
(euro/million)	At 01.01.2004	At 12.31.2004	Note
tax effect on derecognition of goodwill amortisation recognised in the past for tax purposes	(1.3)		(A2)
tax effect on IAS/IFRS adjustments	(1.3)	(1.3)	(C1)
Total	(2.6)	(1.3)	

(C1) Deferred tax assets

Deferred tax assets were adjusted to reflect the net tax effects on 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 the working capital pursuant to the Italian accounting standards, are recognised as non-current assets according to IAS/IFRS.

(D) Other current assets

Adjustments			
(euro/million)	At 01.01.2004	At 12.31.2004	Note
present value of receivables due to sales agents	(1.0)	(0.5)	(D1)
Total	(1.0)	(0.5)	

(D1) 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.

(E) Non-current reserves to employees

Reclassifications			
(euro/million)	At 01.01.2004	At 12.31.2004	Note
present value of the reserve for severance indemnities	(1.2)	(0.7)	(E1)
Total	(1.2)	(0.7)	

(E1) Reserves to employees - reserve for severance indemnities (TFR)

This reserve was recognised for the amount resulting from the application of specific Italian laws.

According to IAS/IFRS, TFR is now considered a defined benefit obligation to be accounted for on the basis of Italian accounting standards according to requirements of IAS 19 and, consequently, it was measured by applying the "projected unit credit method".

In addition, as noted in the paragraph on "Optional exemptions allowed by IFRS 1", SEAT Pagine Gialle S.p.A. decided to recognise all the cumulative actuarial losses as at January 1, 2004. Following that date, however, it decided to use the corridor approach.

(F) Other non-current liabilities

Adjustments

(euro/million)	At 01.01.2004	At 12.31.2004	Note
present value of reserve for sale agents' termination indemnities	(3.8)	(3.8)	(F1)
Total	(3.8)	(3.8)	

(F1) 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 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 life of sales agency agreements.

(G) Non-recurring costs

Adjustments

(euro/million)	Year 2004	Note
stock option costs	(2.5)	(G1)
Total	(2.5)	

(G1) Non-recurring costs, net - 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 grant date is to be recognised in the statement of operations. Changes in the fair value subsequent to grant date will have no impact on this first evaluation. The stock options cost - equivalent to their fair value at grant date - is recognised as a non-recurring cost to employees split in straight-line amounts in the vesting period, with a corresponding entry in a specific reserve of net equity.

Highlights and general information	5	
Report on Operations	16	
Financial Statements of the Group	96	
Financial Statements of SEAT Pagine Gialle S.p.A.	142	Transition to IAS/IFRS: SEAT PG group 182
Other information	175	→ Transition to IAS/IFRS: SEAT Pagine Gialle S.p.A. 196
→ Transition to IAS/IFRS	182	Independent Auditors' Report 208

(H) Effects at January 1, 2005 arising from the adoption of IAS 39

a) Interest Rate Swaps as hedging instruments

SEAT Pagine Gialle S.p.A. in the past entered into two Interest Rate Swaps with major international financial counterparties. The adoption of IAS 39 as from January 1, 2005 required the recognition of:

- a liability of € 19.1 million;
- deferred tax assets of € 6.3 million;
- a reserve of equity of € -12.8 million.

b) Interest Rate Collar hedging instruments

SEAT Pagine Gialle S.p.A. last year entered into three Interest Rate Collars with major international financial counterparties to enhance the previous hedging instruments. The adoption of IAS 39 as from January 1, 2005 required the recognition of:

- a liability of € 12.4 million;
- deferred tax assets of € 4.1 million;
- a reserve of equity of € -8.3 million.

In addition, pursuant to Italian accounting standards, the expenses, which amounted to € 3.7 million, incurred for entering the aforementioned Interest Rate Collars were deferred until the relevant hedging instruments are effective (December 2006).

On January 1, 2005 according to IAS 39, these deferred costs were written off with a corresponding entry in the "Reserve for the transition to IAS/IFRS", net of € 1.2 million for the relevant tax effect.

INDEPENDENT AUDITOR'S REPORT ON THE IFRS RECONCILIATION STATEMENTS WITH EXPLANATION OF THE EFFECTS OF THE TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

(Translation from the original Italian text)

To the Board of Directors
of SEAT Pagine Gialle S.p.A.

1. We have audited the accompanying statements of reconciliation - comprising the SEAT Pagine Gialle S.p.A. consolidated and separate balance sheets as of January 1, 2004, December 31, 2004 and January 1, 2005 and the SEAT Pagine Gialle S.p.A. consolidated and separate statements of income for the year ended December 31, 2004 - of SEAT Pagine Gialle S.p.A. consolidated and separate shareholders' equity as of January 1, 2004, December 31, 2004 and January 1, 2005 and of SEAT Pagine Gialle S.p.A. consolidated and separate net income for the year ended December 31, 2004 (hereinafter, the "IFRS Reconciliation Statements") and the related explanatory notes, as presented in the Section "Transition to IAS/IFRS" of the First Half Year Report for the six month period ended June 30, 2005. These IFRS Reconciliation Statements are based on the consolidated and separate financial statements of SEAT Pagine Gialle S.p.A. as of December 31, 2004, prepared in accordance with the Italian regulations governing the criteria for their preparation, which we have previously audited and on which we issued our auditor's report dated April 12, 2005. The IFRS Reconciliation Statements have been prepared as part of the Group's conversion to International Financial Reporting Standards (IFRS) as adopted by the European Commission. These IFRS Reconciliation Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these IFRS Reconciliation Statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in Italy. In accordance with such standards we planned and performed the audit to obtain the information necessary in order to determine whether the IFRS reconciliations are materially misstated. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the IFRS Reconciliation Statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the IFRS Reconciliation Statements identified in paragraph 1. above, taken as a whole, have been prepared in all material respects in accordance with the criteria and principles set out in article 81 of CONSOB Regulation no. 11971/1999 as amended by Resolution no. 14990 of April 14, 2005.

Highlights and general information	5		
Report on Operations	16		
Financial Statements of the Group	96		
Financial Statements of SEAT Pagine Gialle S.p.A.	142	Transition to IAS/IFRS: SEAT PG group	182
Other information	175	Transition to IAS/IFRS: SEAT Pagine Gialle S.p.A.	196
→ Transition to IAS/IFRS	182	→ Independent Auditors' Report	208



■ Reconta Ernst & Young S.p.A.

4. We draw your attention to the fact that the IFRS Reconciliation Statements, as described in the explanatory notes on the transition to International Financial Reporting Standards, will constitute the published data for comparative information in the first complete set of consolidated and separate financial statements; these data may require adjustments if some international financial reporting standards will be reviewed or amended before the publication of such set of consolidated and separate financial statements. Moreover, the IFRS Reconciliation Statements, having been prepared as part of the Group's conversion to IFRS in connection with preparation of its first complete set of separate and consolidated financial statements in accordance with IFRS as adopted by the European Commission, do not include comparative information and necessary explanatory notes which would be required for a true and fair view of the financial position and results of operations of the SEAT Pagine Gialle S.p.A. Group and SEAT Pagine Gialle S.p.A. Parent Company in conformity with IFRS.

Turin, September 12, 2005

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

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Secondary office: Via Saffi, 18 - 10138 Turin (Italy)
Fully paid-up share capital: euro 248,011,964.46
Tax Code: 03970540963
VAT Code: 03970540963
Milan Register of Companies No. 03970540963

Art direction Barabino & Partners

Graphic concept Fotolito BN

Printed by Fotolito BN

Printed in June 2006